

## Koninklijke Philips Electronics N.V.

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P.O. Box 218, 5600 MD Eindhoven, The Netherlands

Ref: HS/JA

Date:

Re: **DVD-Audio Disc Patent License Agreement;  
Patent Countries/Non-Patent Countries**

Dear Sirs,

Reference is made to the DVD-Audio Disc Patent License Agreement between our companies dated ..... (“the Agreement”).

Any capitalised term used in this Letter Agreement but not defined shall have the same meaning as ascribed thereto in the Agreement. Any country in which one or more of the Licensed Patents subsist will be referred to in this Letter Agreement as “Patent Country(ies)”. Any country in which none of the Licensed Patents subsist will be referred to in this Letter Agreement as “Non-Patent Country(ies)”.

The alternative arrangements set out in this Letter Agreement shall apply only to those DVD-Audio Discs as selected by Licensee pursuant to the Options of Clause 1.15 manufactured in a Non-Patent Country. Conversely, in respect of those DVD-Audio Discs selected by Licensee pursuant to the Options of Clause 1.15 manufactured in a Patent Country, the provisions of the Agreement shall apply and the contents of this Letter Agreement shall not be applicable.

It is acknowledged that Licensee is engaged (or wishes to become engaged) in the manufacture of DVD-Audio Discs in a Non-Patent Country. It is expressly acknowledged and confirmed that no consent is granted by virtue of the Agreement or otherwise by Philips for the manufacture of DVD-Audio Discs by Licensee in any Non-Patent Country within the Territory. Accordingly, with regard to DVD-Audio Discs manufactured by Licensee in any Non-Patent Country included in the Territory, the license granted by Philips in Clause 2.1 shall be limited to the import, sale or other disposal of Licensed Products by Licensee in Patent Countries and shall not extend to the manufacture, import, sale or other disposal by Licensee of DVD-Audio Discs in any Non-Patent Country, whether within or outside the Territory.

In addition, Philips hereby undertakes that, for as long as the Agreement shall remain in force and Licensee complies with all its obligations thereunder, including but not limited



to the obligations concerning the payment of royalties as modified hereinbelow, the applicable Licensed Patents will not be asserted in respect of the import, sale or other disposal by third parties in Patent Countries of DVD-Audio Discs manufactured by Licensee in any Non-Patent Country.

In consideration of the grant of the license under Clause 2.1 (as herein modified) and the non-assertion undertaking herein contained, the parties hereby agree that the royalty payment provisions of Clause 4.2 shall be modified in such a way that Licensee shall pay royalties to Philips at the rates specified in this Clause 4.2 on each DVD-Audio Disc manufactured by Licensee in a Non-Patent Country which is imported into, sold or otherwise disposed of in a Patent Country, irrespective of whether such import, sale or other disposal is carried out by Licensee or by a third party.

The parties acknowledge and agree that it is difficult to establish the exact number of DVD-Audio Discs so imported, sold or otherwise disposed of in Patent Countries and Non-Patent Countries respectively. Therefore, based on written documentation provided by Licensee showing the pattern of sales of DVD-Audio Discs in the various territories over the last 2 years, the place of residence of Licensee's customers and the development of the total market, the parties agree that, unless demonstrated otherwise by Licensee to Philips' satisfaction, at least \_\_\_% (\_\_\_\_\_ per cent) of the DVD-Audio Discs manufactured by Licensee in the Non-Patent Country or Patent Countries are so imported into, sold or otherwise disposed of in Patent Countries and covered by one or more claims of one or more Licensed Patents subsisting in those Patent Countries. Accordingly, the royalties due shall be calculated on the basis of Licensee's production of DVD-Audio Discs in any Non-Patent Country (to be reported in accordance with Clause 4.3 (1)), applying the percentage specified above. For the avoidance of doubt, the arrangements set out in this Letter Agreement do not affect the reporting obligations of Licensee pursuant to the Agreement, in respect of production of DVD-Audio Discs in any Patent Country. This means that production in Non-Patent Countries and production in Patent Countries are to be reported separately, using separate Royalty Reporting Forms.

After 12 months from the date of this Letter Agreement and once during every calendar year thereafter, the parties shall review whether the agreed percentage is still appropriate. The percentage shall only be changed by written agreement between the parties. In the event that no agreement is reached by the parties within 60 days since the negotiations started each party shall, within the following 30 calendar days, notify the other in writing the percentage of sales it believes to be appropriate. Following the exchange of such notifications, Philips shall appoint an external auditor, who shall be a certified public auditor, to perform an audit of Licensee's sales of Licensed Products in order to determine the appropriate percentage. The audit shall be carried out by the external auditor within a 60-day period. Licensee shall provide unfettered access to all its books and records and shall provide all reasonable assistance to the auditors to carry out the audit. The percentage determined by the external auditors shall be binding upon the parties for the subsequent 12-month period. The cost of such audit shall be borne by the parties in equal shares.

In case that within said 60-day period the auditors are unable to determine the percentage Philips shall have the right to unilaterally terminate the Agreement with immediate effect and the costs of the Audit shall be borne by Licensee.

Please confirm your agreement with the above by signing the two copies of this Letter Agreement and returning same thereafter to us. Upon receipt thereof we will arrange for countersignature on our part and return one copy to you.

Thank you for your co-operation.

Yours sincerely,

Koninklijke Philips Electronics N.V.

Name:

Title:

Agreed for and on behalf of:

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

Title:

Reference copy