

**DVD VIDEO PLAYER AND DVD ROM PLAYER**  
**PATENT LICENSE AGREEMENT**

This Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2004 by and between

KONINKLIJKE PHILIPS ELECTRONICS N.V., having its registered office in Eindhoven, The Netherlands, (hereinafter referred to as "Philips")

and

[\_\_\_\_\_], having its registered office in [\_\_\_\_\_](hereinafter referred to as "Licensee")

WHEREAS, Philips, Sony Corporation ("Sony"), Pioneer Corporation ("Pioneer"), Hitachi Ltd., Matsushita Electric Industrial Co. Ltd., Mitsubishi Electric Corporation, Thomson Multimedia, AOL Time Warner Inc, Toshiba Corporation, and Victor Company of Japan Ltd., have defined a system, which has been presented under the name DVD-ROM System (as hereinafter defined), as well as a system, which has been presented under the name DVD-Video System (as hereinafter defined) (the DVD-ROM System and the DVD-Video System are collectively referred to as the "DVD Systems");

WHEREAS, the DVD Systems result from research and development efforts of each of the companies mentioned above;

WHEREAS, the DVD-ROM Standard Specifications (as hereinafter defined) and the DVD-Video Standard Specifications (as hereinafter defined) (the DVD-ROM Standard Specifications and the DVD-Video Standard Specifications are collectively referred to as the "DVD Standard Specifications") as well as the right to use the relevant DVD logo can be obtained from the entity known as the DVD Format/Logo Licensing Corporation, based in Tokyo, Japan;

WHEREAS, Philips, Sony and Pioneer each own certain patents relating to the DVD Systems;

WHEREAS, in addition LG Electronics Inc. ("LGE") owns certain patents relating to the DVD Systems;

WHEREAS, Philips has been authorized by Sony, Pioneer and LGE to grant licenses under certain patents relating to the DVD Systems, which are owned or controlled by Sony, Pioneer, LGE and their respective Associated Companies (as hereinafter defined), as well as under such patents relating to the DVD Systems as are jointly owned by Philips and Sony;

WHEREAS, Philips, Sony, Pioneer and LGE have each retained their rights to license their respective patents separately and to give non-assertion undertakings with regard to jointly owned patents, whether within or outside the DVD Standard Specifications, so that interested manufacturers may opt to take out separate licenses under the relevant patents of each of Philips, Sony, Pioneer and LGE, instead of a combined license;

WHEREAS, Licensee has requested from Philips a license under the relevant patents of Philips, Sony, Pioneer and LGE relating to DVD-ROM Players (as hereinafter defined) and/or DVD-Video Players (as hereinafter defined) and wishes such DVD-ROM Players and/or DVD-Video Players to be compatible with DVD Discs (as hereinafter defined); and

WHEREAS, Philips is willing to grant Licensee a license under the relevant patents, on the conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual obligations and covenants hereinafter set forth, the parties hereto have agreed as follows:

## 1. Definitions

The following terms used in this Agreement shall have the meanings set out below:

- 1.1 “Disc” shall mean a non-recordable reflective disc-shaped information carrier, having either i) a single or dual information layer(s) which is/are readable from one side of the disc or ii) a single or dual information layers which is/are readable from one side of the disc and another single or dual information layer(s) which is/are readable from the opposite side of the disc, comprising any kind of information including, but not limited to, audio, video, text and/or data-related information, which is irreversibly stored in one or more information layers during and as an integral part of the manufacturing process of the disc in a form which is optically readable by playback devices using a laser-beam.
- 1.2 “DVD-ROM Disc” shall mean a replicated Disc comprising any kind of information including, but not limited to, audio, video, text, and/or data-related information, encoded in digital form, which is optically readable by a DVD-ROM Player (as hereinafter defined) and which conforms to the DVD-ROM Standard Specification.
- 1.3 “DVD-Video Disc” shall mean a replicated Disc comprising any kind of information including, but not limited to, audio, video, text, and/or data-related information, encoded in digital form, which is optically readable by a DVD-Video Player (as hereinafter defined) and by a DVD-ROM Player and which conforms to the DVD-ROM Standard Specifications and the DVD-Video Standard Specifications.
- The DVD-ROM Disc and the DVD-Video Disc are collectively referred to as “DVD Disc(s)”.
- 1.4 “DVD-ROM System” shall mean the Digital Versatile Disc ROM System which is capable of storing and reproducing data signals in digital form from DVD-ROM Discs.
- 1.5 “DVD-Video System” shall mean the Digital Versatile Disc Video System which is capable of storing and reproducing video and audio signals in digital form from DVD-Video Discs.
- 1.6 “DVD-ROM Standard Specifications” shall mean the specifications for the DVD-ROM System, as specified in the document “DVD Specification for Read-Only Disc (parts 1 and 2)”, as issued by the DVD Format/Logo Licensing Corporation.

