

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

THE MAGNAVOX COMPANY, a)
corporation, and SANDERS)
ASSOCIATES, INC., a)
corporation,)

Plaintiffs,)

vs.)

No. C 82 5270 TEH

ACTIVISION, INC., a)
corporation,)

Defendant.)

BE IT REMEMBERED that, pursuant to Subpoena, and on Tuesday, February 22, 1982, commencing at the hour of 5:07 p.m., at Atari Incorporated, 1265 Borregas Avenue, Sunnyvale, California, before me, MARTHA GONZALEZ GILLES, a Certified Shorthand Reporter, License Number 3468, a Notary Public in and for the County of Santa Clara, State of California, there personally appeared

CHARLES S. PAUL,

who was called as a witness by the Defendant.

MARTHA GONZALEZ GILLES

CERTIFIED SHORTHAND REPORTER

228 WEBSTER STREET, # F
PALO ALTO, CALIFORNIA 94301

(415) 326-9060

I N D E XEXAMINATION BY:PAGE

Mr. Ladra

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Mr. Anderson

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FURTHER EXAMINATION BY:

Mr. Ladra

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DEFENDANT'S EXHIBITS:

1 A multipage document entitled "Affidavit of Charles S. Paul."

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2 A document entitled "Deposition Subpoena to Testify or Produce Documents or Things," and "Notice of Taking Deposition" attached thereto, to Atari, Inc.

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3 A document entitled "Deposition Subpoena to Testify or Produce Documents or Things," with "Schedule A" attached thereto, to Charles S. Paul.

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4 A copy of a multipage document entitled "Non-Exclusive Cross-License for Video Games," dated June 8, 1976.

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5 A copy of a multipage document entitled "Non-Exclusive Sublicense Agreement for Home Video Game Devices," dated October 1, 1981.

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For the Plaintiff

NEUMAN, WILLIAMS, ANDERSON &
OLSON, ESQS.
BY: THEODORE W. ANDERSON, ESQ.
77 West Washington Street
Chicago, Illinois 60602

For the Defendant

WILSON, SONSINI, GOODRICH &
ROSATI, ESQS.
BY: MICHAEL A. LADRA, ESQ.
Two Palo Alto Square, Suite 900
Palo Alto, California 94304

and

FLEHR, HOHBACH, TEST, ALBRITTON
& HERBERT, ESQS.
BY: THOMAS O. HERBERT, ESQ.
Suite 3400, Four Embarcadero
Center
San Francisco, California 94111

For Atari Incorporated

HELLER, EHRMAN, WHITE &
McAULIFFE, ESQS.
BY: PETER WALD, ESQ.
44 Montgomery Street
San Francisco, California 94104

1 (Whereupon, a multipage document
2 entitled "Affidavit of Charles
3 S. Paul" was marked Defendant's
4 Exhibit 1 for identification.)

5 (Whereupon, a document entitled
6 "Deposition Subpoena to Testify
7 or Produce Documents or Things,"
8 with "Notice of Taking
9 Deposition" attached thereto,
10 to Atari, Inc., was marked
11 Defendant's Exhibit 2 for
12 identification.)

13 (Whereupon, a document entitled
14 "Deposition Subpoena to Testify
15 or Produce Documents or Things,"
16 with "Schedule A" attached
17 thereto, to Charles S. Paul,
18 was marked Defendant's Exhibit
19 3 for identification.)

20 CHARLES S. PAUL,

21 having first been duly sworn by the Notary Public
22 to tell the truth, the whole truth, and nothing but
23 the truth was thereupon examined and testified as
24 follows:

25 EXAMINATION BY MR. LADRA:

26 MR. LADRA: Okay. Skip, we'll dispense with the
27 usual formalities since I'm sure you're aware of what this is
28 all about, and I promise I won't keep you long. Maybe the first
29 thing to settle is that we have marked the two subpoenas for the
30 deposition Exhibits 2 and 3, respectively. Exhibit 2 is a 30(b)
31 (6) subpoena to Atari in general, and I presume that you are the
32 witness whom Atari has designated to respond to the 30(b)(6)
33 subpoena --

34 MR. WALD: That's correct.

35 THE WITNESS: That's correct.

36 MR. LADRA: -- for Exhibit 2.

1 Now, attached to both those subpoenas was a list
2 of documents which we requested that you bring with you, and
3 I'm sure, Peter, that you've made a diligent search for those
4 documents and you have them?

5 MR. WALD: I have indeed, pursuant to our telephone
6 conversation this afternoon by which I understood you were
7 interested in getting hold of the license agreement between
8 and among Magnavox, Atari and Sanders, and I guess that's what
9 the '76 license, patent license agreement --

10 MR. LADRA: Yes.

11 MR. WALD: That document, a copy of the Activision-
12 Atari settlement agreement, and any correspondence between
13 Magnavox and Atari relating to Activision; I have searched the
14 files for those documents and there is no correspondence --
15 taking the last in order, there is no correspondence between
16 Atari and Magnavox relating to Activision.

17 This is a copy of the Settlement Agreement and
18 Mutual Release between Activision and Atari settling that
19 litigation. And this is a copy of the signed 1976 patent
20 agreement among Sanders, Atari and Magnavox.

