MARTIN R. GLICK*
H. JOSEPH ESCHER III
MARLA J. MILLER
HOWARD, RICE, NEMEROVSKI, CANADY,
ROBERTSON & FALK
A Professional Corporation
Three Embarcadero Center, 7th Floor
San Francisco, California 94111
Telephone: 415/434-1600

*Counsel of Record

Of Counsel:
SCOTT HOVER-SMOOT

Attorneys for Defendant-Appellant
Activision, Inc.

HOWARD RICE NEMEROVSKI CANADY ROBERTSON & FALK
A Professional Corporation

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

THE MAGNAVOX COMPANY, a corporation, and SANDERS ASSOCIATES, INC., a corporation, Plaintiffs-Appellees, vs. ACTIVISION, INC., a corporation, Defendant-Appellant.	No. 86-852

ACTIVISION, INC.'S BRIEF
REGARDING MAGNAVOX' MOTION
TO DISMISS APPEAL AND FOR SANCTIONS

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HOWARD RICE NEMEROVSKI CANADY ROBERTSON & FALK
A Professional Corporation

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MARTIN R. GLICK*
H. JOSEPH ESCHER III
MARLA J. MILLER
HOWARD, RICE, NEMEROVSKI, CANADY,
ROBERTSON & FALK
A Professional Corporation
Three Embarcadero Center, 7th Floor
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Telephone: 415/434-1600

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INTRODUCTION

Defendant-Appellant Activision, Inc. ("Activision") opposes at this time Magnavox' attempt to dismiss its interlocutory appeal filed pursuant to 28 U.S.C. Section 1292(c)(2). Activision has proceeded at all times in good faith to preserve its right to an interlocutory appeal on the issues of patent validity and

infringement. As we set forth more fully below, Activision made several attempts--all rebuffed--to cooperate with Magnavox regarding the preservation of its interlocutory appeal. It is Magnavox' failure to make any effort to cooperate that has caused this unnecessary motion to be filed. Magnavox' motion for sanctions crosses the line between forceful advocacy and misrepresentation, and is premised on taking entirely out of context and then twisting beyond recognition Activision's position.

FACTS AND PROCEDURAL BACKGROUND

On December 27, 1985, the District Court entered a document entitled "Findings of Fact." Although denominated "Findings of Fact," it was unmistakably explicit in the document that the Court found Magnavox' patent infringed and not invalid.[1/] The "Findings of Fact" stated at the outset:

> "The issues in this case, other than damages, were tried to this court sitting without a jury and were submitted. The court has reviewed all of the exhibits admitted into evidence, and has heard and reviewed the testimony of the witnesses. The court now makes the following findings of facts." (emphasis added)

The "Findings" closed with a statement by the District Court requiring the parties to either appear at Court for a status conference on February 5, 1986, or, in the alternative, submit a

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1/ "Finding of Fact" 94, for example, recited that "Activision has not sustained its burden of proving that any of claims [numbers] of the '507 patent is invalid."

stipulation as to agreed upon discovery cut-off date, pre-trial conference date, and trial date for the damages phase of the trial. Declaration of Martin R. Glick, filed herewith, ("Glick Decl.") ¶2.

(In fact, at the status conference ultimately held on February 5, 1986, the District Court announced that he in fact had not intended to do anything more on the issues of validity and infringement and that he considered that he had completed the "liability end of the case." Id. ¶7.)

Counsel for Activision received the "Findings" on January 2, 1986. Id. ¶2 Activision could not allow the jurisdictional time limits for filing an interlocutory appeal to pass without filing a notice of appeal. The Court-ordered Status Conference, if it took place at all, was set for February 5, 1986, well after the 30-day time limit for appeal imposed by Rule 4(a) of the Federal Rules of Appellate Procedure. It was also well after the 10-day time limit for interlocutory appeals taken under 28 U.S.C. §1292(b). Although Activision ultimately concluded that the time limits imposed by §1292(b) most likely did not apply to interlocutory appeals under §1292(c), Activision chose the most prudent and expeditious route and filed its Notice of Appeal on January 8, 1986, within the 10-day and the 30-day time limits.

Counsel for Activision informed Magnavox of its decision to file a notice of appeal and offered to cooperate in clearing up any ambiguity as to the form of the District Court's order. Id. ¶3. On January 9, 1986, counsel for Activision telephoned counsel for Magnavox, informed him of Activision's decision to file a notice of

appeal and explained why Activision believed it had no choice but to file the appeal at that time. Id. In a confirming letter written to counsel for Magnavox the following day, counsel for Activision wrote,

> "As I told you, we [Activision] are more than willing to cure any ambiguity and thus, ultimately, save both our clients' time and money by consenting to entry of an order. To that end, I enclose with this letter a proposed Judgment which might serve that purpose. In phrasing the proposed Judgment we very carefully lifted the exact language used by the Judge in the 'Findings.' Please let me know your views." (Id.) (emphasis added)

On January 13, 1986, counsel for Activision and Magnavox spoke again. Id. ¶4. Theodore W. Anderson, lead counsel for Magnavox, expressed concern that Activision's purposed judgment did not contain any injunction (as to which the findings were silent). Again in the spirit of cooperation, counsel for Activision made clear that it wanted only to clear up any ambiguity perceived by Magnavox, and take an interlocutory appeal, and to that end Activision was perfectly willing to agree to entry of a judgment without prejudice to Magnavox' right to seek an injunction on a separate document. Id. In a confirming letter of that conversation dated January 14, 1986 Magnavox' counsel wrote:

> "We concur in your [Activision's] expressed desire to expedite the appeal in this case." (Id.)

Magnavox' counsel, however, rejected the form of Activision's proposed judgment. Id.

On Friday, January 17, 1986, and without any warning whatsoever, Activision was served with Magnavox' motion--made to the

District Court--to strike Activision's notice of appeal and for entry of conclusions of law and judgment, including an injunction. Id. ¶5.

This Court docketed Activision's appeal on January 24, 1986, and notified the parties of the docketing. The notice from the Clerk instructed Activision to proceed with the appeal by filing a notice of appearance, certificate of interest, and designation of transcript, which requirements Activision met in a timely matter.

On January 29, 1986, Activision filed a timely opposition in the District Court to Magnavox' motion to strike Activision's notice of appeal. Activision opposed Magnavox' motion on the ground that Magnavox' request was filed in the wrong court because "the filing of a notice of appeal divests the district court of jurisdiction to strike or quash the notice . . ." Id. ¶6. The District Court denied Magnavox' motion to strike Activision's notice of appeal on this very basis. Id. ¶7.

In its brief, and before the District Court at the Status Conference on February 5, 1986, Activision opposed the entry of Magnavox' proposed judgment, which contained an injunction which Activision contended is both unnecessary and improperly overbroad, as well as several provisions which Activision contended are incorrect, ambiguous, or unnecessary. At no time did Activision ever state to Magnavox or argue to the District Court that the District Court had no jurisdiction to enter a judgment (with or without an injunction) or conclusions of law. Id. ¶6. In the event the District Court determined there was any ambiguity to resolve,

Activision itself submitted a proposed form of judgment.

At the close of the Status Conference on February 5, the District Court took these matters under submission, together with the issue of whether the accounting would be stayed during the pendency of the appeal. The District Court announced that it intended to issue conclusions of law and a judgment at the end of February. Id. ¶7.

The following day, counsel for Activision telephoned the Federal Circuit clerk's office and informed Ms. Pam Twiford, the chief docketing clerk, of the District Court's announced plan to enter a formal judgment and conclusions of law. Declaration of Marla J. Miller, filed herewith, ¶2. Ms. Twiford suggested that Activision wait until such time as the District Court entered further documents, and then either move to amend its notice of appeal or file a new notice of appeal. Id. On February 10, 1986, counsel for Activision initiated a telephone call with Diane Frye, the chief deputy clerk, who suggested that Activision speak with Francis X. Gindhart, the court clerk. Id. Activision promptly did so. Id. Upon being apprised of the situation by counsel for Activision, Mr. Gindhart also suggested that Activision wait until such time as the District Court filed its additional documents, and then file an amended notice of appeal. Activision sent a confirming letter of the telephone conversation to Mr. Gindhart. Id.