- 1.7 “DVD-Video Standard Specifications” shall mean the specifications for the DVD-Video System, as specified in the document “DVD Specification for Read-Only Disc (part 3)”, as issued by the DVD Format/Logo Licensing Corporation.
- 1.8 “Player” shall mean a single spindle playback device for optically reading information stored on a Disc and converting such information into electrical signals for reproduction purposes.
- 1.9 “DVD-ROM Player” shall mean a Player capable of (i) reproducing information stored on a DVD-ROM Disc and converting such information into electrical signals, in accordance with the DVD-ROM Standard Specifications and (ii) reproducing information stored on a DVD-Video Disc and converting such information into electrical signals, in accordance with the DVD Standard Specifications, which electrical signals are directly capable of and intended to be used for the reproduction of video, text and/or data-related information through data handling and/or data processing equipment. A DVD-ROM Player may, in addition to reproducing information stored on a DVD-ROM Disc and a DVD-Video Disc, be capable of reproducing information stored on a CD-Audio Disc and a CD-ROM Disc.
- 1.10 “DVD-Video Player” shall mean a Player capable of reproducing information stored on a DVD-Video Disc and converting such information into electrical signals, in accordance with the DVD Standard Specifications, which electrical signals are directly capable of and intended to be used for the audio-visual reproduction through television receivers and/or video monitors and audio equipment. A DVD-Video Player may, in addition to reproducing information stored on a DVD-Video Disc, be capable of reproducing information stored on a CD-Audio Disc.

The DVD-ROM Player and the DVD-Video Player are collectively referred to as “DVD Player(s)”.

- 1.11 “Licensed Product(s)” shall mean

Option A: DVD-ROM Players

Option B: DVD-Video Players

as selected by Licensee, manufactured and/or sold in accordance with the provisions hereof, which are duly reported and for which the royalties due hereunder are paid in accordance with the provisions of this Agreement.

Option(s):     A     B

(please tick any combination as appropriate)

**Initial:** \_\_\_\_\_

- 1.12 “Licensed Patents” shall mean any one or more of the essential patents for the manufacture and/or sale of

(a) DVD-ROM Players, as listed in Annex A1.

(b) DVD-Video Players, as listed in Annex A2.

From said Annexes the expiration dates of the relevant patents for each of the above categories can be derived, on a country-by-country basis.

The term “essential” as used in relation to patents in this Agreement shall refer to patents, the use of which is necessary (either directly or as a practical matter) for compliance with the relevant DVD Standard Specifications.

Philips commissions an independent patent expert to review the European, Japanese and US patents listed as essential in Annexes A1 and A2 in order to confirm the essentiality of such patents. In the event that such independent patent expert would find that any of the patents does not qualify as essential as defined in this Agreement, Philips will delete such patent (as well as the equivalent corresponding patents) from the relevant Annex and such patent will be put on a list of non-essential patents. Notwithstanding such deletion, Licensee shall retain the right to continue the use of such deleted patent(s) in accordance with the provisions of this Agreement, without any additional payment, unless Licensee explicitly notifies Philips in writing of its decision to waive such right.

In the event that Philips, Sony, Pioneer or LGE (or any of their respective Associated Companies) would have additional patents (other than patents acquired from third parties after the date of January 1, 1997) in their respective patent portfolios which are essential to the manufacture, sale or other disposal of DVD Players and which have a filing date or are entitled to a priority date prior to January 1, 1997, but which have not been listed as essential patents in the respective Annexes hereto, Philips will notify Licensee accordingly and such additional patents will be added to the Licensed Patents and such addition shall not affect the provisions of this Agreement. Any patents as may be added as essential patents to any of the respective Annexes hereto, will similarly be subject to the review by the independent patent expert in accordance with the preceding paragraph.

The patent lists provided to Licensee upon execution of this Agreement are subject to change in accordance with the provisions of this Agreement. With regard to the rights granted to Licensee hereunder, the patent lists published by Philips on its website ([www.licensing.philips.com](http://www.licensing.philips.com)) or otherwise communicated by Philips to Licensee after the date of execution hereof shall prevail over the lists provided to Licensee upon the execution of this Agreement.

- 1.13 “Associated Company” shall mean any one or more business entities (1) owned or controlled by Philips, Sony, Pioneer, LGE or Licensee, (2) owning or controlling Philips, Sony, Pioneer, LGE or Licensee, or (3) owned or controlled by the business entity owning or controlling Philips, Sony, Pioneer, LGE or Licensee at the material time. For the purposes of this definition a business entity shall be deemed to own and/or to control another business entity if more than 50% (fifty per cent) of the voting stock of the latter business entity, ordinarily entitled to vote in the election of directors, (or, if there is no such stock, more than 50% (fifty per cent) of the ownership of or control in the latter business entity) is held by the owning and/or controlling business entity. For the purpose of this Agreement, Discovision Associates shall not be deemed to be an Associated Company of Pioneer.
- 1.14 “Territory” shall mean the geographic area known as the United States of America, its territories and possessions.

