

OPTION AND EXCLUSIVE LICENSE AGREEMENT

THIS AGREEMENT made this 24th day of September, 1969, between THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY (hereinafter STANFORD), having a place of business at Stanford, California, and GRT CORPORATION, whose Post Office Address is 1286 North Lawrence Station Road, Sunnyvale, California 94086 (hereinafter GRT).

RECITALS:

WHEREAS, STANFORD represents that Dr. John M. Chowning has agreed to and will assign to STANFORD all his rights in the hereinafter termed "Licensed Subject Matter" which comprises certain inventions, improvements and discoveries for which STANFORD is about to make application for United States Patent, and know-how and technical information all relating to a method and system for generating or processing music or sound signal information to provide, in addition to the musical parameters of pitch, loudness, time, timbre, control over the apparent location of the sound.

WHEREAS, CHOWNING possesses technical information, know-how and expertise in the field of said Licensed Subject Matter and in the practice thereof; and

WHEREAS, GRT desires to evaluate the commercial utility of the licensed Subject Matter before entering into a license agreement with STANFORD.

IT IS THEREFORE AGREED:

OPTION AGREEMENT

1. STANFORD hereby grants to GRT an option, good for six (6) months from and after the date of this agreement, to make effective the license agreement set forth in Sections 10-25 inclusive, hereof.

2. During the next six (6) months, and at times mutually convenient to GRT and to CHOWNING, CHOWNING shall make a full disclosure of the Licensed Subject Matter to those employees and agents of GRT who shall be designated by GRT as its representatives. CHOWNING shall explain in full detail the system, apparatus and methods of the Licensed Subject Matter, and shall answer to the best of his ability all questions asked by GRT's representatives which may advance their technical understanding of the Licensed Subject Matter. CHOWNING shall submit to GRT's representatives all writings relating to the Licensed Subject Matter, and shall permit them to copy such writings. CHOWNING shall furnish upon request additional information and assistance reasonably necessary to enable GRT's representatives to understand and evaluate the novelty and utility of the Licensed Subject Matter. All reasonable expenses incurred by CHOWNING in furnishing the assistance and information required under this paragraph shall be paid by GRT, but GRT is not to compensate CHOWNING for his time.

3. STANFORD hereby covenants and warrants that it is the owner of the entire right, title and interest in and to the Licensed Subject Matter, and that it has the full right and authority to execute this agreement.

4. During the period of this option GRT shall receive and hold in confidence all information required by this agreement and take all reasonable measures to prevent the disclosure of same to others, and shall diligently investigate the nature and use of the Licensed Subject Matter to determine whether to exercise the option granted herein.

5. If the option granted by Paragraph 1 is not exercised, the duties of GRT shall be as follows:

(a) It shall return promptly all writings submitted by CHOWNING to GRT's representatives but it may retain copies of such writings for its records.

(b) It shall instruct its representatives to hold in confidence for three years from the date of this agreement all information received from CHOWNING or until such information is available to the public generally or to its competitors.

(c) It shall make available to STANFORD and CHOWNING the results of its investigation including any opinions regarding the Licensed Subject Matter, but not including any legal opinion as to the Licensed Subject Matter.

6. If the option granted by Paragraph 1 is not exercised, STANFORD and CHOWNING shall be under no obligation to GRT.

7. In consideration of this agreement, GRT agrees, upon execution, to pay to STANFORD the sum of \$3,000, the receipt of which is hereby acknowledged by STANFORD. This payment shall not reduce or affect the payments due to STANFORD under the license agreement referred to in Paragraph 1 if and when the agreement becomes operative.

8. Any notice to be given pursuant to the terms of this agreement shall be in writing addressed as follows:

Stanford University  
Encina 239  
Stanford, Calif. 94305  
Attn: Patent Development  
Manager

GRT Corporation  
1286 North Lawrence Station Road  
Sunnyvale, Calif. 94086  
Attn: S. L. Smith  
V. P. Engineering

9. GRT may signify its exercise of this option at any time during said option period by executing the exclusive license portion of this agreement and forwarding such executed copy thereof to STANFORD at the above address and by paying at such time to STANFORD the sum of \$15,000 as advance minimum royalty, whereupon, and not before, the provisions of Sections 10-25 inclusive hereof shall without further action by the parties become effective.

Executed at Stanford, California, as of the day and year first written above.

THE BOARD OF TRUSTEES OF THE  
LELAND STANFORD JUNIOR UNIVERSITY

By Kenneth M. Cuthbertson  
Kenneth M. Cuthbertson, Vice President  
GRT CORPORATION for Finance

By Stewart L. Smith

## EXCLUSIVE LICENSE AGREEMENT

10. STANFORD, subject to the terms of this agreement, hereby grants unto GRT an exclusive, world wide license to make, use and practice Licensed Subject Matter.

11. GRT may authorize or sublicense another or others to perform any act or acts which GRT is authorized to perform under the license herein granted, provided that GRT shall remain primarily liable to STANFORD for the performance of all of GRT's obligations hereunder, including but not limited to payment of royalties to STANFORD with respect to all sales, use or manufacture authorized as aforesaid by GRT.

12. GRT shall pay to STANFORD (a) 5% of the net sales of records, tapes or other recording media which are sold and for which the master was made in accordance with at least one claim in a pending patent application or issued patent, provided that no royalties under this paragraph shall be payable as long as unlicensed competition is greater than 25% of the market for sales of recording media which are in accordance with the Licensed Subject Matter, (b) 5% of the net sales for processing records, tapes or other recording media in which a master was made in accordance with at least one claim in a pending patent application or issued patent, provided that no royalties under this paragraph shall be payable as long as unlicensed competition is greater than 25% of the market for sales for processing

recording media which are in accordance with the Licensed Subject Matter, (c) 5% on the net sale price of any products it manufactures and sells for making recorded magnetic tapes or records or other recording media which are covered by at least one claim in a pending patent application or issued patent. In the event that GRT uses equipment in its own processing or in the event that it sells such equipment to a related company or subsidiary, GRT shall pay a royalty based upon the fair market value of the equipment which shall be no less than that charged to a customer in an arms length transaction.

In the event that the parties cannot agree if competition is greater than 25% of the market, each shall appoint one arbitrator and these appointed arbitrators shall appoint a third person, which arbitrator shall then make the determination.

Net sales shall be construed to mean the invoice price of products sold under this agreement, less freight and customary trade discounts.

13. GRT agrees to pay on or before the anniversary date of this agreement and each anniversary date thereafter an advance minimum royalty to STANFORD in the sum of \$15,000, provided, however, that GRT may offset royalty payments payable for each year in accordance with Paragraph 12 above from the minimum royalty for such year. The right to offset royalties shall be carried forward from the first year to offset royalties due in

subsequent years but the minimum royalty for the second and subsequent years shall not be carried forward.

14. Royalties on all products sold during each quarter shall be made within thirty (30) days following the first day of January, April, July and October of each year of this agreement. Payment of royalties shall be accompanied by statements showing the basis upon which the royalties are paid and the period for which such royalties are being paid.

15. GRT shall keep accurate records showing the total sales price of recorded tapes and phonograph records or other recording media processed or sold and the total sales price of products manufactured and sold under this agreement, which records shall be open to inspection of representatives of STANFORD at reasonable times.

16. If GRT or any of its officers, agents or employees devise or acquire any improvements in the Licensed Subject Matter, GRT shall have the right in the name of GRT to apply for Letters Patent to cover such improvements in all countries of the world.

17. This agreement shall continue for a period of ten years from the date hereof or for the full term of the last to expire United States patent granted for the Licensed Subject Matter, whichever is longer, but the obligation to pay royalties shall terminate automatically in the event (a) that no patents are obtained within five years after the date of this agreement or

(b) that a court decision is made which holds the licensed patent invalid.

18. GRT shall advise STANFORD of the foreign countries in which it wishes to seek protection for the invention within eight (8) months of the applications in the United States and shall be obligated to pay all costs and fees pertaining to the filing and maintenance of the corresponding foreign applications. STANFORD may file in additional countries at its expense. In any event STANFORD agrees to cooperate with GRT and such patent applications will become a part of the Licensed Subject Matter.

19. Upon issuance of any patents or other final conclusions in the prosecution of the applications and of any divisions or continuations, STANFORD shall immediately inform GRT and transmit copies of any patents granted.

20. This agreement may be terminated by GRT after the first year of the agreement by giving six (6) months advance written notice to STANFORD.

21. In the event that either party to this agreement shall be in default of, or breach of any condition or covenants of the agreement, the aggrieved party may, at its election, serve notice in writing upon the party considered to be in default of its intention to terminate this agreement on the expiration of sixty (60) days from the date of such notice, provided, however, that if the party considered to be in default shall within thirty (30) days from the date of such notice make good the



default or breach complained of, termination of the agreement shall be avoided.

22. It is agreed that in the event GRT shall make an assignment for the benefit of creditors or be declared bankrupt by reason of voluntary or involuntary bankruptcy proceedings, all rights herein granted may at the option of STANFORD terminate forthwith, and the entire right, title and interest in and to the license herein granted shall thereafter revert to STANFORD without requiring any action on its part.

23. STANFORD and GRT mutually shall have the right to institute action for infringement of any patents or patent rights on the Licensed Subject Matter hereof, it being agreed that in any such suit that parties mutually agree to institute, the suit shall be instituted in the name of both parties, and that both parties shall contribute equally to the expense of any such suit or suits and shall participate equally in its recoveries, if any, whether by judgment, award, decree or settlement. It is further agreed that STANFORD shall exercise control over such litigation, provided, however, that GRT may, if it so desires, be represented by counsel of its own selection.

In the event the parties do not mutually agree to institute any such action, either party hereto may institute such action and join the other as party plaintiff in such suit, the party so instituting the action shall defray the entire expense of such litigation and shall be entitled to retain the entire

amount of the recoveries, if any, by way of judgment, award, decree or settlement resulting therefrom.

In the event that STANFORD declines to institute action or participate equally in action against infringement, if such infringement is substantial in relation to the national market for licensed product(s) in any one country, then GRT may suspend payment of royalties for sales in such country during the continuance of such substantial infringement.

24. This agreement shall have been deemed to have been made and entered into pursuant to the statutes and laws of the United States, and the laws of the State of California. In the event of any dispute hereunder, the laws of the United States and the State of California shall be deemed to be controlling upon the parties.

25. This agreement shall be binding upon and inure to the benefit of each of the parties hereto, their successors and assigns. GRT agrees not to assign this agreement without the prior consent of STANFORD.

26. Termination of this agreement shall not relieve either party of any obligations owing to the other at the time of such termination.

IN WITNESS WHEREOF, the parties have executed this agreement.

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LELAND STANFORD JUNIOR UNIVERSITY

By Kenneth M. Cuthbertson  
Kenneth M. Cuthbertson, Vice President  
GRT CORPORATION for Finance

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