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U. S. PHILIPS CORPORATION
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TARRYTOWN, NEW YORK 10591

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DATE: March 22, 1985

TIME: 2:00PM

I M P O R T A N T N O T I C E

PLEASE DELIVER THE FOLLOWING MATERIAL AS SOON AS POSSIBLE

TO: Mr. Louis Etlinger

FROM: Mr. Algy Tamoshunas

NUMBER OF PAGES FOLLOWING THIS PAGE: 9

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THANK YOU.

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The Magnavox Company

580 WHITE PLAINS ROAD
TARRYTOWN, NEW YORK 10591

(914) 332-0222

BY FACSIMILE

March 22, 1985

Mr. Louis Etlinger
Sanders Associates, Inc.
Daniel Webster Highway, South
Nashua, New Hampshire

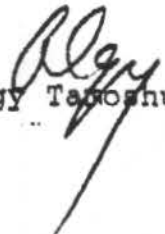
Dear Lou:

I am telecopying to you the latest version of the Settlement Agreement which has been approved by Tom Briody. The language has not yet been agreed to by Activision since yesterday afternoon Tom Larsen still wanted to make some additional changes which we did not want.

I hope to have Activision agree to the document without making any further changes so that it could be signed on behalf of Sanders and sent to our California attorney today as per Ted's letter to T. Rosch.

Activision's board is meeting this morning and we should know where things stand by late this afternoon.

Very truly yours,


Algy Tashunas

AT/prb
Attach.

cc: T. Anderson

SETTLEMENT AGREEMENT

THIS AGREEMENT entered into by and between THE MAGNAVOX COMPANY, a corporation of the State of Delaware, having an office at 580 White Plains Road, Tarrytown, New York (hereinafter MAGNAVOX), SANDERS ASSOCIATES, INC., a corporation of the State of Delaware, having an office at Daniel Webster Highway South, Nashua, New Hampshire (hereinafter SANDERS), and ACTIVISION, INC., a corporation of the State of California having an office at Mountain View, California (hereinafter ACTIVISION):

WITNESSETH:

WHEREAS, SANDERS is the owner of United States Letters Patent 3,659,284 which issued on April 25, 1972 and was reissued as United States Letters Patent Re. 28,507 on August 5, 1975 and MAGNAVOX is the exclusive licensee with right to sublicense under said United States Letters Patent 3,659,284 and Re. 28,507;

WHEREAS, ACTIVISION has made and now is engaged in the business of making, having made for it, marketing and selling game programs for use with home video games and home computers marketed under the name ACTIVISION;

WHEREAS, on September 28, 1982, MAGNAVOX and SANDERS filed a civil action in the Northern District of California entitled The Magnavox Company and Sanders Associates, Inc. v. Activision, Inc., No. C 82 5270, for infringement of said United States Letters Patent Re. 28,507, and the defendant filed First, Second and Third Counterclaims including a claim for alleged unfair competition by MAGNAVOX and SANDERS (the "Litigation");

WHEREAS, the above named parties are desirous of resolving the Litigation and any controversies with respect to the patent and patent applications described in Exhibit A hereto;

WHEREAS, MAGNAVOX and ACTIVISION contemporaneously with the execution of this SETTLEMENT AGREEMENT are executing and entering into a NONEXCLUSIVE SUBLICENSE AGREEMENT which agreements, among other things, include (a) provisions for compensating MAGNAVOX for acts of infringement, inducement to infringe, and contributory infringement of United States Letters Patent Re. 28,507 prior to January 1, 1985 and (b) provisions for granting certain licenses to ACTIVISION to practice the invention of said Letters Patent Re. 28,507 and of certain other patents.

NOW, THEREFORE, the parties hereto agree as follows:

I.

The parties hereto shall use their best efforts to obtain disposition of said Civil Action No. C 82 5270 by the entry of a judgment according to the terms of the FINAL JUDGMENT ON CONSENT attached as Exhibit B.

II.