## 2. Grant of rights

- 2.1 For the term of this Agreement and subject to the provisions hereof, Philips hereby grants to Licensee a non-exclusive, non-transferable license under the Licensed Patents (listed in the relevant Annex(es)) to manufacture Licensed Products as selected by Licensee pursuant to the Options of Clause 1.11 within the Territory in accordance with the relevant DVD Standard Specifications and to sell or otherwise dispose of such Licensed Products so manufactured in all countries of the world.
- 2.2 Philips, also on behalf of Sony, Pioneer and LGE, further agrees, for as long as this Agreement is in force and effect and Licensee is in full compliance with its obligations under this Agreement, to grant Licensee upon Licensee's request, a non-exclusive, non-transferable license, either by means of a sub-license arrangement or by means of individual licenses from Philips, Sony, Pioneer and/or LGE respectively, on reasonable, non-discriminatory conditions, to manufacture Licensed Products in the Territory and to sell or otherwise dispose of Licensed Products so manufactured in all countries of the world, under any patents not yet licensed hereunder and which are essential to the manufacture, sale or other disposal of Licensed Products, for which Philips, Sony, Pioneer, LGE and/or their respective Associated Companies may hereafter acquire from third parties the right to grant licenses. It is acknowledged and agreed by the parties that in respect of the patents as may be licensed pursuant to this Clause 2.2, additional royalties may have to be paid over and above the royalties specified in Clause 4.2.
- 2.3 Philips, also on behalf of Sony, Pioneer and LGE, further agrees, for as long as this Agreement is in force and effect and Licensee is in full compliance with its obligations under this Agreement, to grant Licensee upon Licensee's request as well as to those of Licensee's Associated Companies who so request, a non-exclusive, non-transferable license, on reasonable, non-discriminatory conditions, either by means of a sub-license arrangement or by means of individual licenses from Philips, Sony, Pioneer and/or LGE respectively, to manufacture DVD Discs and to sell or otherwise dispose of such DVD Discs so manufactured in all countries of the world under any and all present and future patents essential to the manufacture, sale or other disposal of DVD Discs for which Philips, Sony, Pioneer and/or LGE and their respective Associated Companies have or may hereafter acquire the free right to grant licenses.
- 2.4 In consideration of the undertakings set forth in Clauses 2.1, 2.2 and 2.3 and similar undertakings by third party licensees of Philips or any of its Associated Companies and without prejudice to the provisions of Clause 10, Licensee agrees to grant to Philips, Sony, Pioneer, LGE and their respective Associated Companies and to other third parties who have entered or will enter into a license agreement with Philips concerning DVD Players, non-exclusive, non-transferable licenses, on reasonable, non-discriminatory conditions comparable to those set forth herein, to manufacture, sell or otherwise dispose of DVD-Players, as correspond with the selection made by Licensee pursuant to the Options of Clause 1.11, under any and all present and future patents, for which Licensee or its Associated Companies have or may hereafter acquire the right to grant licenses and which are essential to the manufacture, sale or other disposal of such DVD Players and which patents were first filed or are entitled to a priority date in any country of the world prior to the date of termination of this Agreement. The duration of such licenses shall be a period ending at the expiration date of the last to expire patent of Licensee or the relevant Associated Company of Licensee, essential to DVD Players, as correspond with the

selection made by Licensee pursuant to the Options of Clause 1.11. For the avoidance of doubt, the undertaking set out in this Clause 2.4 shall only apply to those companies which accept or have accepted a similar undertaking as given by Licensee in this Clause 2.4 and only in respect of those DVD Players as have been selected both by Licensee and such companies.

- 2.5 In addition, in consideration of the undertakings set forth in Clauses 2.1, 2.2 and 2.3 and similar undertakings by third party licensees of Philips or any of its Associated Companies and without prejudice to the provisions of Clause 10, Licensee agrees to grant to Philips, Sony, Pioneer, LGE and their respective Associated Companies and to other third parties who have entered or will enter into a license agreement with Philips concerning DVD Discs, non-exclusive, non-transferable licenses, on reasonable, non-discriminatory conditions, to manufacture, sell or otherwise dispose of DVD Discs which are playable on DVD Players as selected by Licensee pursuant to the Options of Clause 1.11 under any and all present and future patents, for which Licensee or its Associated Companies have or may hereafter acquire the right to grant licenses and which are essential to the manufacture, sale or other disposal of such DVD Discs and which patents were first filed or are entitled to a priority date in any country of the world prior to the date of termination of this Agreement. The duration of such licenses shall be a period ending at the expiration date of the last to expire patent of Licensee or the relevant Associated Company of Licensee, essential to DVD Discs which are playable on DVD Players, as correspond with the selection made by Licensee pursuant to the Options of Clause 1.11. For the avoidance of doubt, the undertaking set out in this Clause 2.5 shall only apply to those companies which accept or have accepted a similar undertaking as given by Licensee in this Clause 2.5.
- 2.6 Philips undertakes that it will offer, at the request of any of Licensee's Associated Companies to any such Associated Company, a non-exclusive and non-transferable license under the Licensed Patents on reasonable and non-discriminatory conditions comparable to those set forth herein, to manufacture, sell or otherwise dispose of DVD Players.
- 2.7 IT IS EXPRESSLY ACKNOWLEDGED AND AGREED THAT:
- (I) THE LICENSES AND LICENSE UNDERTAKINGS HEREIN CONTAINED WITH RESPECT TO THE MANUFACTURE OF LICENSED PRODUCTS DO NOT EXTEND TO METHODS OR THE MANUFACTURE OR SALE OF EQUIPMENT FOR COMPRESSION AND/OR DECOMPRESSION OF AUDIO SIGNALS (INCLUDING BUT NOT LIMITED TO THE SYSTEM KNOWN AS MPEG AUDIO) OR FOR COMPRESSION OR DECOMPRESSION OF VIDEO SIGNALS IN ACCORDANCE WITH THE SYSTEM KNOWN UNDER THE NAME MPEG-2 VIDEO, NOR TO THE MANUFACTURE OF COMPONENTS FOR LICENSED PRODUCTS (INCLUDING BUT NOT LIMITED TO SEMICONDUCTOR DEVICES, INTEGRATED CIRCUITS, LASERS, MOTORS AND LENSES), EXCEPT FOR CIRCUITRY AND/OR SYSTEM ASPECTS SPECIFIC TO THE DVD SYSTEMS, NOR DO THE LICENSE UNDERTAKINGS WITH RESPECT TO THE MANUFACTURE OF DISCS EXTEND TO MASTER RECORDING MACHINES, EQUIPMENT OR METHODS FOR THE REPLICATION OF DISCS, THE MANUFACTURE OF MATERIALS OR REPRODUCTION