21 THE WITNESS: You already have those.

22 MR. LADRA: Just wanted to make sure that yours looks
23 the same as ours.

24 MR. ANDERSON: Do you have copies for everybody?

25 THE WITNESS: I really don't want this --

26 MR. WALD: Let's go off the record.

27 (Discussion off the record.)

28 MR. LADRA: Let's go back on the record.

1 Okay. Peter, have we pretty well gone through
2 what documents --

3 MR. WALD: Yes.

4 MR. LADRA: -- you produced?

5 MR. WALD: As I said, Mike, pursuant to our phone
6 conversation those were the ones I searched for and that's all
7 that I found.

8 MR. LADRA: There was one thing I didn't mention
9 to you, which was documents which we requested which were those
10 evidencing or relating to any work done by the Flehr, Hobach,
11 Test, Albritton & Herbert firm since January 1 of '78. I take
12 it you didn't look for those?

13 MR. WALD: I didn't look for those.

14 MR. LADRA: That's okay. But I think that covers all
15 the categories.

16 Q All right. Mr. Paul, how long have you been working
17 for Atari?

18 THE WITNESS: A Since July 1979.

19 Q And since that time I take it you've had the same
20 position?

21 A Yes, I've been general counsel.

22 Q Okay. Now, I'm going to show you what's been
23 previously marked as Exhibit 1 to this deposition, which is
24 a copy of an affidavit which I presume you have signed. I want
25 you to take a look at it and make sure that's in fact an
26 affidavit that you recall signing and that is your signature on
27 the last page.

28 A Yes.

1 MR. ANDERSON: Do you have copies for everybody?

2 MR. LADRA: I do have -- that's attached to your
3 memorandum.

4 MR. ANDERSON: Is that what you're actually using?

5 MR. LADRA: Yes, that's the affidavit. I'm sorry,
6 I should have made that explicit.

7 For the record, Exhibit 1 is a copy of the Affidavit
8 of Charles S. Paul which was filed in conjunction with the
9 plaintiff Magnavox Company's motion to disqualify counsel.

10 Q And I can't remember, did we get an answer to
11 that, Skip, that that is in fact the affidavit that you signed?

12 THE WITNESS: A Yes.

13 Q Now I'd like to direct your attention to page 3 of
14 that affidavit, specifically paragraph 4, the last sentence
15 thereof, in which it states, quote, that "Mr. Herbert consulted
16 with technical employees of Atari concerning the subject matter
17 of that patent, possible prior art with respect to that patent,
18 and the validity of that patent, and conducted extensive
19 searches for prior art with respect to that patent."

20 The question is do you know which Atari employees
21 Mr. Herbert spoke to?

22 A Not specifically.

23 Q Well, to the best of your ability, could you
24 describe what classes of employees he spoke with at Atari, to
25 your knowledge?

26 A Engineers.

27 Q In any particular area?

28 A Consumer engineering.

1 Q Do you know --

2 A Coin-op engineering.

3 Q Okay. Do you know the subject matter of his
4 conversations with those employees other than as set forth in
5 this last sentence?

6 A Not other than as set forth in that sentence.

7 Q Now, I take it at the time that Mr. Herbert
8 conducted these interviews of Atari employees you were not with
9 Atari?

10 A That's correct.

11 Q Did you speak to anybody prior to the signing of
12 this declaration concerning the subject matter of Mr. Herbert's
13 conversations with employees of Atari?

14 A Not immediately preceding the signing of this
15 document.

16 Q Well, I take it that at some point you did talk to
17 somebody concerning what Mr. Herbert talked to Atari employees
18 about; is that right?

19 A That's correct.

20 Q And with whom did you speak concerning that?

21 A I don't specifically recall the conversations;
22 however, late '79 and early '80 when I was first educating
23 myself on the process that was involved in the litigation with
24 Magnavox, '75, '76, the way that litigation had been resolved
25 and the licenses that were in place, I came to understand
26 the work that was done by the lawyers representing Atari in that
27 litigation.

28 Q At any time did you learn of any confidential

1 information, that is, information confidential to Atari that
2 was disclosed to Mr. Herbert during the course of his interviews
3 of Atari employees?

4 A Could you repeat that question?

5 Q Let me rephrase it. I'll try to make it simpler.

6 At any point did you learn of information confiden-
7 tial to Atari that was disclosed to Mr. Herbert during his
8 interviews of Atari employees?

9 A The subject matter of the discussions with patent
10 counsel during that litigation was of the nature that I would
11 say certainly includes disclosure of confidential information.

12 Q What I'm seeking is any specific confidential
13 information that you're aware of.

14 A Not that I can recall right now.

15 Q Are you aware of any memoranda that ever generated
16 concerning Mr. Herbert's interviews of Atari employees?

17 A No.

18 Q Next I'd like to direct your attention to same page,
19 3, of your affidavit, paragraph 5, this time, and right in the
20 middle of the paragraph there's a statement that the license,
21 referring to the Atari-Magnavox license, was fully paid up.
22 Can you tell me when it was fully paid up?

23 A I believe our last payment was this year.

24 Q Okay. Now, Pete --

25 A I'm not positive about that.

26 Q Peter has given to me a copy of non-exclusive
27 sublicense agreement for home video games, which appears to be
28 between Magnavox and Atari. I'd like you to look at that and

1 tell me if that is in fact the license agreement which is
2 referred to in the paragraph 5 of your affidavit.