On February 13, 1986, Activision was served with Magnavox' motion to dismiss this appeal.

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I.

ACTIVISION'S NOTICE OF INTERLOCUTORY APPEAL WAS PROPERLY FILED AND SHOULD NOT NOW BE DISMISSED.

Activision respectfully submits that its decision to file a notice of appeal and simultaneously to offer to cooperate with opposing counsel was precisely what any prudent counsel would have done under the circumstances to preserve its client's right to appeal. Activision was faced with the following circumstances: a document entitled "Findings of Fact" which on its face made clear that the action was "final except for an accounting" under 28 U.S.C. Section 1292(c)(2) and which contained explicitly and implicitly the Court's conclusions of law regarding the issues of infringement and invalidity; no evidence that the District Court intended to enter any further documents; and the jurisdictional time limits for filing a notice of appeal running well before the next scheduled appearance before the District Court, which appearance was not even required by the District Court if the parties would stipulate to timetables for discovery regarding the damages phase of the trial. Activision was thus faced with the dilemma that if the document entitled "Findings of Fact" was in fact the District Court's indication that this action was "final except for an accounting" under 28 U.S.C. §1292(c)(2), then failure to file a timely notice of appeal would

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result in the forfeiture of Activision's right to appeal.[2/]

Until such time as the District Court enters further documents, Activision respectfully submits that its notice of appeal should remain as is. In the event that the District Court enters a formal judgment or conclusions at law, Activision will at that time file the appropriate notices and motions to reflect the District Court's further actions. Depending upon the District Court's further action, Federal Rule of Appellate Procedure 4(a)(2) may very

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2/ Given these facts, Magnavox' arguments about the untimeliness of the appeal elevate form over substance. That the District Court entitled its document "Findings of Fact" and did not "state separately its conclusions of law" as provided by Federal Rule of Civil Procedure 52(a) is beside the point. If the document contains both findings of fact and conclusions of law, the label placed on the document is irrelevant. See Tri-Tron International v. Velto, 525 F.2d 432, 435 (9th Cir. 1975) (fact that district court intermingled findings with conclusions of law "of no significance;" finding or conclusion looked at in true light, "regardless of the label that the district court may have placed on it"). See also 9 C. Wright & A. Miller, Federal Practice & Procedure §2579 (1971). In any event, and most importantly, filing separate documents with findings and conclusions is not a "'jurisdictional requirement for appeal"; the "purpose of this rule is to facilitate appellate review and it must not be applied so as to prohibit review by the Court of Appeals where there is a sufficient basis for the court to consider the merits of the case.'" (citations omitted) (emphasis in original) Armstrong v. Collier, 536 F.2d 72, 77 (5th Cir. 1976). Further, Magnavox' reliance on Bandag, Inc. v. Al Bolser Tire Stores, Inc., 719 F.2d 392 (Fed. Cir. 1983) for the requirement of a separate "final judgment" may not be dispositive, since the appeal in that case was apparently from a final judgment, and not, as here, an interlocutory appeal.

Moreover, at the status conference on February 5, 1986, the District Court bore out Activision's intuition that the District Judge had not intended to do anything more on the issues of validity and infringement. The Judge considered that he had finished with the "liability end of the case," and that after the damages trial he would "wrap it all up with whatever findings are needed on that, conclusions of law, and a judgment, and then appeal." Glick Decl. ¶7.

well resolve the entire matter. That rule provides that except as to certain exceptions not relevant here, a

> "Notice of appeal filed after the announcement of a decision or order but before the entry of the judgment or order shall be treated as filed after such entry and on the day thereof."

Activision's notice of appeal filed on January 8, 1986 would then be considered as if filed on that future date, and the Federal Circuit clerk's office could treat it accordingly.

II.