RIGHTS FOR INFORMATION SUCH AS AUDIO, VIDEO, TEXT AND/OR DATA-RELATED INFORMATION, CONTAINED ON DISCS TO BE PLAYED BACK ON A LICENSED PRODUCT; AND

- (II) THE RIGHTS AND LICENSES GRANTED UNDER THIS AGREEMENT DO NOT EXTEND TO ANY COMBINATION OF ONE OR MORE LICENSED PRODUCTS OR DISCS WITH ANY OTHER ELEMENTS, PRODUCTS, SYSTEMS, EQUIPMENT OR SOFTWARE OTHER THAN THE COMBINATION OF A LICENSED PRODUCT AND A DVD DISC.

### **3. Procurement from other Licensed Manufacturers**

- 3.1 The rights granted to Licensee pursuant to Clause 2 include the right for Licensee to have third parties manufacture for Licensee's use and account, in accordance with the provisions hereof, such components as Licensee requires in connection with the manufacture of Licensed Products.
- 3.2 The rights granted to Licensee pursuant to Clause 2 include the right for Licensee to have Licensed Products made for it by third party manufacturers, duly licensed by Philips under an agreement similar to this Agreement, provided that Licensee will properly identify such third party manufacturer in the royalty reporting forms to be submitted to Philips hereunder, together with the quantities of Licensed Products so purchased. Conversely, Licensee shall refrain from purchasing or selling DVD Players manufactured by any third party not licensed by Philips, where such purchase or sale would constitute an act of infringement of any of the Licensed Patents.

### **4. Royalties, Reports and Payments**

- 4.1 In consideration of the rights granted by Philips, Licensee shall, upon execution of this Agreement, make a non-refundable payment of US\$ 10,000 (ten thousand US Dollars) to Philips. Of this amount of US\$ 10,000, an amount of US\$ 5,000 (five thousand US Dollars) shall be regarded as an advance payment against royalties payable pursuant to Clause 4.2.
- 4.2 In further consideration of the rights granted hereunder by Philips to Licensee, Licensee shall pay to Philips a royalty for each DVD Player sold or otherwise disposed of by Licensee, any of Licensee's Associated Companies or an agent of Licensee, in any country where at least one of the Licensed Patents relating to DVD Players as selected by Licensee pursuant to the Options of Clause 1.11 exists.

With respect to DVD Players sold before July 1, 2002 this royalty shall amount to 3.5% (three and a half per cent) of the Net Selling Price (as hereinafter defined) of each such DVD Player or US\$ 5.00 (five US Dollars), whichever amount is higher.

With respect to DVD Players sold on or after July 1, 2002 this royalty shall amount to US\$ 5.00 (five US Dollars) for each DVD Player.

With respect to DVD Players sold on or after the Effective Date of this Agreement, provided that:

- a) Licensee is in full compliance with its obligations under this Agreement; and
- b) Licensee has submitted an audit statement by its external auditors, who shall be certified public auditors as specified in the Audit Guidelines attached hereto as Annex B2, confirming that the quarterly royalty statements as submitted by Licensee to Philips for the last twelve quarterly periods, are true, complete and accurate in every respect; and such statement must meet the requirements as specified in the Audit Guidelines;

Licensee may apply a royalty rate of US\$ 3.50 (three and a half US Dollars) for each DVD Player.

In the event that Licensee fails to comply at any time with any of its obligations under this Agreement, the royalty rate of US\$ 5.00 (five US Dollars) shall apply to Licensee's manufacture and sale of DVD Players instead of the royalty rate of US\$ 3.50 (three and a half US Dollars), with immediate effect from the first day of the reporting period to which the occurrence of non-compliance relates until such moment that Philips confirms in writing to Licensee that Licensee's non-compliance has been remedied in full.

For the purpose of clarification, the royalty for CD-Audio and/or CD-ROM playback functionality of DVD Players are included in the royalty rates mentioned above.

A DVD Player shall be considered sold when invoiced or, if not invoiced, when delivered to a party other than Licensee.

For the avoidance of doubt, Philips confirms that it shall not assert any of the Licensed Patents against Licensee, nor against any of Licensee's customers or subsequent buyers of DVD Players manufactured and sold by Licensee, prior to the day on which such DVD Players are to be reported pursuant to the provisions of this Agreement, nor, provided that such DVD Players have been duly reported in accordance with the provisions of this Agreement, prior to the day when payment of royalties in respect of DVD Players manufactured and sold by Licensee is due in accordance with the provisions of this Agreement.

No royalties shall be payable for DVD Players purchased by Licensee on a "have made" basis in accordance with Clause 3 from third party manufacturers, duly licensed by Philips, provided that Licensee can demonstrate to Philips' satisfaction, that such third party manufacturer has paid to Philips the royalties due in respect of such DVD Players.