3 A No, this is not the license agreement that's referred
4 to.

5 Q No?

6 MR. ANDERSON: May I see whatever it is you showed him,
7 please?

8 MR. LADRA: Yes.

9 Do you have an extra copy, Peter?

10 MR. WALD: No, I don't. I just have one.

11 MR. LADRA: Q Well, Mr. Paul, how many license
12 agreements are you aware of that exist between Magnavox and
13 Atari?

14 THE WITNESS: A Two, one in 1975 or '6 and one in
15 in 1981.

16 Q Oh, there's a subsequent license agreement that
17 was executed in '81?

18 A That's correct.

19 Q And this is the one, then?

20 A That's correct.

21 Q And there's a prior license agreement dated --
22 what again?

23 A I don't know the exact date. I believe it's in
24 September '75.

25 MR. WALD: Yes.

26 MR. LADRA: Do you have that one, Peter?

27 MR. WALD: Is it this one?

28 THE WITNESS: June '76.

1 MR. WALD: Is this the one?

2 THE WITNESS: Yes, that's the one.

3 MR. LADRA: Okay. Do you mind if we mark that one
4 and then we can have a copy of it later?

5 MR. WALD: Not at all.

6 MR. LADRA: Ask the Reporter to mark the license
7 agreement dated June 8, '76, as Defendant's Exhibit 4, and the
8 one dated October 1, '81 as Defendant's Exhibit 5.

9 (Whereupon, a copy of a multi-
10 page document entitled "Non-
11 Exclusive Cross-License for
12 Video Games," dated June 8,
13 1976, was marked Defendant's
14 Exhibit 4 for identification.)

15 (Whereupon, a copy of a multi-
16 page document entitled "Non-
17 Exclusive Sublicense Agreement
18 For Home Video Game Devices,"
19 dated October 1, 1981, was
20 marked Defendant's Exhibit 5
21 for identification.)

22 MR. LADRA: Q Okay. Skip, again just to clarify,
23 I'm showing you what's been marked as Defendant's Exhibit 4,
24 which is the license agreement, appears to be between Magnavox
25 and Atari, dated June of '76. I'll ask you the same question,
26 if that's the license agreement referred to in paragraph 5 of
27 your affidavit.

28 THE WITNESS: A Yes.

Q Since I haven't had a chance to look through the
one dated '81, let me ask you, if you know, does the '81 license
agreement, Exhibit 5, cover the same patents licensed under
the Exhibit 4 license agreement?

A I believe some of the same patents.

1 Q Okay. Now, again because we haven't had a chance to
2 look through it, and I assume the document will answer the
3 question, but do you know if there are any payments that remain
4 to be paid on this '81 license, Exhibit 5?

5 A I believe there are some payments that remain to be
6 paid.

7 Q Can you tell from Exhibit 4 when the last payment
8 was made on the '76 license?

9 A January 31, 1983.

10 Q Let's move on, then, to paragraph 6 of your affidavit.
11 The first sentence of that says, "Atari presently considers it
12 to be in its best interest to remain a licensee under the
13 Reissue 507 patent." And further that Atari "considers that
14 it will be against its best interest for the Reissue 507 patent
15 to be declared invalid or unenforceable by this Court."

16 I guess I'm more interested in the latter statement,
17 and I'd like to know why, if you know, it would be against
18 Atari's best interest for that patent to be declared invalid.

19 A We've paid a lot of money as a licensee under some
20 patents.

21 Q But those moneys have been paid; correct?

22 A That's correct.

23 Q Are you aware of any provision in the license that
24 would allow you to seek reimbursement if the patent were
25 declared invalid?

26 A No, I am not.

27 Q Is that the only reason that you are aware of why
28 Atari considers it against its best interest that the patent

1 be declared invalid?

2 A Certainly the most important that comes to mind.

3 Q Well --

4 A I can sit and speculate on other reasons, but
5 that's the reason that first came to mind that I had in my mind
6 when I signed this.

7 Q Well, I don't want you to guess or speculate, but
8 I would like to know every single reason that Atari considers
9 it to be against its best interest that the 507 patent be
10 declared invalid. If that's the only reason, fine, but I want
11 to be sure that there are no others.

12 A That's all that presently comes to mind.

13 Q Referring back to the first part of paragraph 6
14 where you state that Atari presently considers it to be in its
15 best interest to remain a licensee under the 507 patent, can
16 you tell me, please, why Atari presently considers it to be
17 in its best interest to remain a licensee?

18 A We've paid a substantial amount of money as a
19 licensee in support of the patents and we consider the -- that
20 role as a licensee with that financial backdrop to be of some
21 value.

22 Q Well, assuming that the reissue 507 patent is
23 declared invalid, are you aware of any adverse effect that Atari
24 would suffer as a result of that action?

25 MR. WALD: Other than what he's testified to?

26 THE WITNESS: I've already testified --

27 MR. LADRA: Q Well, you told me why you consider
28 it against your best interest to have it declared invalid, and

1 I've asked a slightly different question. I've asked what
2 adverse effect, if any, would Atari suffer if the patent were
3 declared invalid.

4 THE WITNESS: A I've paid a lot of money for those
5 patents to support those patents and I'd like value for the
6 money.

7 Q Okay. So -- well, correct me if I'm wrong, but
8 as I understand your testimony, what you are saying is that it
9 is Atari's position that they would lose the value of the
10 licenses they paid for if the patent were declared invalid.

