SETTLEMENT AGREEMENT

THIS AGREEMENT entered into by and between THE MAGNAVOX COMPANY, a corporation of the State of Delaware, having an office at 580 White Plains Road, Tarrytown, New York (hereinafter MAGNAVOX), SANDERS ASSOCIATES, INC., a corporation of the State of Delaware, having an office at Daniel Webster Highway South, Nashua, New Hampshire (hereinafter SANDERS), and ACTIVISION, INC., a corporation of the State of California having an office at Mountain View, California (hereinafter ACTIVISION):

WITNESSETH:

WHEREAS, SANDERS is the owner of United States Letters Patent 3,659,284 which issued on April 25, 1972 and was reissued as United States Letters Patent Re. 28,507 on August 5, 1975 and MAGNAVOX is the exclusive licensee with right to sublicense under said United States Letters Patent 3,659,284 and Re. 28,507;

WHEREAS, ACTIVISION has made and now is engaged in the business of making, having made for it, marketing and selling game programs for use with home video games and home computers marketed under the name ACTIVISION;

WHEREAS, on September 28, 1982, MAGNAVOX and SANDERS filed a civil action in the Northern District of California entitled The Magnavox Company and Sanders Associates, Inc. v. Activision, Inc., No. C 82 5270, for infringement of said United States Letters Patent Re. 28,507, and the defendant filed First, Second and Third Counterclaims including a claim for alleged unfair competition by MAGNAVOX and SANDERS (the "Litigation");

WHEREAS, the above named parties are desirous of resolving the Litigation and any controversies with respect to the patent and patent applications described in Exhibit A hereto;

WHEREAS, MAGNAVOX and ACTIVISION contemporaneously with the execution of this SETTLEMENT AGREEMENT are executing and entering into a NONEXCLUSIVE SUBLICENSE AGREEMENT which agreements, among other things, include (a) provisions for compensating MAGNAVOX for acts of infringement, inducement to infringe, and contributory infringement of United States Letters Patent Re. 28,507 prior to January 1, 1985 and (b) provisions for granting certain licenses to ACTIVISION to practice the invention of said Letters Patent Re. 28,507 and of certain other patents.

NOW, THEREFORE, the parties hereto agree as follows:

I.

The parties hereto shall use their best efforts to obtain disposition of said Civil Action No. C 82 5270 by the entry of a judgment according to the terms of the FINAL JUDGMENT ON CONSENT attached as Exhibit B.

II.

ACTIVISION shall pay to MAGNAVOX the sum of One Million One Hundred Fifty Thousand Dollars ($1,150,000) in accordance with the following schedule:

Amount	Due Date
$400,000	Payable Upon Execution
200,000	October 1, 1985
275,000	April 1, 1986
275,000	April 1, 1987

Each of said payments due on or subsequent to October 1, 1985 shall be secured by a duly executed promissory note in the stated amount, payable on the stated date and non-interest bearing prior to the stated date, and the payment of the sum due on October 1, 1985 further shall be secured and guaranteed either (i) by a letter of credit in favor of MAGNAVOX to be issued as of the execution date of this Agreement; or (ii) by the deposit in escrow with the Bank of America, on or before the execution date of this Agreement, of U.S. Treasury bonds or bills in an amount necessary to equal $200,000 with accrued interest on October 1, 1985 and deliverable on October 1, 1985 to MAGNAVOX in a negotiable form. If the foregoing installments are not paid when due, ACTIVISION shall be in default and all appropriate action shall be available to MAGNAVOX and furthermore the delinquent amounts shall bear interest for each month or fraction of a month of delinquency at the prime rate (or reference rate) being charged by the Bank of America on the date the delinquent payment is due plus 1%.

III.

In consideration of the payments made hereunder, MAGNAVOX and SANDERS release and forever discharge ACTIVISION and its officers, directors, shareholders, agents, distributors and customers, and each of them (collectively the "ACTIVISION PARTIES"), from any and all claims, demands, actions or causes of action of any nature whatsoever (i.e., tort or contract) which MAGNAVOX or SANDERS have, shall or may have against the ACTIVISION PARTIES arising out of the Litigation or any act of infringement, inducement to infringe, or contributory

infringement of United States Letters Patent Re. 28,507 and those patents listed in Exhibit A by game programs made and sold by ACTIVISION prior to January 1, 1985 except as otherwise provided in this Agreement or the Nonexclusive Sublicense Agreement for Home Video Game Devices entered into by the parties contemporaneously herewith. Nothing herein shall be construed as a release of any customer of ACTIVISION, or any officer, employee, or agent of such customer, for any acts of the customer with respect to any product not made by or for ACTIVISION. This release shall be effective only upon entry of said FINAL JUDGMENT ON CONSENT.

IV.