ACTIVISION shall pay to MAGNAVOX the sum of One Million One Hundred Fifty Thousand Dollars (\$1,150,000) in accordance with the following schedule:

<u>Amount</u>	<u>Due Date</u>
\$400,000	<u>Payable Upon Execution</u>
200,000	October 1, 1985
275,000	April 1, 1986
275,000	April 1, 1987

Each of said payments due on or subsequent to October 1, 1985 shall be secured by a duly executed promissory note in the stated amount, payable on the stated date and non-interest bearing prior to the stated date, and the payment of the sum due on October 1, 1985 further shall be secured and guaranteed either (i) by a letter of credit in favor of MAGNAVOX to be issued as of the execution date of this Agreement; or (ii) by the deposit in escrow with the Bank of America, on or before the execution date of this Agreement, of U.S. Treasury bonds or bills in an amount necessary to equal \$200,000 with accrued interest on October 1, 1985 and deliverable on October 1, 1985 to MAGNAVOX in a negotiable form. If the foregoing installments are not paid when due, ACTIVISION shall be in default and all appropriate action shall be available to MAGNAVOX and furthermore the delinquent amounts shall bear interest for each month or fraction of a month of delinquency at the prime rate (or reference rate) being charged by the Bank of America on the date the delinquent payment is due plus 1%.

III.

In consideration of the payments made hereunder, MAGNAVOX and SANDERS release and forever discharge ACTIVISION and its officers, directors, shareholders, agents, distributors and customers, and each of them (collectively the "ACTIVISION PARTIES"), from any and all claims, demands, actions or causes of action of any nature whatsoever (i.e., tort or contract) which MAGNAVOX or SANDERS have, shall or may have against the ACTIVISION PARTIES arising out of the Litigation or any act of infringement, inducement to infringe, or contributory

*Want
copy of
release
memo*

infringement of United States Letters Patent Re. 28,507 and those patents listed in Exhibit A by game programs made and sold by ACTIVISION prior to January 1, 1985 except as otherwise provided in this Agreement or the Nonexclusive Sublicense Agreement for Home Video Game Devices entered into by the parties contemporaneously herewith. Nothing herein shall be construed as a release of any customer of ACTIVISION, or any officer, employee, or agent of such customer, for any acts of the customer with respect to any product not made by or for ACTIVISION. This release shall be effective only upon entry of said FINAL JUDGMENT ON CONSENT.

IV.

A. MAGNAVOX hereby grants to ACTIVISION and to wholly owned subsidiaries of ACTIVISION a worldwide, paid-up, nonexclusive license, without the right to sublicense, under the patents and applications for patent set forth in Exhibit A attached hereto and any reissues, divisions, continuations or extensions thereof, to make, use and sell, anywhere in the world, programs for home computers, it being understood that no licenses or any other rights are granted under said paid-up license to make, use or sell home computers or with respect to "HOME VIDEO GAMES" and/or "GAME PROGRAMS" for "HOME VIDEO GAMES," as those terms are defined in the Nonexclusive Sublicense Agreement. For purposes of this Agreement, a home computer is a multi-purpose device which comprises a microprocessor or other central processing unit which can be used to write nongame and game original programs and storage means to store such original programs and can address a program (read only Memory) of at least 8K bytes. Without limitation, the Atari 400, Atari 800, Commodore 64, Apple II, and the IBM PCjr., are home computers for purposes of this Agreement.

B. The license granted under this paragraph IV of this Settlement Agreement is nonexclusive, nonassignable and nontransferable.

C. In consideration of said paid-up nonexclusive license, ACTIVISION agrees to make the following payments to MAGNAVOX:

1. In the event that presently pending reissue application Serial Number 810,538 or reissue application Serial Number 810,542 issues as a reissue patent with a claim having substantially the same recited elements as any one of claims 1, 13, 40, 50 or 55, as pending in application Serial No. 810,538 on January 1, 1985 or any one of claims 1, 3, 9, 26 or 30 as pending in application Serial Number 810,542 on January 1, 1985, then ACTIVISION shall pay to MAGNAVOX the sum of Two Hundred Thousand U.S. Dollars (\$200,000), which sum shall be paid in the following installments:

(a) One Hundred Thousand U.S. Dollars (\$100,000) shall be paid within two months of issuance of said reissue patent or April 1, 1987, whichever is later, and (b) One Hundred Thousand U.S. Dollars (\$100,000) shall be paid on the first anniversary of the date on which the initial \$100,000 payment referred to in paragraph (a) is due and payable.