11 A The value would be compromised. Is that --

12 Q That's fine. That's a good enough answer. If you
13 would like to speak with your counsel --

14 A That's okay. Just go ahead.

15 Q I'm more interested in finding all the reasons
16 rather than getting any particular one.

17 A You got all the reasons that presently come to mind.

18 Q Okay. Let's move on to paragraph 7. The latter
19 part of that paragraph states that "Atari further believes that
20 in their representation of Activision in this action, Mr. Herbert
21 and his firm will make use of information concerning the reissue
22 507 patent obtained by Mr. Herbert and his firm during the
23 course of their representation of Atari, some of which informa-
24 tion was obtained by Mr. Herbert and members of his firm from
25 discussions with Atari officers and employees held during the
26 time Mr. Herbert and his firm represented Atari."

27 Now, is that statement in paragraph 7 one of the
28 reasons that Atari feels that Mr. Herbert's representation of

1 Activision in the present suit is adverse to Atari?

2 A Ask that question again.

3 Q Okay. I'll put it another way.

4 I'm asking whether the fact that Mr. Herbert
5 obtained information concerning the patent and the possible
6 defenses during the course of his former representation of
7 Atari, whether that fact constitutes one of the grounds why
8 Atari asserts that Mr. Herbert's representation of Activision
9 is adverse to Atari.

10 A Atari's feeling of there being adversity in the
11 situation arises out of the fact that in 1975 and 1976 Mr.
12 Herbert's firm represented Atari in carefully examining those
13 patents and looking at our products and looking at our business
14 and in talking to our people and in litigation up until the eve
15 of trial, and for him to now represent somebody else against
16 those patents to us presents a very clear picture of adversity,
17 and we feel that without any hesitation that it is inconsistent
18 with what we felt were that firm's obligations to this company.

19 Q Okay. I guess technically I should move to strike
20 because the answer was nonresponsive, but be that as it may,
21 what I'm concerned with is --

22 A You asked about adversity and I answered.

23 Q I asked a specific fact concerning adversity.

24 MR. WALD: I think in the witness's restatement
25 he --

26 MR. LADRA: Okay.

27 MR. WALD: Well, I won't put words into his mouth.

28 MR. LADRA: Let's drop that for the moment and let's

1 move to another subject. Okay.

2 Given the confidential nature of the document, I'm
3 not going to have this marked as an exhibit to the deposition,
4 but I'm showing you a copy of the Settlement Agreement and
5 Mutual Release executed by and between Activision and Atari --

6 MR. ANDERSON: I'd like to see a copy of it if you're
7 going to ask the witness about a document, either that or --

8 MR. LADRA: Well, I'm going to ask the witness
9 one -- we're not going to discuss it if the witness is going to
10 lodge an objection.

11 MR. WALD: I tell you, why don't -- we can read
12 the one paragraph into the record.

13 MR. LADRA: Okay.

14 THE WITNESS: No problem with reading that paragraph
15 into the record.

16 MR. LADRA: Let's just do that, then.

17 MR. WALD: Would that be okay?

18 MR. LADRA: We're just going to discuss one paragraph.

19 MR. ANDERSON: I have to hear it and hear what the
20 testimony is before I agree that that's okay. I'll have to
21 reserve whatever rights I have.

22 MR. WALD: Well, we're not introducing the document,
23 so --

24 MR. LADRA: Okay.

25 MR. WALD: It's on page 7, Mike.

26 Just for the record, the paragraph to which Mike
27 is referring is the Settlement and Mutual Release between Atari
28 and activision regarding the litigation in 1981 between those

1 two companies. The agreement itself is sealed under court order
2 pursuant to protective order and is not to be released to outside
3 parties.

4 MR. LADRA: And I take it, Peter, that we're agreeing
5 that paragraph -- what is that -- II(f)?

6 MR. WALD: Paragraph II(f), page 7 of that agreement,
7 may be read into the record for these purposes.

8 MR. ANDERSON: I'll just have to record my objection.
9 I understand your concern, but the settlement agreement you're
10 talking about doesn't appear to be at the present relevant to
11 anything we're talking about here in the interrogation by the
12 Activision counsel, and I just object to having a fragment of
13 a document read into the record where I don't get to know what
14 it's all about or what the purpose of the line of inquiry is.

15 MR. LADRA: Let's skip the reference to the agreement.

16 Q Mr. Paul, you are aware that there was a settlement
17 agreement, however, entered into between Atari and Activision;
18 correct?

19 THE WITNESS: A Correct.

20 Q And do you recall that as part of that settlement
21 agreement Atari agreed to turn over to Activision copies of all
22 files consistent with its confidentiality obligations to
23 Magnavox, copies of all its files concerning its prior patent
24 litigation with Magnavox to Aldo Test, save for those documents
25 subject to the attorney-client or attorney work product privilege?

26 A That's not correct.

27 Q What was your understanding of that provision?

28 A During the litigation that we had with Activision I

1 had several conversations directly with Mr. Test and a number
2 with people, I believe with you, expressing how we felt about
3 Mr. Test's representation of Activision in the early investment
4 stages and during the development of their product, and we
5 thought that it was ethically difficult to understand how he
6 would represent a company that was doing what Activision was
7 doing at that point in light of the prior representation of
8 Atari and in developing what we were asserting in part as
9 trade secrets.

10 I had those conversations with Mr. Test, and my
11 feelings were made clearly known to the parties in that liti-
12 gation. And as part of concluding that litigation with
13 Activision it therefore was natural that Mr. Test's work that
14 he had done would be covered in part by being made available
15 to him, in other words, Atari would make available to Mr. Test
16 copies of those files.

17 Q Well, do you recall what files were made available
18 to Mr. Test?

19 A No, no..

20 Q Well, could they have been the files concerning
21 the Magnavox patent litigation or were those specifically
22 excluded, as far as you understood?

23 A Those were clearly included.

24 MR. WALD: We were --

25 MR. LADRA: You want to go off the record, Peter?

26 MR. WALD: Yes.

27 MR. LADRA: Okay.

28 (Discussion off the record.)

1 THE WITNESS: The position -- could you read back my
2 last answer to the last question?

3 (Whereupon, the record was read by the Reporter.)

4 THE WITNESS: They were his files. We returned his
5 files to him.

6 MR. LADRA: Q And, as far as you know, those
7 files were in fact turned over?

8 THE WITNESS: A I believe so.

9 Q Do you know whether there was any purging of the
10 files excluding confidential information or those covered by
11 attorney work product and other privileges or attorney client?

12 A I have no knowledge of such.

13 Q Do you know who was responsible for gathering up
14 the files and turning them over to Mr. Test?

15 A No, I do not.

16 Q Who in your organization would know?

17 A I don't know.

18 MR. WALD: Does Mr. Test know?

19 MR. LADRA: I don't know. Do you know, Peter?

20 MR. WALD: No, I don't.

21 MR. LADRA: Well, all right. If nobody knows, that's
22 as far as we can go with that.

23 MR. WALD: Off the record.

24 (Discussion off the record.)

25 MR. LADRA: Q Just to be clear about the files
26 that were turned over, if you know was there any distinction
27 made between files of Al Test individually or files of the
28 Flehr, Hobach, Test, Albritton firm?

1 THE WITNESS: A I don't know.

2 MR. LADRA: Do you have any further thoughts, Peter?

3 MR. WALD: Yes. We probably should check with Al
4 on it, but as I understood, since you and I drafted this docu-
5 ment, Michael, it was understood that Mr. Test had some files.

6 MR. LADRA: Yeah. No, I understand.

7 MR. WALD: And this was just to me his request
8 that we return those to him.

9 MR. LADRA: That's fine. And I'm sure Al will know
10 which files were returned pursuant to the ones he got from
11 Atari.

12 MR. WALD: Okay.

13 MR. LADRA: Q I probably asked this question,
14 but since it might prove to be an issue in the future, I take
15 it you don't know who was delegated the responsibility of
16 turning over the Flehr, Hobach, Test files?

17 THE WITNESS: A No.

18 Q Those files, I take it, were in Atari's possession?

19 A I don't know.

20 Q You don't know where they were located or who had
21 them?

22 A No, I don't.

23 MR. WALD: I might point out, too, that it just
24 says copies of any files in its possession regarding patents,
25 so why don't we see what was turned over --

26 MR. ANDERSON: What are you reading from now?

27 MR. WALD: Can we read the language in, Mike?

28 MR. LADRA: Go ahead.

1 MR. WALD: Let's just read the language in from
2 the settlement agreement on page 7, II(f). And I quote:

3 "To the extent consistent with confidentiality
4 obligations to Magnavox, Atari will make available
5 to Aldo Test, Esq., copies of any files in its
6 possession regarding patents for video or game
7 electronics products owned or licensed by Magnavox,
8 save for those documents subject to attorney client
9 or attorney work product privileges."

10 And that is the paragraph that's been the subject
11 of the last testimony.

12 MR. LADRA: Yes. And that's, I think, all in the
13 agreement that refers to this subject.

14 Q Now, I noted you appeared to be thinking hard about
15 who might have had the responsibility for gathering up these
16 documents and turning them over. Have you recalled?

17 THE WITNESS: A That was not what I was thinking
18 about. I was thinking hard, though, about a six o'clock meeting.

19 Q Oh, oh. Do you know whether -- maybe this will just
20 jog your memory. Was the Townsend & Townsend firm involved?

21 A The Townsend & Townsend firm could have been
22 involved.

23 Q And is it possible that an attorney by the name of
24 Warren Kajawa --

25 MR. HERBERT: K-a-j-a-w-a, I believe.

26 MR. LADRA: Q Does that name ring a bell?

27 THE WITNESS: A I know Warren Kajawa.

28 Q Okay. Do you recall whether he was involved in this

1 or not?

2 A No, I don't recall whether he was involved with this.

3 Q All right. Let's move on to the last paragraph of
4 your declaration, and I'll paraphrase to keep things moving
5 along here, but basically that last paragraph points out a
6 portion of the settlement agreement --

7 MR. HERBERT: That's not the last paragraph.

8 MR. LADRA: I'm sorry. It's the second to the last
9 paragraph.

10 THE WITNESS: Are you talking about paragraph 8?

11 MR. LADRA: Q Yes. Paragraph 8 basically recites
12 that there's a settlement agreement between Magnavox and Atari,
13 and a portion of that settlement agreement states that Mr.
14 Herbert's firm will not actively participate in any litigation
15 involving the reissue 507 patent in which Atari is not a party
16 or in which no television game made by or for Atari is involved.
17 And you go on to state that Atari never released Mr. Herbert or
18 his firm from the obligation in paragraph 4 of the settlement
19 agreement.

20 And the question is whether there was ever any
21 conversation between anybody at Atari and anybody at the Flehr,
22 Hobach, Test firm concerning this particular obligation, that
23 you're aware of.

24 THE WITNESS: A Not only do I not recall a conversa-
25 tion with anyone at the Flehr, Hobach firm about a waiver of this
26 obligation, but I don't ever recall a conversation with anybody
27 at the Flehr, Hobach firm about any potential conflicts that
28 may have arisen between work that they did for Atari at one

1 point and work that they were doing for a number of competitors
2 of Atari at later times.

3 Q Other than your conversation with Al Test that
4 you mentioned earlier?

5 A Yes.

6 Q Okay. So with that exception?

7 A That was not a conversation about anything other
8 than what I thought was an apparent conflict that I was bringing
9 to his attention.

10 Q But is it fair to state that that was the only
11 occasion that you recall ever talking to anybody at the Flehr,
12 Hobach firm?

13 A Yes, about this issue.

14 Q Have you talked to them about other issues?

15 A I don't recall. No, I don't recall.

16 Q Okay. Finally let's go to the last paragraph in
17 which you state Mr. Herbert's law firm continues to represent
18 Atari in certain matters.

19 Simple question: What are those certain matters?

20 A I don't know. I pay bills, you know, with some
21 regularity, I approve bills that are submitted by Mr. Herbert's
22 firm, and the bills aren't for a large amount, and I don't take
23 a lot of time to delve into that.

24 Q But you have no idea, I take it, as to what the
25 work that's being billed for is?

26 A No, I don't.

27 MR. LADRA: Peter, just as a request could we have --

28 THE WITNESS: Oh, what was the question?

1 MR. LADRA: I'd asked what are the matters that you
2 stated Mr. Herbert's firm continues to represent Atari on.

3 THE WITNESS: A Some of the matters involve
4 coordination of some offshore patents, I know, I mean because
5 at one point I saw -- when I first saw a bill from them I said
6 what is this? These are the guys that -- and I was told, oh,
7 this is for some foreign patent annuities. And so I said --

8 MR. LADRA: Okay.

9 MR. WALD: You were about to ask me, Mike?

10 MR. LADRA: Yes. I was going to ask you, Peter,
11 if at some point in the near future we could get copies of --

12 MR. WALD: Bills paid?

13 MR. LADRA: Yes, bills that have been paid.

14 MR. WALD: What period?

15 MR. LADRA: I guess since the termination of --
16 why don't we say January 1 of '78 again.

17 MR. WALD: To the present?

18 MR. LADRA: Yes. There was that category of documents.
19 '79, why don't you make it '79?

20 MR. WALD: January '79?

21 MR. LADRA: Yes.

22 MR. WALD: We can get those.

23 MR. ANDERSON: Whatever you produce I'd like to get
24 those.

25 MR. WALD: To be sure. January 1, '79, to the
26 present?

27 MR. LADRA: To the present.

28 MR. WALD: Whatever bills we have.

1 MR. LADRA: Whatever bills or other evidence of work
2 there was done by the Flehr, Hobach firm for Atari.

3 MR. WALD: Fine.

4 THE WITNESS: Fine.

5 MR. LADRA: Thanks.

6 Q Do you know whether the Flehr, Hobach firm has
7 ever been asked since January of 1980 for any opinion on any
8 patent matter or copyright or trademark matter?

9 THE WITNESS: A I don't know.

10 Q I take it there is an attorney in-house who would
11 be responsible for patent, copyright and trademark matters?

12 A There are attorneys responsible for each of those
13 areas at Atari.

14 Q Why don't we just get their names for the record
15 and which areas they're responsible for.

16 A Patent counsel at Atari is Michael Sherrard,
17 S-h-e-r-r-a-r-d. The attorney in charge of copyright and
18 trademark is Ken Nussbacher, spelled N-u-s-s-b-a-c-h-e-r.

19 Q And trademark?

20 A Same guy.

21 Q Same guy, okay.

22 Now, when did you first become aware that there
23 was a lawsuit between Magnavox and Activision?

24 A I don't recall.

25 Q Well, you have no recollection at all as to when?

26 A I recall at some point learning of it.

27 Q Well, let's try to get it this way. How do you
28 recall learning about it?

1 A I believe I saw a press announcement.

2 Q So I take it it's safe to say that at no time
3 prior to the filing of the lawsuit did you talk to anyone at
4 Magnavox concerning the bringing of a lawsuit against Activision?

5 A No, that's not safe to say.

6 Q Well, I take it that you had such a conversation,
7 then, at some point?

8 A I don't know what kind of conversation you're
9 referring to.

10 Q Well, did you discuss with anybody at Magnavox at
11 any time that you can recall the bringing of a lawsuit by
12 Magnavox against Activision?

13 A The response is Atari is a licensee under these
14 patents and we were negotiating with Magnavox during 1980 and
15 '81 concerning the amending of our settlement agreement and our
16 license agreement to cover certain new territories. It was a
17 substantial cash outlay for this company and a substantial
18 commitment for this company, and as a licensee and as a party
19 to those negotiations we were interested in what efforts they
20 were undertaking to license our other people with whom we
21 enjoyed the video game market. And as part of that inquiry
22 I was interested in what enforcement efforts would be -- were
23 under way, would be under way, what licensing efforts, you know,
24 what the program looked like that I was committing this company
25 to spend a fair amount of money on.

