

LICENSE AGREEMENT

This License Agreement (“Agreement”) is made and entered into effective the 1st day of October, 2000, by and between **STEPHEN KEY DESIGN, LLC**, a limited liability company formed under the laws of the State of California, having a place of business at 1449 East F Street, Suite 101E, Oakdale, California, U.S.A. 95361 (hereinafter referred to as “Key”), and **CCL LABEL, INC.**, a corporation incorporated pursuant to the laws of the State of Michigan, having a place of business at 1616 South California Avenue, Monrovia, California, U.S.A. 91016, on its own behalf and on behalf of its direct and indirect Subsidiaries and Affiliates, as defined, in Article I (hereinafter collectively referred to as “CCL”). In this Agreement, Key and CCL may hereinafter be referred to as a “Party” or jointly as the “Parties”.

WITNESSETH:

WHEREAS Key and CCL entered into a license dated August 1, 1997, whereby Key licensed CCL to manufacture, use and sell Rotating Labels and practice the Spin Patents using pressure sensitive label technology (the “Pressure Sensitive License”);

AND WHEREAS Key and CCL entered into a license dated March 31, 1999, whereby Key licensed CCL to manufacture, use and sell Rotating Labels and practice the Spin Patents using shrink label technology (the “Shrink License”);

AND WHEREAS Key and CCL have now agreed to extend CCL’s licensed rights to manufacture, use and sell Rotating Labels and practice the Spin Patents using all other Rotating Label technologies (referred to in this Agreement as “Other Spin Technologies”, or “OST”);

AND WHEREAS the parties wish to restate the Shrink License between them, with the effect that from and after its effective date this Agreement will supersede the Shrink License, and will govern their respective rights and obligations for all matters related to Rotating Labels applying all label technologies except Pressure Sensitive, which will continue to be governed by the Pressure Sensitive License;

NOW THEREFORE in consideration of the premises, the promises each Party makes to the other in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties agree as follows:

ARTICLE 1: DEFINITIONS

When used in this Agreement, the recitals hereto and the Schedules attached hereto, each of the terms set forth below will have the meaning indicated:

- 1.1 “Affiliate” means CCL Industries Inc., a Canadian company, and any direct or indirect subsidiary thereof.
- 1.2 “Annual Minimum Royalties” has the meaning defined in Section 5.2
- 1.3 “CCL Trade Secrets” means CCL’s proprietary trade secrets and confidential know-how, (including information and materials not otherwise protected by patents) made available by CCL

to Key in accordance with the terms of this Agreement in order to facilitate the commercial exploitation of the Spin Patents, the Patent Rights and the manufacture and development of Rotating Labels, and any currently existing or future patents or patent-related rights related thereto.

1.4 “Exclusive License” or “License” has the meaning defined in Section 4.1.

1.5 “Foreign Country” means any jurisdiction other than the states of the United States of America, its territories and possessions and the Commonwealth of Puerto Rico.

1.6 “Net Receipts” means the amount actually received by CCL and its Affiliates or Subsidiaries on the sale of Rotating Labels to their customers, less actual amounts incurred for returns, rebates or credits based on quantity or volume purchased, actual transportation charges and excise, and sales taxes or other similar taxes imposed or levied on sales of Rotating Labels. Net Receipts shall not include sales by CCL’s sublicensees or royalties received from CCL’s Sublicensees, and, for greater certainty, receipts for plates, artwork, separations, films and tooling shall not be included in Net Receipts.

1.7 “OST Alternative Royalty Rate” has the meaning defined in Section B.4 of Schedule B.

1.8 “OST Profits” means the Net Receipts of CCL and its Affiliates or Subsidiaries on OST label sales, less the amount CCL actually paid for the OST labels to its third party supplier or its manufacturing subsidiary (which payments to third party suppliers or its manufacturing subsidiary shall in no event be greater than the fair market price plus or minus 10% for such OST labels), and less CCL’s reasonable selling costs of OST labels not to exceed 8% of the selling price.

1.9 “Improvements” means any alterations, modifications, improvements or changes to or replacements for Rotating Labels whether or not patented or patentable made after March 3, 1997, which change the performance characteristics of Rotating Labels, or provide a more efficient or less expensive means of manufacturing Rotating Labels.

1.10 “Spin Patents” means the patent applications filed by Key with respect to Rotating Labels that are described in Schedule A hereto, together with any modifications or amendments thereto and any patents issued or granted in connection therewith and any divisionals or continuations of such patents.

1.11 “Patent Costs” has the meaning defined in Section 2.2.

1.12 “Patent Rights” means present and future rights under the Spin Patents or any other patents issued or patent applications filed pursuant to the terms of this Agreement concerning Rotating Labels.