(2) In the event that (a) claims 1, 13, 40, 50 and 55 of reissue application Serial Number 810,538 and claims 1, 3, 9, 26 and 30 of application Serial Number 810,542 are all finally rejected by a decree or judgment which is not further reviewable by a superior tribunal, and (b) reissue application Serial Number 810,538 issues as a reissue patent with claim 54 as pending on January 1, 1985 or a claim having substantially the same recited elements and/or reissue application Serial Number 810,542 issues as a reissue patent with claim 7 or 12 as pending on January 1, 1985 or a claim having substantially the same recited elements, then in lieu of the payment specified in paragraph (1), ACTIVISION shall pay to MAGNAVOX the sum of One Hundred Thousand U.S. Dollars (\$100,000) within two months of issuance of said reissue patent or April 1, 1988, whichever is later.

V.

ACTIVISION hereby releases and forever discharges MAGNAVOX and SANDERS, and each of them and their respective officers, directors, shareholders, agents and distributors, from any and all claims, demands, actions or causes of action of any nature whatsoever (i.e., tort or contract) which it has, or shall or may have, against MAGNAVOX and/or SANDERS arising out of the Litigation.

VI.

This Agreement shall be governed by the laws of the State of New York; provided, that jurisdiction and venue for any dispute with respect to the interpretation or enforcement of this Agreement shall be in the United States District Court for the Northern District of California and the laws of California shall apply with respect to the choice of jurisdiction and venue.

VII.

Any press release of any party concerning this Settlement Agreement shall be approved by the parties, which approval shall not be unreasonably withheld.

VIII.

It is agreed that counterpart originals of this Agreement will be signed by the respective parties and the effective date of this Agreement shall be the date upon which all of said counterparts are signed. Thereafter said counterparts will be signed by all parties, one to be retained by each of said parties.

Attest:

Attest:

Attest:

THE MAGNAVOX COMPANY

By _____

Title _____

Date _____

SANDERS ASSOCIATES, INC.

By _____

Title _____

Date _____

ACTIVISION, INC.

By _____

Title _____

Date _____

EXHIBIT B

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

THE MAGNAVOX COMPANY, a
Corporation and
SANDERS ASSOCIATES, INC., a
Corporation,

Plaintiffs,

v.

ACTIVISION, INC.

Defendants.

Civil Action No.
C 85 5270

FINAL JUDGMENT ON CONSENT

On consent of the parties The Magnavox Company, Sanders Associates, Inc., and Activision, Inc. it is ORDERED, ADJUDGED AND DECREED as between these parties that:

1. The Court has jurisdiction of those parties and the cause of action.

2. Sanders Associates, Inc. is the owner of the entire right, title and interest in and to United States Letters Patent Re. 28,507 entitled "Television Gaming Apparatus" and its original patent 3,659,284 asserted against Activision, Inc. in this action.

3. The Magnavox Company is the exclusive licensee with the right to grant sublicenses under the said United States Letters Patent Re. 28,507 and its original patent 3,659,284.

4. With respect to those parties, United States Letters Patent Re. 28,507 and its original patent 3,659,284 are good and valid in law.

5. With respect to those parties, Activision, Inc. has infringed, contributorily infringed, and induced the infringement of United States Letters Patent Re. 28,507 through the manufacture and sale of their game programs for television apparatus known by various names.

6. Activision, Inc., its officers, employees, agents, servants, and attorneys, and those in active concert with it, are hereby permanently enjoined and restrained from infringing, inducing others to infringe, or contributing to the infringement of United States Letters Patent Re. 28,507. Activision, Inc. may practice the invention of United States Letters Patent Re. 28,507 pursuant to license from The Magnavox Company entered into either prior to or subsequent to the entry of this Final Judgment on Consent.

7. Activision, Inc. having compromised its differences with plaintiffs, no award of damages or accounting is ordered.

8. No costs or counsel fees are assessed or taxed against any party in connection with this FINAL JUDGMENT ON CONSENT.

United States District Judge

Dated: _____

Entry of the above Final Judgment on Consent is consented and agreed to on behalf of the parties thereto.

Martin R. Glick, Esq.
Attorney for Activision, Inc.

Howard, Rice, Nemerovski, Canady,
Robertson & Falk
A Professional Corporation
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Seventh Floor
San Francisco, CA 94111
(415) 434-1600

Theodore W. Anderson, Esq.
James T. Williams, Esq.
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and Sanders Associates, Inc.

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& Olson
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