26 Q With whom at Magnavox did you speak?

27 A Tom Briody.

28 Q Do you know how to spell his last name?

1 A B-r-i-o-d-y.

2 Q Now, at that time were you informed that Magnavox
3 had any plans to bring a patent infringement lawsuit against
4 Activision?

5 A At what time?

6 Q At the time you talked to Mr. Briody.

7 A I don't know what you are talking about.

8 Q Well, you said you had a conversation with Mr.
9 Briody --

10 A I recall a conversation at some point during a
11 negotiation and I was -- I don't recall being informed of the
12 specific plan to bring a specific action against any company.

13 Q Well, did you make any suggestion to Mr. Briody
14 concerning a lawsuit that might be brought against Activision?

15 A Not that I recall. I was very interested as a
16 licensee what was going to be done to enforce those patents and
17 to monitor that program we were spending millions of dollars
18 with.

19 Q Well, did you make any suggestions at all concerning
20 how Magnavox should proceed to, shall we say, protect the
21 patents you were licensing?

22 A What do you mean?

23 Q Did you make any suggestions to Mr. Briody concerning
24 how Magnavox should proceed in its efforts to protect the
25 patents?

26 A Not beyond the scope of expressing concern that the
27 patents be either licensed or enforced if I was going to pay
28 and others in similar situations to me were going to make their

1 decisions like we made ours, and we made ours under the constant
2 threat of litigation.

3 Q I take it there was no correspondence concerning
4 the subject between you and anybody at Magnavox?

5 A Not that I recall.

6 MR. WALD: I checked the file that I saw today and
7 there was no correspondence regarding that.

8 MR. LADRA: Incidentally, what files were searched,
9 just Skip's?

10 MR. WALD; There were two files that were given
11 to me by a legal assistant and they were from the corporate
12 legal files, and they were entitled Magnavox and License
13 Agreement, I believe, and they contained both copies of the
14 license agreements and copies of royalty checks that were paid
15 over to Magnavox from Atari.

16 MR. LADRA: Q Skip, do you know who else in your
17 legal organization would have had contact with Mr. Briody
18 or anybody at Magnavox?

19 THE WITNESS: A I believe I was the only one.

20 Q When did you first see this affidavit, Exhibit 1?

21 A Some days before I signed it.

22 Q Who prepared it, do you know?

23 A I believe it was prepared by -- I don't know whether
24 it was prepared by Atari outside lawyers or Magnavox outside
25 lawyers.

26 Q Okay. I take it you reviewed it before you signed
27 it?

28 A Yes, indeed.

1 Q Did you make any changes in it?

2 A I believe there were some changes made. I can't
3 recall what they were.

4 Q Do you recall who first contacted you concerning
5 your giving of an affidavit in this matter?

6 A I think Mr. Briody. I'm not sure about that,
7 though.

8 Q Do you recall what he or whoever it was at Magnavox
9 said to you?

10 A No.

11 MR. LADRA: Let's take a very brief 30-second break.

12 (Short recess.)

13 MR. LADRA: Just a couple more questions and I'll
14 conclude this.

15 Q Skip, do you recall at the time that Magnavox
16 settled its lawsuit with Atari what products Atari had on the
17 market?

18 THE WITNESS: A I was not working here.

19 Q Well, do you know when the Atari 2600 video computer
20 system was introduced?

21 A It was introduced -- I'm not sure. I believe it
22 existed prior -- in developed form prior to the time Warner
23 acquired Atari, which was in 1976.

24 Q Do you know when the product actually was marketed,
25 however?

26 A No, I don't recall.

27 Q All right. Could you tell me who are Atari's
28 patent counsel at the present time?

1 A Atari gets patent advice from Townsend & Townsend,
2 from Arnold, White & Durkee, from Kirkland & Ellis, from
3 several firms in New York, from lawfirms in Hong Kong, London,
4 and Europe.

5 Q Just limit it to domestic patents.

6 A I believe -- the primaries are Kirkland & Ellis
7 and --

8 Q Townsend?

9 A -- and Townsend & Townsend.

10 MR. LADRA: All right. I have no further questions.

11 Mr. Anderson?

12 MR. ANDERSON: I just have a couple of questions.

13 THE WITNESS: Those are the primaries.

14 MR. LADRA: I understand.

15 EXAMINATION BY MR. ANDERSON:

16 MR. ANDERSON: Q During the period 1975, '76 in the
17 Magnavox-Atari litigation was the Herbert firm primarily
18 responsible for that litigation for Atari?

19 THE WITNESS: A I believe that the Flehr firm was
20 primarily responsible for the litigation and primarily
21 responsible for Atari's patent portfolio.

22 Q Was any other firm responsible for Atari's partici-
23 pation in Magnavox-Atari litigation other than the Herbert firm,
24 that you know of?

25 A Not that I know of.

26 Q With respect to the files that were turned over to
27 Mr. Test, what files were turned over to Mr. Test in the course
28 of recent time?

1 A I really don't know with specificity.

2 Q You've referred to them as Test files. Were they
3 files that were turned over by Mr. Test to Atari first that
4 were being returned, or what do you mean by Test files?

