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TO: Louis Etlinger - Sanders Associates

FROM: Algy Tamoshunas

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THANK YOU.

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\*ADMITTED IN NEW YORK STATE

February 14, 1985

Algy Tamoshunas, Esq.  
U.S. Philips Corporation  
580 White Plains Road  
Tarrytown, New York 10591

Re: Magnavox v. Activision

Dear Algy:

We have your telecopy dated February 12, received today, and find it to be in accord with both our understanding and our February 12 letter to you which you and I reviewed yesterday.

The following clarifications should be noted:

- (1) Your term "exclusively licensed to Magnavox" includes all applicable and corresponding foreign patents.
- (2) We have no obligation to pay royalty under the Baer patent until and unless it reissues and then would be liable only for covered video game system product sold after the first day of the month after the date of reissue.
- (3) We have not yet reviewed the listed claims of the 480 patent involved in your current reissue dispute with the Patent Office but we agree to proceed in good faith to accomplish an appropriate list.
- (4) We have arranged to pay an estimated first royalty payment which will be supported by a letter from an Activision financial officer.

Algy Tamoshunas, Esq.  
February 14, 1985  
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- (5) The only existing games (on the market by December 1, 1984) subject to royalty are the 13 games at issue in the pending litigation.

This agreement in principle to settle the lawsuit will be succeeded by a binding executed, definitive agreement as soon as possible and Activision is prepared to commit its attorneys and staff to start drafting on Tuesday, February 19, at a mutually convenient location. This settlement is contingent upon your authorization today to filing of the Request for Postponement telecopied to you and your attorneys yesterday.

Very truly yours,



MARTIN R. GLICK

MRG/js