1.13 “Quarterly Earned Royalties” has the meaning defined in Section 5.1

1.14 “Rotating Labels” means systems or devices to cover a fixed inner label with a moveable partly transparent outer label through which parts of the fixed label may from time to time be seen by rotating the outer label, together with all Improvements thereon. “Rotating Labels” does

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not include Rotating Labels employing pressure sensitive technology unless the context clearly suggests the contrary.

1.15 "Sublicensee" has the meaning defined in Section 4.1.

1.16 "Subsidiaries" means those entities over which CCL Industries Inc., a Canadian company, may, from time to time, own, or exercise control or direction over, whether directly or indirectly, at least 50% of the outstanding voting securities or other voting rights of such entity.

1.17 "Term" means the term of this Agreement. The Term will begin on October 1, 2000 and shall continue in full force and effect unless and until terminated in accordance with the provisions of Article 7 hereof.

ARTICLE 2 - PATENTS AND FILING OF PATENT APPLICATIONS AND INTELLECTUAL PROPERTY RIGHTS

2.1 Provided that CCL pays the Patent Costs in accordance with Section 2.2, any patents other than the Spin Patents with respect to Rotating Labels hereafter applied for by Key shall be owned by Key and licensed to CCL in accordance with the provisions of Article 4 below, such that such patents and the rights related thereto shall be included within the definition of "Spin Patents" and "Patent Rights" hereunder.

2.2 During the currency of this Agreement and for so long as CCL shall have exclusive rights to Other Spin Technologies and to the extent CCL determines in good faith that it is commercially reasonable to do so, having considered all relevant circumstances, CCL shall assume responsibility for all expenses, including legal fees, disbursements, patent office fees, annuities and taxes incurred in connection with the registration and maintenance of the Spin Patents and any other patents which Key may reasonably request be filed relating to the Rotating Labels, including but not limited to the cost of filing for and maintaining international protection of such Spin Patents and new patents in such jurisdictions as license rights are granted to and exercised by CCL pursuant to this Agreement (the "Patent Costs"). CCL shall reimburse Key for all Patent Costs incurred by Key in connection with the Other Spin Technologies Rotating Labels prior to the date hereof and reimbursed on the dates set forth in Schedule "E" attached hereto. The exact amount (approximately \$100,000) of such reimbursement shall be determined by Key and shall be supported by appropriate invoice copies. Key shall be the sole and exclusive owner of any and all patents, Improvements and Patent Rights related to the Spin Patents and new patents or patent applications relating to the Rotating Labels.

2.3 Upon written approval by CCL Label, with such approval not being unreasonably withheld, Key agrees to prepare, file, and maintain patent applications and patents related to Rotating Labels funded by CCL pursuant to Section 2.2 above and shall provide CCL with a quarterly written report as to all actions it takes or proposes to take or not to take in connection with filing patent applications on Rotating Labels.

2.4 The Parties acknowledge that priority of inventions outside the United States is usually determined on the basis of the date on which an application therefor is filed.

2.5 Notwithstanding the foregoing, CCL shall be the sole and exclusive owner of any and all patents, Improvements and Patent Rights to the extent derived entirely from the CCL Trade Secrets and shall be solely responsible for the cost and administration of any patents related thereto.

ARTICLE 3 – TRADE SECRETS

3.1 Each Party agrees that any confidential and proprietary information disclosed by CCL or Key, as the case may be ("Disclosing Party") to the other ("Receiving Party") including, without limitation, the CCL Trade Secrets, any project specifications, know-how, any marketing or customer information, any financial information of Disclosing Party or any trade secrets or business plans of Disclosing Party, and whether or not such information is in written, oral or visual form; ("Confidential Information"); shall be maintained in accordance with the provisions of this Article Three. In the event that the Confidential Information is in written form, the disclosing party shall stamp the material with the word Confidential or some similar warning. In the event that the Confidential Information is transmitted orally, the disclosing party shall promptly provide a written summary within 30 days indicating that such oral communication comprises Confidential Information.

3.2 Receiving Party agrees (i) to hold Disclosing Party's Confidential Information in strict confidence, (ii) not to disclose such Confidential Information to any third parties (other than a third party to whom Disclosing Party has consented in writing in advance of any such disclosure and who has executed a written confidentiality agreement limiting the use and disclosure of Disclosing Party's Confidential Information or to the Receiving Party's attorneys or accountants who are subject to ethical considerations which would preclude their disclosing such Confidential Information to any third parties), and (iii) not to use any Confidential Information for any purpose except in furtherance of the transactions contemplated herein; provided, however, that Receiving Party may disclose Confidential Information to its employees who have a need to know, provided that prior to disclosure Receiving Party has an enforceable, written agreement with such employees which adequately protects the confidential nature of the Confidential Information.

