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NEUMAN, WILLIAMS, ANDERSON & OLSON
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Chicago, Illinois 60602



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Thomas A. Larsen, Esq.
Howard Rice Nemerovski
Canady Robertson & Falk
Three Embarcadero Center
Seventh Floor
San Francisco, California 94111

Re: Magnavox v. Activision

I am sending you herewith the latest revision of the Settlement Agreement based upon your draft of March 15, 1985. Either Lou, Algy or I will be happy to discuss it with you after you have reviewed it.

You will note that the original Section VI on return of documents has been dropped; it seems unnecessarily complicated and as we recall, not a requirement that Activision wanted especially.

Very truly yours,

NEUMAN, WILLIAMS, ANDERSON & OLSON

By

Theodore W. Anderson

TWA/sjm
Enc.

CC: Algy Tamoshunas, Esq./with enc.
Louis Etlinger, Esq./with enc.

SETTLEMENT AGREEMENT

THIS AGREEMENT, having an effective date of _____, 1985, and 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.

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 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 (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 prior to January 1, 1985 or any act of infringement, inducement to infringe, or contributory infringement of United States Letters Patent Re. 28,507 and those patents listed in Exhibit A by game programs made 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 apparatus 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 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 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 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 except to a wholly owned subsidiary or to an assignee of the entire business who has not previously been in the game program business.

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, now pending in application Serial No. 810,538 or any one of claims 1, 3, 9, 26 or 30 now pending in application Serial Number 810,542, 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.

VII.

Any press release of any party shall be in a form approved by the parties, which approval shall not be unreasonably withheld.

THE MAGNAVOX COMPANY

By _____

Title _____

Date _____

Attest:

SANDERS ASSOCIATES, INC.

By _____

Title _____

Date _____

Attest:

ACTIVISION, INC.

By _____

Title _____

Date _____

Attest:
