

# STANFORD UNIVERSITY

OFFICE OF TECHNOLOGY LICENSING  
350 Cambridge Avenue, Suite 250  
Palo Alto, California 94306

(415) 723-0651  
Telex: 348402 STANFRD STNU

November 14, 1986

Mr. Maki Kamiya  
Chief, Patent Department  
Nippon Gakki Co., Ltd.  
10-1 Nakazawa-cho  
Hamamatsu-shi  
Shizuoka-ken 430  
JAPAN

Re: FM License Agreement

Dear Mr. Kamiya:

Let me first thank Yamaha Nippon Gakki Co. very much for the hospitality showed John Chowning, Chris Chafe, and me. The Kita no Maru lodge was a delightful and relaxing experience.

As you know, Mr. Kamo advised us last Friday that there was a difficult situation with respect to the LSI royalty. We then agreed to open up the matter of the LSI royalty but felt that then it also was appropriate to open up the other matters of agreement.

It appears likely we will again need face-to-face discussions to move the matter forward. However, we now have the holiday season upon us and both John and I have many pressing matters which would make it difficult to break away before the end of this year. Hence, it may be preferable to meet in 1987, perhaps in February or March, to continue discussions. Records of sales of LSI's, as well as musical instruments and subsystems, will continue to be kept and a retroactive calculation of the appropriate royalties can easily be made for the period beginning January 1, 1987. Could you let us know your thoughts regarding this suggestion to delay our next discussions until next year?

One matter about which we would like to have a greater understanding, particularly if the U.S. patent does not become nonexclusive in 1987, is how infringement and sublicensing would be handled? Based upon discussions of November 7, we learned that there was at least one possible infringer, and maybe more, in view of the power of the FM technology. Thus, enforcement likely will be necessary. If NGK continues with exclusive rights, particularly in the U.S., we would like to come to an understanding as to how NGK intends to proceed in such matters.

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You will recall one of the matters of discussion in Hamamatsu was the modest sale of the LSI chips in the U.S. Upon our return, there was a message for me from a representative of a U.S. company. They advised they had been attempting to procure the Model 2151 LSI and had discussions with Mr. Kishimuni of NGK in Buena Park. But despite continued following, they have been unable to obtain any commitment that LSIs would, in fact, be sold to them.

As I understand the objective of this company, it is to sell to the hobby market. They would, in effect, be a "value added retailer" and would package different hardware and software. They indicated even willingness to work out an OEM arrangement with NGK; i.e., this company would produce the specifications for the product desired and NGK could build.

In any event, this U.S. company has been unable to obtain information regarding delivery of Model 2151 or other NGK FM chips. If these chips are not sold freely in the U.S., that further enhances the probability that there may need to be legal action to enforce patents. This situation again emphasizes our desire to learn of NGK's plans with respect to patent enforcement should we go forward with extension of the U.S. patent exclusive.

Could you please discuss the matter of sale of chips in the U.S. with Mr. Ishimura and let us know NGK's policy in this regard.

Please do recall, it is our primary objective that the close collaborative arrangement with NGK continue, and I am sure we will work matters out in a way that is beneficial to both parties.

We look forward to hearing from you at your convenience.

Best regards,



Niels Reimers  
Director

cc: John Chowning  
NJR:kla