A. MAGNAVOX hereby grants to ACTIVISION and to wholly owned subsidiaries of ACTIVISION a worldwide, paid-up, nonexclusive license, without the right to sublicense, under the patents and applications for patent set forth in Exhibit A attached hereto and any reissues, divisions, continuations or extensions thereof, to make, use and sell, anywhere in the world, programs for home computers, it being understood that no licenses or any other rights are granted under said paid-up license to make, use or sell home computers or with respect to "HOME VIDEO GAMES" and/or "GAME PROGRAMS" for "HOME VIDEO GAMES," as those terms are defined in the Nonexclusive Sublicense Agreement. For purposes of this Agreement, a home computer is a multi-purpose device which comprises a microprocessor or other central processing unit which can be used to write nongame and game original programs and storage means to store such original programs and can address a program (read only Memory) of at least 8K bytes. Without limitation, the Atari 400, Atari 800, Commodore 64, Apple II, and the IBM PCjr., are home computers for purposes of this Agreement.

B. The license granted under this paragraph IV of this Settlement Agreement is nonexclusive, nonassignable and nontransferable.

C. In consideration of said paid-up nonexclusive license, ACTIVISION agrees to make the following payments to MAGNAVOX:

1. In the event that presently pending reissue application Serial Number 810,538 or reissue application Serial Number 810,542 issues as a reissue patent with a claim having substantially the same recited elements as any one of claims 1, 13, 40, 50 or 55, as pending in application Serial No. 810,538 on January 1, 1985 or any one of claims 1, 3, 9, 26 or 30 as pending in application Serial Number 810,542 on January 1, 1985, then ACTIVISION shall pay to MAGNAVOX the sum of Two Hundred Thousand U.S. Dollars ($200,000), which sum shall be paid in the following installments:

ARGENTINA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401D	243,732	08/24/72	201,824	04/24/75
D-2580	243,733	08/24/72	208,872	03/15/77

AUSTRALIA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	52,329	03/21/69	440,524	03/27/74
D-2401A	12,777	03/19/70	440,977	04/11/74
D-2560	51,980	03/17/69	429,985	04/10/73
D-2580	14,365/70	04/27/70	442,967	05/10/74
D-2837	15,257	05/19/70	441,126	03/25/74
D-3120A	68,922/74	05/14/74	478,656	04/15/77

BELGIUM

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	--Withdrawn and refiled as D-2401A			
D-2401A	79,290	09/19/69	739,124	03/19/70
D-2560	71,443	03/18/69	730,002	09/18/69
D-2580	89,546	05/27/70	751,008	11/27/70
D-2837	92,892	08/17/70	754,932	02/17/71
D-3120A	144,829	05/28/74	815,628	09/16/74

CANADA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	045,885	03/17/69	934,056	09/18/73
D-2401A	069,111	12/05/69	948,400	06/04/74
D-2560	045,884	03/17/69	895,028	03/07/72
D-2580	075,965	02/26/70	920,160	01/30/73
D-2580re	236,739	09/30/75	993,001	07/13/76
D-2837	080,392	04/17/70	911,484	10/03/72
D-2837A	141,190	05/03/72	927,864	06/05/73
D-2837re	236,711	09/30/75	999,888	11/16/76
D-2401re	286,872	09/16/77	1,148,250	06/14/83
D-3120A	201,026	05/28/77	1,010,464	05/17/77
D-3439	275,161	03/30/77	1,111,546	10/27/81

FRANCE

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	69.07714	03/18/69	69.07714	03/14/74
D-2560	69.07715	03/18/69	69.07715	03/17/71
D-2580	70/19,368	05/27/70	70.19368	07/12/76
D-2837	70/29,530	08/11/70	70.29530	05/17/76
D-3120A	74/18,382	05/28/74	74.18382	12/18/78

GREAT BRITAIN

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	13,242	03/13/69	1,268,821	07/26/72
D-2401A	43,036	09/08/70	1,268,822	07/26/72
D-2560	13,243/69	03/13/69	1,255,224	03/29/72
D-2580	25,007	05/22/70	1,318,051	09/19/73
D-2580A	6324/73	05/22/70	1,319,410	10/03/73
D-2837	38,506	08/10/70	1,328,223	12/27/73
D-3120A	23712/74	05/29/74	1,472,480	08/31/77
D-3439	16153/77	04/19/77	1,566,337	07/02/80

GREECE

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401D	44	08/19/72	45,937	10/31/72
D-2580	45	08/19/72	46,582	08/19/72
D-2580re	4943	08/01/74	51,156	01/17/75
D-2401DR	57881	12/22/78	57,881	

HOLLAND

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	69/04775	03/14/69	153,404	09/17/77
D-2560	69/03946	03/27/69	154,894	02/18/78
D-2580	70/07591	05/26/70	152,422	06/16/77
D-2401A	77/06407	06/10/77	171,953	05/04/83
D-3120A	74/06530	05/15/74		

HONG KONG

Docket No.	Reg. No.	Reg. Date	Patent No.	Issue Date
D-2401	75/1976	02/12/76	75/1976	02/12/76
D-2580A	76/1976	02/12/76	76/1976	02/12/76
D-2837	77/1976	02/12/76	77/1976	02/12/76
D-2401A	483/1977	09/22/77	483/1977	09/22/77
D-2580	484/1977	09/22/77	484/1977	09/22/77
D-3120A			578/1977	11/17/77
D-3439			506/1980	09/11/80

INDIA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401D	1531/72	09/28/72	136.499	09/28/72

ISRAEL

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	31,836	03/18/69	31,836	07/28/72
D-2401A	38,735	02/10/72	38,735	05/29/73
D-2560	31,826	03/17/69	31,826	03/30/72
D-2580	33,915	02/02/70	33,915	05/29/73
D-2580A	41,011	12/06/72	41,011	05/29/73
D-3120A	44,575	04/04/74	44,575	01/05/77

ITALY

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2560	14,194A/69	03/17/69	961,012	12/10/73
D-2401A	24,773A/70	05/18/70	897,269	11/15/71
D-2580	24,954A/70	05/22/70	893,433	10/01/71
D-2837	28,773A/70	08/19/70	901,545	01/03/72
D-3120A	23,194A/74	05/27/74	1,019,625	11/30/77
D-3439	49,030A/77	04/20/77		

JAPAN

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	27,171/69	04/08/69	1,143,533	04/26/83
D-2401A	46,828/70	05/30/70	765,636	07/11/74
D-2560	21,204/69	03/18/69	768,992	11/08/74
D-2580	44,908/70	05/27/70	778,416	08/12/74
D-2580A	119828/74	10/16/74	852,060	11/12/76
D-2837	71,143/70	08/12/70	811,493	09/12/75
D-3120A	61,424/74	05/29/74		
D-3439	47,280/77	04/22/77		

KOREA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-3439	955/77	04/20/77		

MEXICO

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401C	136,581	06/28/72	141,144	02/13/80
D-2580	136,584	06/28/72	140,468	10/30/79
D-2837	136,583	06/28/72	141,091	01/29/80

PHILIPPINES

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-3439	19601	03/30/77		

SINGAPORE

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2580A	380/1975	10/17/75	380/1975	02/13/76
D-2837	381/1975	10/17/75	381/1975	02/13/76
D-3439	354/1980	08/14/80	354/1980	09/03/80

VENEZUELA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401D	1572-72	08/18/72	30.146	10/26/73
D-2580	1571-72	08/18/72	30.171	10/29/73
D-2580A	2581-74	12/19/74	33,789	06/10/76
D-2401DR	2119-77	11/04/77	39,070	

WEST GERMANY

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2401	P1917437.9	04/03/69		
D-2560	P1913722.5	03/18/69	1,913,722	03/10/78
D-2580	P2017312.0	04/10/70	2,017,312	01/10/74
D-2837	P2030959.5	06/23/70	2,030,959	12/20/73
D-3120A	P2426249.5	05/29/74	2,426,249	06/13/80
D-3439	P2714670.9	04/01/77	2,714,670	01/08/79

WEST MALAYSIA

Docket No.	Filing No.	Filing Date	Patent No.	Issue Date
D-2580A	260/75	12/09/75	260/75	12/09/75
D-2837	261/75	12/09/75	261/75	12/09/75
D-3439			210/81	07/23/81

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

THE MAGNAVOX COMPANY, a Corporation and SANDERS ASSOCIATES, INC., a Corporation,	)	
Plaintiffs,	)	Civil Action No. C 85 5270
v.	)	
ACTIVISION, INC.	)	
Defendants.	)	

FINAL JUDGMENT ON CONSENT

On consent of the parties The Magnavox Company, Sanders Associates, Inc., and Activision, Inc. it is ORDERED, ADJUDGED AND DECREED as between these parties that:

1. The Court has jurisdiction of those parties and the cause of action.

2. Sanders Associates, Inc. is the owner of the entire right, title and interest in and to United States Letters Patent Re. 28,507 entitled "Television Gaming Apparatus" and its original patent 3,659,284 asserted against Activision, Inc. in this action.

3. The Magnavox Company is the exclusive licensee with the right to grant sublicenses under the said United States Letters Patent Re. 28,507 and its original patent 3,659,284.

4. With respect to those parties, United States Letters Patent Re. 28,507 and its original patent 3,659,284 are good and valid in law.

5. With respect to those parties, Activision, Inc. has infringed, contributorily infringed, and induced the infringement of United States Letters Patent Re. 28,507 through the manufacture and sale of their game programs for television apparatus known by various names.

6. Activision, Inc., its officers, employees, agents, servants, and attorneys, and those in active concert with it, are hereby permanently enjoined and restrained from infringing, inducing others to infringe, or contributing to the infringement of United States Letters Patent Re. 28,507. Activision, Inc. may practice the invention of United States Letters Patent Re. 28,507 pursuant to license from The Magnavox Company entered into either prior to or subsequent to the entry of this Final Judgment on Consent.

7. Activision, Inc. having compromised its differences with plaintiffs, no award of damages or accounting is ordered.

8. No costs or counsel fees are assessed or taxed against any party in connection with this FINAL JUDGMENT ON CONSENT.

_____
United States District Judge

Dated:_____

Entry of the above Final Judgment on Consent is consented and agreed to on behalf of the parties thereto.

_____
Martin R. Glick, Esq.
Attorney for Activision, Inc.

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_____
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