ACTIVISION HAS ACTED AT ALL TIMES IN GOOD FAITH IN PRESERVING ITS RIGHT TO AN INTERLOCUTORY APPEAL.

Magnavox now seeks to sanction Activision for the exercise of its right to an interlocutory appeal. Because there is absolutely no basis for such sanctions, Magnavox' entire claim is based on untruths, half-truths, and innuendo.

Since the District Court made its decision on December 27, 1985, Activision has held one goal steadfastly: to file a timely interlocutory appeal to this Court. To that end, Activision could not risk missing the jurisdictional filing requirements, and thus filed notice of appeal promptly. Virtually simultaneously with filing its notice of appeal, Activision sought to work with Magnavox to resolve any ambiguity in the District Court's order, even going so far as drafting and sending to Magnavox a proposed "Judgment" that the District Court might enter.

Magnavox, rebuffing Activision, preferred to take matters

into its own hands and made two significant errors, neither of which it has disclosed to this Court. First, Magnavox filed a motion in the wrong court to strike Activision's notice of appeal. This approach failed, and the District Court denied the motion. Meanwhile, Magnavox slept on its rights and itself failed to file a cross-appeal on the issue of willful infringement, which issue it had indicated to Activision and later to the District Court that it would seek to appeal.

Magnavox grossly misleads the Court by raising the smokescreen that Activision is trying to "circumvent the judicial process at the trial level." Magnavox' allegation is premised on its contention that Activision somehow used jurisdictional arguments stemming from its filing of a notice of appeal to thwart the District Court from acting on the issues of injunction, judgment and conclusions of law. Nothing could be further from the truth. Activision neither made these arguments nor did the District Court consider its powers in this regard to be circumscribed.

On January 17, 1986 Magnavox filed a motion in the District Court to strike Activision's notice of appeal, and for entry of judgment (including injunction) and conclusions of law. As it was entitled to do, Activision filed a written opposition to this motion. As to the motion to strike notice of appeal, Activision argued--and the District Court agreed--that the District Court had no jurisdiction to strike the notice of appeal. Activision never argued that the District Court was without jurisdiction in any respect to enter an injunction or conclusions of law. Indeed, had

Magnavox not made a motion to the District Court to strike Activision's notice of appeal, Activision's jurisdictional "argument" would never have been made.[3/]

Magnavox' motion for sanctions is an attempt seriously to mislead this Court. There is no better way to demonstrate this than to subject Magnavox' own words--and the writing between the lines--to the scrutiny of the Court. Thus, in reciting the procedural history leading up to this motion, Magnavox writes in its Motion to this Court:

> "Since the District Court had not entered either conclusions of law or a judgment, Magnavox submitted proposed Conclusions of Law and a proposed Judgment and moved for the entry thereof. That motion is presently under advisement. Activision then filed a response to the Magnavox motion (attached hereto under Tab C), asserting that the Findings of Fact made the action '"final except for an accounting" and therefore appealable to the Federal Circuit under 28 U.S.C. §1292(c)(2).' Activision argued that the District Court thus lost jurisdiction." (Magnavox' Motion to Dismiss, dated February 11, 1986, at 2)

It is important to note that in this paragraph Magnavox scrupulously avoids mentioning that the referred to motion it filed

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3/ Because Magnavox contended to the District Court that the appeal was premature, Activision was particularly careful to limit its discussion of the jurisdictional issue to the narrow issue of the District Court's lack of power to strike a notice of appeal. To place the matter in context, Activision recited the general rule that a notice of appeal is an event of "jurisdictional significance" which "divests the district court of its control over those aspects of the case involved in the appeal," but then went so far as to advert to the exceptions to that rule where the district court determines that the notice of appeal is deficient. Glick Decl. ¶6. (A copy of Activision's brief to the District Court is attached to Magnavox' motion to this Court.)

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was entitled "Plaintiffs' Motion to Strike Defendant's Notice of Appeal and For Entry of Conclusions of Law and Judgment," and unscrupulously takes out of context and distorts Activision's jurisdictional argument, which had absolutely nothing to do with the topic of this paragraph.

As if repeating falsehoods will make them true, Magnavox further attempts to misinform this Court through untruths and innuendo:

> "Activision took two inconsistent positions. First it argued that it timely filed its notice of appeal from some unidentified 'final Order' and contended the filing of the abortive Notice divested the District Court of its jurisdiction to enter Conclusions of Law or an injunction. Then, it requested that the District Court enter a Judgment. It also committed more than six pages of its twelve page response to arguments against entry of an injunction and moved to stay any accounting." (Id. at 3-4)

Each sentence of this paragraph is fraught with either untruths or half-truths. First, Activision never argued to the District Court that its notice of appeal was "timely." That was not an issue before the Court. Second, Activision never contended that the filing of the notice of appeal divested the District Court of jurisdiction to enter conclusions of law or an injunction; it merely argued (in less than one page of its opposition brief) that a district court has no jurisdiction to strike a notice of appeal to an appellate court. Third, Activision did oppose entry of the proposed

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Judgment (with injunction) as submitted by Magnavox, but on substantive, not jurisdictional grounds. Activision submitted an alternative proposed form of Judgment in the event the District Court determined to enter a judgment (and in compliance with Local Rule 220-2 which requires motions to be accompanied with proposed forms of orders). Finally, contrary to the topic sentence and order of "logical" progression in this paragraph, Activision's six pages in opposition to the entry of an injunction and its separate motion for a stay of the accounting, had nothing to do with jurisdictional arguments. Magnavox' last sentence is, most charitably, a non sequitur, and, at worst a calculated effort to mislead this Court.

This Court is probably all too familiar with situations where the moving party seeks sanctions, and the opposing party almost by reflex seeks sanctions in return. Activision will leave to the judgment and discretion of this Court the determination of how best to respond to the serious misrepresentations made to it by Magnavox in the guise of a "motion to dismiss."

HOWARD RICE NEMEROVSKI CANADY ROBERTSON & FALK
A Professional Corporation

CONCLUSION

For the foregoing reasons, Activision respectfully requests that Magnavox' motion to dismiss appeal and for sanctions

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be denied.

DATED: February 20, 1986.

MARTIN R. GLICK*
H. JOSEPH ESCHER III
MARLA J. MILLER
HOWARD, RICE, NEMEROVSKI, CANADY,
ROBERTSON & FALK
A Professional Corporation

*Counsel of Record

By _____
MARTIN R. GLICK

Attorneys for Defendant-Appellant
Activision, Inc.

HOWARD
RICE
NEMEROVSKI
CANADY
ROBERTSON
& FALK
A Professional Corporation

022086/4-35505Je

DECLARATION OF SERVICE

I declare that I am employed in the County of San Francisco California. I am over the age of eighteen (18) years and not a party to the within cause. My business address is Three Embarcadero Center, Seventh Floor, San Francisco, California 94111.

On February 20, 1986, I served the attached ACTIVISION INC.'S BRIEF REGARDING MAGNAVOX' MOTION TO DISMISS APPEAL AND FOR SANCTIONS; DECLARATION OF MARLA J. MILLER IN SUPPORT THEREOF, PLUS EXHIBITS; DECLARATION OF MARTIN R. GLICK IN SUPPORT THEREOF, PLUS EXHIBITS

by causing to have a true copy hand-delivered to:

Robert L. Ebe, Esq.
McCutchen, Doyle, Brown & Enersen
3 Embarcadero Center, 27th Fl.
San Francisco, CA 94111

and by placing a true copy thereof enclosed in a sealed Federal Expres envelope with postage thereon fully prepaid, delivered by Federal Express and addressed as follows:

Theodore W. Anderson, Esq.
Neuman, Williams, Anderson & Olson
77 W. Washington Street
Chicago, IL 60602

I, Cheryl Leger, declare under penalty of perjury that the foregoing is true and correct and was executed at San Francisco, California on February 20, 1986.

Cheryl Leger
CHERYL LEGER

HOWARD RICE NEMEROVSKI CANADY ROBERTSON & FALK
A Professional Corporation