For the avoidance of doubt, in the event that the manufacture by Licensee of DVD Players within the Territory would not infringe any of the Licensed Patents, Licensee shall have no obligation to report and pay royalties due on the basis of this Agreement in respect of DVD Players manufactured within the Territory and which are sold for final use within the Territory or imported (either by Licensee or by a third party) into a country where no Licensed Patents exist, for final use in such country.

- 4.3 For the purpose of this Agreement, "Net Selling Price" shall mean the invoice price for the DVD Player sold by Licensee to any third party on an arm's length basis during the term of this Agreement. Such price shall be exclusive of normal discounts actually granted, insurance fees, packing and transportation charges as invoiced to customers, and duties and sales taxes actually incurred and paid by Licensee in connection with the supply of



such DVD Player. In respect of sales by Licensee other than on an arm's length basis to or for resale by customers, the Net Selling Price shall be the average Net Selling Price as defined above for similar DVD Players sold on an arm's length basis to third party customers over the preceding three months.

4.4 Within 30 days following 31 March, 30 June, 30 September and 31 December of each year during the term of this Agreement, Licensee shall submit to Philips (even in the event that no sales have been made) a written statement in the form as attached hereto as Annex B1 ("Royalty Reporting Form") (or in such other form as may be subsequently communicated by Philips to Licensee), signed by a duly authorized officer on behalf of Licensee, setting forth with respect to the preceding quarterly period:

- (1) the quantities of DVD Players manufactured by Licensee, on which royalties are due in accordance with the provisions of this Agreement, specified per individual type of DVD Player;
- (2) the quantities of DVD Players corresponding with the DVD Players as selected by Licensee pursuant to the Options of Clause 1.11, purchased from other licensed manufacturers in accordance with the provisions of Clause 3, on which royalties are due in accordance with the provisions of the DVD Video Player and DVD ROM Player patent license agreement of said other manufacturers, specified per individual type of DVD Player and per such third party manufacturer who shall be named in the Royalty Reporting Form;
- (3) on a per-country basis, specifying per individual type of DVD Player:
  - (a) the quantities of DVD Players on which royalties are due in accordance with the provisions of this Agreement, sold or otherwise disposed of, specifying the identity of the buyers and the trademarks used on or in connection with the DVD Players;
  - (b) where applicable, the Net Selling Price of the DVD Players on which royalties are due in accordance with the provisions of this Agreement, sold or otherwise disposed of, expressed in the currency as used in the transaction(s);
  - (c) the quantities of DVD Players on which royalties are due in accordance with the provisions of this Agreement, sold to other manufacturers, duly licensed by Philips, specifying the identity of such other manufacturers and the trademarks used on or in connection with the DVD Players;
- (4) a computation of the royalties due under this Agreement.

Licensee shall pay the royalties due to Philips within 30 days after the end of each quarterly period in US Dollars to a bank account, as specified by Philips.

4.5 In the event that Licensee fails to submit to Philips a Royalty Reporting Form for any royalty reporting period within 30 days from the end of the relevant reporting period in accordance with the provisions of Clause 4.4, Licensee shall be obliged to pay to Philips within 30 days after the end of the relevant quarterly period for which the Royalty

Reporting Form was not submitted, an estimated royalty (hereinafter referred to as an “Advance”), being an amount equal to the highest amount of royalties due for any royalty reporting period over the preceding eight royalty reporting periods (or over all preceding royalty reporting periods if fewer than eight). Such payment shall be treated as a non-refundable advance, primarily against the royalties and interest for the relevant royalty reporting period and then, if any sum remains, against any future royalties or other payments payable by Licensee hereunder. Licensee acknowledges and agrees that any Advance shall not be due by way of penalty, but that such payment shall constitute a non-refundable advance as aforesaid. For the avoidance of doubt, such payment shall be payable without any further notice or action by Philips, legal or otherwise, and shall take effect by virtue of the failure to submit a Royalty Reporting Form on time. The payment by Licensee of an Advance shall not affect Licensee’s obligation to submit a Royalty Reporting Form and shall be without prejudice to any other rights or remedies of Philips, including, without limitation, Philips’ right to charge 2% (two per cent) interest per month on overdue payments (including overdue payments of the Advance), and Philips’ right to terminate this Agreement in accordance with its provisions. The Advance will not be set off against other sums due to Philips until a Royalty Reporting Form has been submitted in respect of the relevant royalty reporting period. In respect of any royalty reporting period for which an Advance has been paid and the Royalty Reporting Form subsequently submitted, Philips will first set off against the Advance all royalties and interest due for that period. Any remaining sum from the Advance will be set off against further royalty, interest or Advance payments due to Philips hereunder (if any).

