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U. S. PHILIPS CORPORATION
580 WHITE PLAINS ROAD
TARRYTOWN, NEW YORK 10591

CABLE ADDRESS - U.S. PHILIPS TARRY - TELEX - 709978
TELECOPIES NUMBER: (914) 332-0615
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DATE: April 15, 1985

TIME: 11:20AM

IMPORTANT NOTICE

PLEASE DELIVER THE FOLLOWING MATERIAL AS SOON AS POSSIBLE

TO: Mr. Louis Etlinger - Sanders

FROM: Mr. Algy Tamoshunas

NUMBER OF PAGES FOLLOWING THIS PAGE: 2

TELEPHONE: (603) 885-3655 (603) 885-2640

PLEASE NOTIFY US IMMEDIATELY IF NOT RECEIVING PROPERLY

(914) 332-0222 - EXTENSION 277

THANK YOU.

XEROX 495 (AUTOMATIC)
MICOM 2001 (ASYN & BISYN)

*4-15-85
Called A.T.
told him we are not interested in setting up a new company.
He is a man + no company.
not interested with
[Signature]*

[Unofficial Typed Copy of Handwritten Original]

April 12, 1985

Settlement Offer

"Confidential"
Not for use in Litigation

- I. Activision pays Magnavox/Sanders \$900,000.00 by certified check or cashier's check on April 17, 1985
- II. For their \$900,000.00 Activision receives:
 - (A) Release from all past infringement [sic], all games, all systems [also covenant not to sue],
 - (B) Fully paid-up license for home computer software all patents, worldwide
 - (C) Fully paid-up license on all Sanders/Magnavox patents, worldwide, except as to 507, 480, & their foreign counterparts to the extent provided in IV-VII, below
- III. Activision agrees to entry of consent judgment--Rusch patent--same machines (not home computer)--13 games with caveat that Activision agreeing to 13 may not be used against them or alluded to at all in any future litigation over whether a particular game, newly made (see IV) falls within 507. No injunction would be entered.
- IV. Activision agrees to pay running royalty under 507 and foreign counterparts on same schedule previously discussed (including \$2000 for 1st Quarter) of existing titles (list attached) no royalty ever due except as to 13 at issue in this action.

Newly manufactured & designed titles (games) which come within 507 will be subject to royalty if sold for game machine (not home computer)
- V. Activision current titles (see attached list) are exempt from 480 royalty whether and whenever sold anywhere in U.S. or rest of the world. This exemption applies to 480 and its foreign counterparts regardless of the place or time the game software was or is designed, manufactured, assembled, or sold.

VI. Until and unless claim 1, 25, 40, or 50 of 480 reissues in U.S. (095 is fully paid-up under paragraph II(c)), Activision owes no royalty under 480 or its foreign counterparts anywhere in the world.

VII. If claim 1, 25, 40, or 50 of 480 reissues, Activision has the option to purchase a fully paid game machine worldwide license under 480 reissue and its foreign counterparts (whether or not reissued in those countries) for \$200,000.00 or to take a game machine running royalty on the same terms as the 507 (i.e. 4-1/2%, 2-1/4%, 1% U.S.; 1% higher foreign). Activision must exercise the option within 90 days of the date it is notified in writing by Magnavox/Sanders that 1, 25, 40, or 50 of 480 has reissued. The running royalty would be payable on all covered products--not exempt under [sic] Paragraph V--sold anywhere in the world. If Activision chooses not to exercise the option, it expires and Magnavox/Sanders may take legal action to enforce the 480 reissue patent claims against Activision game machine software and Activision could assert its invalidity, non-infringent [sic] and other defenses. Magnavox/Sanders may not, however, use Activision's decision not to exercise either ~~or both~~ of its options as a ground to:

- (A) Revoke this Settlement Agreement or any provision or paragraph herein, or
- (B) Cancel the 507 license or any fully paid-up computer software or other license

Magnavox/Sanders agrees not to seek, in any action brought to assert its rights under 480 reissue, damages or attorney fees for wilful infringement [sic].

This offer is contingent upon Activision Board approval and upon Magnavox/Sanders acceptance on or before April 16, 1985. Both Smith McKeithen and I would recommend it to the Board through, obviously, neither of us could bind the Board. I represent that, based on actual conversations I had yesterday with Smith and three weeks ago with Activision Board members, I am confident that the above would be approved and any deviation from it would not

/S/ Martin R. Glick
 Activision trial counsel