5 A If I have referred to them that way, I was using
6 shorthand. They were files which concerned certain patents
7 in our view belonged to Mr. Test. He requested them.

8 Q How did those happen to be in Atari's possession?

9 A I don't know whether they were technically in
10 Atari's possession or not. I testified I don't know where they
11 were and who was responsible for them.

12 MR. WALD: I just think that that may be information
13 that is better gotten from Mr. Test. Pursuant to the settlement
14 of the lawsuit Atari agreed to turn over files in its possession,
15 if there were any, that related to Mr. Test's representation
16 of Atari in the original Magnavox proceeding, and those are the
17 files that Skip's been testifying about.

18 MR. ANDERSON: Q Those files, then, would be files
19 relating to the Magnavox-Atari litigation in some way?

20 MR. WALD: Well --

21 THE WITNESS: A Could be.

22 MR. WALD: Yeah. I mean as specified by the
23 settlement agreement they were files regarding patents for
24 video game electronic products owned or licensed by Magnavox.

25 MR. ANDERSON: Q Well, is there any understanding when
26 those files -- if there were any that were turned over to Mr.
27 Test, that he had the right to use them for any purpose contrary
28 to Atari's best interest?

1 THE WITNESS: A Certainly not.

2 Q When they were turned over was there any under-
3 standing as to what Mr. Test could or could not do with those
4 files, if there were any?

5 A Not specifically. I assume they'd be guided by
6 the same canon of ethics that every other lawyer we work with.

7 MR. ANDERSON: That completes the cross-examination.

8 MR. WALD: Just one more thing on your last question,
9 Mike, on firms from which Atari gets patent advice presently,
10 as long as it's understood that the witness -- just to make
11 sure the testimony is consistent, Skip's already testified that
12 Flehr, Hobach does -- he does continue to pay checks, and we're
13 going to get that evidence for you.

14 THE WITNESS: Those are just the primaries. There are
15 probably five other firms in there.

16 MR. LADRA: Let's clarify that.

17 EXAMINATION BY MR. LADRA: (Further)

18 MR. LADRA: Q Does Atari continue to get advice
19 from the Flehr, Hobach firm?

20 THE WITNESS: A I continue to pay Flehr, Hobach.
21 For what I pay we get services.

22 MR. WALD: You know, we're getting copies of the
23 checks and I think that those services speak for themselves.
24 You can characterize them how you wish.

25 MR. LADRA: Q Well, okay. Does Atari consider
26 those services legal services?

27 THE WITNESS: A Yes.

28 Q Did you ever at any time ask anybody at the Flehr,

1 Hobach firm for copies of files in their possession that
2 relate to matters Atari was involved in?

3 A Not that I recall.

4 Q Do you know whether somebody at Atari had asked
5 anybody at the Flehr, Hobach firm for files back concerning
6 matters that Atari was involved in?

7 A I recall generally a conversation like that, that's
8 why I was wondering, but I don't recall specifically what
9 matter I was thinking about.

10 MR. LADRA: All right. That's fine. I think we're
11 done. If Mr. Anderson has anything further --

12 MR. ANDERSON: No.

13 MR. WALD: Usual stipulations, Counsel?

14 MR. LADRA: Usual stipulations.

15 MR. WALD: Meaning that Skip will get a chance to
16 review the testimony.

17 MR. LADRA: Yes, obviously he'll get a letter from
18 Martha telling him that the deposition's ready.

19 (Discussion off the record.)

20 (Whereupon, the deposition was adjourned at 6:06 p.m.)

21

22

Charles S. Paul

23

Subscribed and sworn to before me

24

this _____ day

25

of _____ 1983.

26

27

28

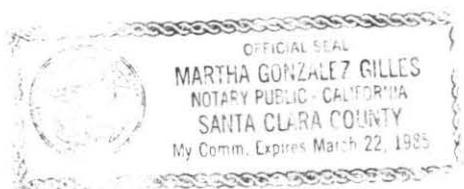
Notary Public in and for the County
of Santa Clara, State of California

1 STATE OF CALIFORNIA)
 2) SS:
 3 COUNTY OF SANTA CLARA)

4 I, MARTHA GONZALEZ GILLES,
 5 A Notary Public of the State of California, hereby certify
 6 that the witness in the foregoing deposition was by me duly
 7 sworn to testify the truth, the whole truth and nothing but
 8 the truth in the within-entitled cause; that said deposition
 9 was taken at the time and place therein stated; that the
 10 testimony of the said witness was reported by me and was
 11 thereafter transcribed under my direction into typewriting;
 12 that the foregoing is a full, complete and true record of said
 13 testimony; and that the witness was given an opportunity to
 14 read and correct said deposition and to subscribe the same.
 15 Should the signature of the witness not be affixed to the
 16 deposition, the witness shall not have availed himself of the
 17 opportunity to sign or the signature has been waived.

18 I FURTHER CERTIFY that I am not of counsel or attorney
 19 for either or any of the parties in the foregoing deposition
 20 and caption named, or in any way interested in the outcome of
 21 the cause named in said caption.

22 IN WITNESS WHEREOF, I have hereunto set my hand and
 23 affixed my seal this 25th day of February, 1983.



Martha Gonzalez Gilles
 Certified Shorthand Reporter and
 Notary Public