- 4.6 Licensee shall submit to Philips, once per calendar year, an audit statement by its external auditors, who shall be certified public auditors as specified in the Audit Guidelines attached hereto as Annex B2, confirming that the quarterly royalty statements as submitted by Licensee to Philips for the last four quarterly periods, are true, complete and accurate in every respect. Such statement must meet the requirements as specified in the Audit Guidelines and shall be submitted to Philips within 90 days following the end of Licensee’s financial year. The correctness of this audit statement may be verified by Philips by means of a work paper review, conducted by one of the certified public auditors selected by Philips. Licensee shall procure that its auditors provide full cooperation with said work paper review. Notwithstanding this audit statement, Philips reserves the right to inspect the books and records of Licensee from time to time in accordance with Clause 4.11.
- 4.7 Within 30 days following the expiration or termination of this Agreement, Licensee shall submit to Philips a certified report on the number of DVD Players as selected by Licensee pursuant to the Options of Clause 1.11, on which royalties are due in accordance with the provisions of this Agreement, in stock at the time of expiration or termination of this Agreement. Royalties, calculated in accordance with Clause 4.2 and Clause 4.13, shall be due and payable for all such DVD Players manufactured prior to, but remaining in stock with Licensee on the date of expiration or termination of this Agreement and shall be calculated on the basis of the Fair Market Value (as hereinafter defined) of each such DVD Player remaining in stock. For each such DVD Player still in stock “Fair Market Value” shall, for the purpose of this Agreement, mean the average Net Selling Price of the DVD Players which are identical or substantially similar to such DVD Players still in stock, sold during the 3 months prior to the expiration or termination of this Agreement. For the avoidance of doubt, this Clause 4.7 shall be without prejudice to the provisions of Clause 10.6.

- 4.8 Any payment under this Agreement which is not made on the date(s) specified herein, shall accrue interest at the rate of 2% (two per cent) per month (or part thereof) or the maximum amount permitted by law, whichever is lower.
- 4.9 All payments to Philips under this Agreement shall be made by transfer in US Dollar or in such other currency, convertible in the sense of Articles VIII and XIX of the Articles of Agreement of the International Monetary Fund, as designated by Philips. The rate of exchange for converting the currency (if other than US Dollar) of the Territory shall be the telegraphic transfer selling rate of the designated currency as officially quoted in the Territory by the officially authorized foreign exchange bank for payment of currency transactions on the day that the amount is due and payable.
- 4.10 All costs, stamp duties, taxes and other similar levies arising from or in connection with the conclusion of this Agreement shall be borne by Licensee. In the event that the government of a country imposes any taxes on payments made by Licensee to Philips hereunder and requires Licensee to withhold such tax from such payments, Licensee may deduct such tax from such payments. In such event, Licensee shall promptly provide Philips with tax receipts issued by the relevant tax authorities so as to enable Philips to support a claim for credit against income taxes which may be payable by Philips and/or its Associated Companies in The Netherlands and to enable Philips to document, if necessary, its compliance with tax obligations in any jurisdiction outside The Netherlands.
- 4.11 In order that the royalty statements provided for in this Clause 4 may be verified, Licensee shall keep complete and accurate books and records relating to the manufacture and sale or other disposal of DVD Players as correspond with the DVD Players as selected by Licensee pursuant to the Options of Clause 1.11 for which at least one Licensed Patent remains in force in any country of the world and shall keep such books and records available for inspection for a period of 5 years following the sale or other disposal of each DVD Player.

Philips shall have the right to inspect the books and records of Licensee from time to time, in order to verify the correctness of the aforementioned royalty statements. Any such inspection shall take place no more than once per calendar year and shall be conducted by a certified public auditor appointed by Philips. Philips shall give Licensee written notice of such inspection at least 7 days prior to the inspection. Licensee shall willingly co-operate and provide all such assistance in connection with such inspection as Philips and/or the auditor may require. The inspection shall be conducted at Philips' own expense, provided that in the event that Licensee has failed to submit royalty statements and/or yearly written statement(s) by its external auditors, as provided for in Clause 4.4 and Clause 4.6, in respect of the period to which the inspection relates or in the event that any discrepancy or error exceeding 3% (three per cent) of the monies actually due is established, in addition to Licensee's obligation promptly to make up for such underpayment, the cost of the inspection shall be borne by Licensee, without prejudice to any other claim or remedy as Philips may have under this Agreement or under applicable law.

Philips' right of inspection as set out in this Clause 4.11 shall survive termination or expiration of this Agreement.

- 4.12 Without prejudice to the provisions of Clause 4.11, Licensee shall provide all relevant additional information as Philips may reasonably request from time to time, so as to enable Philips to ascertain which products manufactured, sold or otherwise disposed of by

Licensee are subject to the payment of royalties to Philips hereunder, the patents which have been used in connection with such products, and the amount of royalties payable.

- 4.13 As a condition precedent to the entry into force of this Agreement, Licensee shall submit to Philips a royalty statement in respect of those DVD Players as correspond with the DVD Players as selected by Licensee pursuant to the Options of Clause 1.11 and in which any one or more of the Licensed Patents existing at the time is (are) used, manufactured and sold or otherwise disposed of by Licensee before the Effective Date (as hereinafter defined) of this Agreement in accordance with the provisions of Clause 4.4. Licensee shall clearly indicate on such royalty statement the starting date of production of such DVD Players.

Within 7 days following the execution of this Agreement, Licensee shall pay to Philips the royalties for such DVD Players, calculated by applying the royalty rate of:

- (a) 3.5% (three and a half per cent) of the Net Selling Price of each such DVD Player or US\$ 5.00 (five US Dollars), whichever amount is higher, with respect to DVD Players sold before July 1, 2002; and
- (b) US\$ 5.00 (five US Dollars) with respect to DVD Players sold on or after July 1, 2002.

The royalty statement shall similarly be subject to Philips' right of audit as set out in Clause 4.11. Within 45 days following the execution of this Agreement, Licensee shall submit to Philips an audit statement by its external auditors, who shall be certified public auditors, confirming that this royalty statement is true, complete and accurate in every respect. Such statement must meet the requirements as specified in the Audit Guidelines.

Licensee acknowledges and agrees that LGE has retained the right separately to claim compensation for the use of its patents prior to the Effective Date of this Agreement. The payment pursuant to this Clause 4.13 only covers the use of the essential patents of Philips, Sony and Pioneer relating to DVD Players, whereas the use of the patents of LGE prior to the Effective Date of this Agreement is not covered.

## 5. Most Favourable Rate

- 5.1 In the event that Licenses under the patents referred to in Clause 2 are granted by Philips for DVD Players, as correspond with the selection made by Licensee pursuant to the Options of Clause 1.11, to a third party under substantially similar conditions, but at a royalty rate more favourable than the rate payable by Licensee under this Agreement, Licensee shall be entitled to the same royalty rate as applicable to such third party, provided always that this right of Licensee shall not apply in respect of cross-license agreements or other agreements providing for a consideration which is not exclusively based on the payment of royalties and further provided that this right of Licensee shall not apply in respect of licenses or other arrangements made pursuant to a court decision or the settlement of a dispute between Philips and a third party, irrespective of the nature of such dispute, the terms of the court decision or the settlement terms.

## 6. No Warranty and Indemnification

- 6.1 Philips makes no representation or warranty as to the ability of Licensee to achieve interchangeability with respect to DVD Players.
- 6.2 It is acknowledged by Licensee that third parties may own industrial and/or intellectual property rights in the field of DVD Players. Philips, Sony, Pioneer and LGE make no warranty whatsoever that the manufacture, sale or other disposal of DVD Players does not infringe or will not cause infringement of any industrial and/or intellectual property rights other than the Licensed Patents. Philips, Sony, Pioneer, LGE and their respective Associated Companies shall be fully indemnified and held harmless by Licensee from and against any and all third party claims in connection with DVD Players manufactured, sold or otherwise disposed of by Licensee.

## 7. Confidentiality

- 7.1 Licensee shall, during the term of this Agreement as specified in Clause 10.1 and for a period of 3 years thereafter, not disclose to any third party any information acquired from Philips or any of Philips' Associated Companies in connection with this Agreement, or use such information for any purpose other than the manufacture and disposal of DVD Players in accordance with the provisions of this Agreement. This obligation shall not apply to the extent information so acquired:
- (a) was known to Licensee prior to the date on which such information was acquired from Philips or any of Philips' Associated Companies, as shown by records of Licensee or otherwise demonstrated to Philips' satisfaction;
  - (b) is or has become available to the public through no fault of Licensee;
  - (c) was or is received from a third party who was under no confidentiality obligation in respect of such information.
- 7.2 The obligations concerning confidentiality contained in Clause 7.1 shall survive termination of this Agreement.
- 7.3 Philips shall, during the term of this Agreement as specified in Clause 10.1 and for a period of 3 years thereafter, not disclose to any third party any confidential information obtained in connection with Clause 4.4, Clause 4.6, Clause 4.7 and/or Clause 4.13, except that Philips may disclose such information to its external auditors, legal representatives and to the competent courts to the extent this is necessary for Philips in connection with the enforcement of its rights hereunder. Further, Philips shall not use such information for other purposes than to verify Licensee's compliance with its royalty reporting and payment obligations as provided in this Agreement and to enforce Philips' rights hereunder. Philips' obligations set out in this paragraph shall not apply to information referred to in sections (a), (b) and/or (c) of Clause 7.1.

## 8. Patent Markings

- 8.1 If requested by Philips, Licensee shall place appropriate patent markings on an exposed surface of the Licensed Products made, sold or otherwise disposed of hereunder. The content, form, location and language used in such markings shall be in accordance with the laws and practices of the country where such markings are used.

## 9. No Assignment

- 9.1 This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective assignees. It may not be assigned in whole or in part by Licensee without the prior written consent of Philips.

## 10. Term and Termination

- 10.1 This Agreement shall enter into force on the "Effective Date", being the date first written above. In the event that validation of this Agreement is required by the competent governmental authorities, the Effective Date shall be the date of such validation. Unless terminated earlier in accordance with the provisions of this Clause 10, this Agreement shall remain in force until the expiration of a ten-year period from the Effective Date or until the expiration date of the last to expire Licensed Patent in the Territory relating to DVD Players as selected by Licensee pursuant to the Options of Clause 1.11, whichever comes first.

Upon the expiration of all Licensed Patents in the Territory relating to DVD Players as selected by Licensee pursuant to the Options of Clause 1.11, Philips shall not assert any of the Licensed Patents against Licensee or Licensee's customers, provided that Licensee has entered into a contractual arrangement with Philips providing for the situation that, although such DVD Players manufactured by Licensee are no longer covered by any of the Licensed Patents in the Territory, such DVD Players are being imported by Licensee or a third party into one or more other countries in which one or more of the Licensed Patents subsist.

- 10.2 Without prejudice to the provisions of Clause 10.3 through Clause 10.6, each party may terminate this Agreement at any time by means of a written notice to the other party in the event that the other party fails to perform any obligation under this Agreement and such failure is not remedied within 30 days after receipt of a notice specifying the nature of such failure and requiring it to be remedied. Such right of termination shall not be exclusive of any other remedies or means of redress to which the non-defaulting party may be lawfully entitled and all such remedies shall be cumulative. Any such termination shall not affect any royalty or other payment obligations under this Agreement accrued prior to such termination.
- 10.3 Philips may terminate this Agreement forthwith by means of a written notice in writing to Licensee in the event that a creditor or other claimant takes possession of, or a receiver, administrator or similar officer is appointed over any of the assets of Licensee, or in the event that Licensee makes any voluntary arrangement with its creditors or becomes subject to any court or administration order pursuant to any bankruptcy or insolvency law.

- 10.4 Additionally, insofar as legally permitted, Philips may terminate this Agreement at any time by means of a written notice to Licensee in case Licensee or an Associated Company of Licensee has been found liable by a competent court or administrative authority to have committed an act of copyright piracy.
- 10.5 Philips shall have the right to terminate this Agreement forthwith or to revoke the license granted under any of Philips', Sony's, Pioneer's, LGE's or any of their respective Associated Companies' patents in the event that Licensee or any of its Associated Companies brings a claim of infringement of any of Licensee's or any of Licensee's Associated Companies' essential patents relating to DVD Players or DVD Discs against Philips, Sony, Pioneer, LGE or any of their respective Associated Companies and Licensee refuses to license such patents on fair and reasonable conditions.
- 10.6 Upon the termination of this Agreement by Philips for any reason pursuant to Clause 10.2 through Clause 10.5, Licensee shall immediately cease the manufacture, sale or other disposal of DVD Players in which any one or more of the Licensed Patents are used. Further, upon such termination, any and all amounts outstanding hereunder shall become immediately due and payable.
- 10.7 All provisions of this Agreement which are intended to survive (whether express or implied) the expiry or termination of this Agreement, shall so survive.

## **11. Miscellaneous**

- 11.1 Licensee acknowledges that Philips may make modifications to the wording of the standard version of the DVD Video Player and DVD ROM Player Patent License Agreement in future. Licensee shall at all times have the option of entering into the latest version of the DVD Video Player and DVD ROM Player Patent License Agreement as published by Philips on its website or otherwise communicated by Philips to Licensee after the Effective Date of this Agreement.
- 11.2 Any notice required under this Agreement to be sent by either party shall be given in writing by means of a letter, facsimile or electronic mail directed:

in respect of Licensee, to:

in respect of Philips, to:

Koninklijke Philips Electronics N.V.  
c/o Philips Intellectual Property & Standards - Legal Department  
Building WAH-2  
P.O. Box 220  
5600 AE Eindhoven  
The Netherlands  
Fax. +31 40 2743489

with a copy to:

Philips Intellectual Property & Standards  
345 Scarborough Road  
Baircliff Manor, NY 10510-8001

or such other address as may have been previously specified in writing by either party to the other.

- 11.3 This Agreement sets forth the entire understanding and agreement between the parties as to the subject matter hereof and supersedes and replaces all prior arrangements, discussions and understandings between the parties relating thereto. No variation of this Agreement shall be binding upon either party unless made in writing and signed by an authorized representative of each of the parties hereto.
- 11.4 Nothing contained in this Agreement shall be construed:
- (a) as imposing on either party any obligation to instigate any suit or action for infringement of any of the patents licensed hereunder or to defend any suit or action brought by a third party which challenges or relates to the validity of any such patents. Licensee shall have no right to instigate any such suit or action for infringement of any of the patents licensed by Philips hereunder, nor the right to defend any such suit or action which challenges or relates to the validity of any such patent licensed by Philips hereunder;
  - (b) as imposing any obligation to file any patent application, to secure any patent or to maintain any patent in force;
  - (c) as conferring any license or right to copy or imitate the appearance and/or design of any product of Philips, Sony, Pioneer, LGE or any of their respective Associated Companies;
  - (d) as conferring any license to manufacture, sell or otherwise dispose of any product or device other than a Licensed Product. This sub-clause (d) shall however not be considered a prohibition for Licensee to manufacture Licensed Products as part of and incorporated in combination products.
- 11.5 Neither the failure nor the delay of either party to enforce any provision of this Agreement shall constitute a waiver of such provision or of the right of either party to enforce each and every provision of this Agreement.
- 11.6 Should any provision of this Agreement be finally determined void or unenforceable in any judicial proceeding, such determination shall not affect the operation of the remaining provisions hereof, provided that, in such event, Philips shall have the right to terminate this Agreement by means of a written notice to Licensee.
- 11.7 This Agreement shall be governed by and construed in accordance with the laws of The State of New York.

Any dispute between the parties hereto in connection with this Agreement (including any question regarding its existence, validity or termination) shall be submitted to any state or



federal courts in The State of New York, provided always that, in case Philips is the plaintiff, Philips may, at its sole discretion, submit any such dispute either to the state or federal courts in the venue of Licensee's registered office, or to any of the state or federal courts in the Territory having jurisdiction. Licensee hereby irrevocably waives any objection to the jurisdiction, process and venue of any such court and to the effectiveness, execution and enforcement of any order or judgment (including, but not limited to, a default judgment) of any such court in relation to this Agreement, to the maximum extent permitted by the law of any jurisdiction, the laws of which might be claimed to be applicable regarding the effectiveness, enforcement or execution of such order or judgment.

AS WITNESS, the parties hereto have caused this Agreement to be signed on the date first written above.

KONINKLIJKE PHILIPS ELECTRONICS  
N.V.

[LICENSEE]

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

Reference copy