3.3 Neither Party will have any obligation of confidentiality in connection with any particular Confidential Information, to the extent that: (i) such Confidential Information is or becomes publicly known in the trade or otherwise through no wrongful act of the Receiving Party, (ii) such Confidential Information is rightfully received by the Receiving Party from a third party without restriction and without breach of this Agreement, or (iii) such Confidential Information must be disclosed in connection with any patent application, or official proceedings or regulation of any court, tribunal or governmental or administrative agency, provided however that, in the case of a request to disclose in connection with any such official proceedings, the Receiving Party will, to the extent possible in the circumstances, give the Disclosing Party notice of such request so that the Disclosing Party can seek the appropriate protection order and if no protective order is sought, the Receiving Party will advise such court, tribunal or other agency of the confidential nature of such information.

3.4 The provisions set forth in Sections 3.1 and 3.2 herein shall survive this Agreement. Termination of this Agreement will in no way jeopardize or limit the right of either party to recover damages relating to the use, disclosure or otherwise, of the Confidential Information

ARTICLE 4 - GRANT OF LICENSE

4.1 Key hereby grants to CCL a worldwide royalty-bearing exclusive license (the "Exclusive License" and also referred to as "License" in this Agreement) to use and exploit the Spin Patents, Improvements and the Patent Rights and to market and sell OST Rotating Labels and the non-exclusive right to manufacture and have manufactured and to use OST Rotating Labels and the right to sublicense to others such rights (any sublicensee of CCL pursuant to this Section 4.1 or pursuant to Article 5, being referred to in this Agreement as a "Sublicensee, Key shall have the right to approve a standard sub license agreement, which CCL shall use, including the range of royalty rates that will be the basis for negotiating royalty terms with the sub licensees. Minimum annual royalties, where applicable, will be established by CCL at its sole discretion, based upon its assessment of market size, potential and sub licensee interest. In the event that CCL wishes to enter into a license agreement that falls outside of the terms of the standard sub license agreement approved by Key, then Key shall have the right to approve such agreement prior to CCL entering into such agreement, which approval shall not be unreasonably withheld. Notwithstanding anything contained herein to the contrary, in the event that CCL shall fail to meet any of its Annual Minimum Royalty commitments, then Key shall have the option to cause the license rights granted hereunder to become non exclusive. In the event that CCL shall fail to achieve Annual Minimum Royalty payments of at least \$100,000 in the first year and \$200,000 in each subsequent year Key shall have the option of terminating this Agreement and the rights granted to any sublicensees shall be assigned to Key as outlined in Section 8.3 herein. Key shall have 30 days from the end of any contract year in which CCL fails to meet its Annual Minimum Royalty to exercise such options by notice in writing. In the event Key does not serve such notice within the said time period, the failure by CCL to achieve its Annual Minimum Royalty in respect of the year in question shall not give rise to any remedies . In the event that Key exercises such option, CCL shall nevertheless maintain its exclusive rights in respect to its active customers at the time of exercise of its said option by Key for one hundred eighty (180) days following the end of the contract year in question.

4.3 CCL's right to manufacture or have manufactured OST Rotating Labels hereunder shall be contingent upon CCL first providing Key with pre-production samples, such as final art work, of the labels for Key's review and approval for the purpose of verifying inclusion of appropriate patent numbers on the labels (which approval shall not be unreasonably withheld).

ARTICLE 5 - PAYMENTS AND ROYALTIES

5.1 During the term of the Exclusive License, CCL agrees to pay Key royalties calculated in accordance with this Section 5.1 and Schedules B and D. Such royalties shall be paid quarterly at the end of each calendar quarter, and such payments are referred to in this Agreement as the "Quarterly Earned Royalties". Quarterly Earned Royalties due hereunder with respect to any

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Deleted: Notwithstanding anything else herein contained, CCL's exclusive right will remain in force with respect to it's customers purchasing pressure sensitive Rotating Labels (the "Exclusive Customers") and Key hereby agrees not to market, sell or supply directly or through any licensee or broker, OST Rotating Labels to such Exclusive Customers for as long as CCL maintains its exclusive rights under the Pressure Sensitive License. [IS THIS LAST NEW SENTENCE ACCEPTABLE?]

period shall be calculated by applying the applicable royalty rates against the Net Receipts for Rotating Labels for such quarterly period. Net Receipts for Rotating Labels in all countries shall be calculated quarterly and expressed in United States dollars at the rate of exchange then prevailing on the date CCL receives payment. All royalty payments due and payable hereunder shall be subject to and after deduction for withholding of taxes at the source where legally required and subject to all applicable laws, ordinances, decrees and regulations in effect in such country.

5.2 In order to maintain exclusivity of the rights granted hereunder, annual royalties paid by CCL must achieve the levels set forth in Schedule C (the "Annual Minimum Royalties"). In the event that the aggregate of the Quarterly Earned Royalties in any contract year do not achieve the level of the Annual Minimum Royalties, Key may exercise its option under Section 4.2 unless CCL delivers payment for any shortfall (the "Shortfall Payment") between the aggregate Quarterly Earned Royalty payments and the Annual Minimum Royalty payment for the subject contract year within 21 days of the end of the contract year in question. CCL shall notify Key in writing of its intent to make such Shortfall Payment within 2 days of the end of the contract year.

5.3 The receipt or acceptance by Key of any royalty statement or payment shall not prevent Key from subsequently challenging the validity or accuracy of such statement or payment.

5.4 Upon termination of this Agreement, all royalty obligations accrued and earned to such date, shall immediately become due and payable.

5.5 CCL's obligations for the payment of earned royalties on Rotating Labels sold prior to such expiration or termination or pursuant to Section 7.2 shall survive expiration or termination of this Agreement.

5.6 All payments due to Key hereunder shall be made in United States currency by check drawn on a United States bank.

5.7 Late payments shall incur interest at the lesser of the rate of One Percent (1%) per month from the date such payments were originally due or the maximum rate permitted under applicable law. Nothing herein will be deemed to suggest a waiver by Key of its right to timely and complete payment of amounts due from CCL.

5.8 CCL's obligation to account and pay royalties to Key is of the essence of this Agreement.

5.9 Key acknowledges and agrees that in cases where CCL is required to expend its own resources in providing technical and marketing assistance to Sublicensees in enabling Sublicensees to become operational to sell Rotating Labels, CCL shall be permitted to charge Sublicensees for reimbursement of amounts reasonably expended by CCL in connection with such assistance and that the revenues accruing to CCL therefrom shall be excluded from the calculation of royalty payments owing to Key.

ARTICLE 6 - REPORTS AND PAYMENTS

6.1 Notwithstanding the terms specified in Sections 5.2 and 5.4 herein, and subject to the Schedules hereto, all reports relating to payments to be made by a Party hereunder are to be made quarterly within thirty (30) days after the end of each calendar quarter beginning December 31, 2000 and the payments, **except Shortfall Payments which are to be paid as outlined in Section 5.2**, are to be made quarterly within thirty (30) days after the end of each quarter by CCL.

6.2 CCL will keep complete and accurate books and records in a form consistent with generally accepted accounting principles in the U.S. or equivalent accounting principles in Foreign Countries with respect to amounts earned or paid on the sale or sublicensing or other use of Rotating Labels, until at least three (3) years after royalties or other payments are due relating to same.

6.3 For each quarterly royalty period, CCL shall provide Key with a written royalty statement in a form and content reasonably requested by Key including a statement as to Rotating Labels manufactured and sold on a country by country basis for the royalty period. Such statements shall be furnished to Key regardless of whether any Rotating Labels were sold during the royalty period or whether any earned royalty was owed. Royalty payments hereunder shall be adjusted annually to reflect discounts, rebates or credits given for quantity or volume purchased as soon as possible after the year end and any overpayment by CCL for that year may be set-off against future royalties payable hereunder.

6.4 CCL will keep books and records in sufficient detail to enable the Net Receipts and earned royalties to be calculated and upon receipt of reasonable notice shall permit such books and records to be examined by Key and/or its representatives at their place of keeping during normal business hours, not more frequently than twice a year. During the Term and for a period of two (2) years thereafter, Key shall have free and full access thereto for such purposes and may make copies thereof. Such inspection shall be carried out at Key's sole expense (except as provided below) and only to the extent necessary to verify the royalty report submitted. Appropriate adjustments to any shortfall or overpayment shall be made by the Parties. In the event that there has been, for any quarter, underpayments in excess of One Thousand U.S. Dollars (U.S. \$1,000.00) from the amount otherwise due and payable, CCL shall pay the difference plus interest calculated at the rate of one percent (1%) per month and all costs of Key's examination will be paid by CCL.

6.5 All payments to be made hereunder will be made by checks. All payments will be made in United States dollars.

6.6 Unless otherwise requested in writing by the Parties, all payments to be made hereunder shall be sent to the addresses specified in Section 12.3 hereof.

ARTICLE 7 - TERMINATION PRIVILEGES

7.1 Unless earlier terminated under the provisions provided herein, this Agreement shall remain in force for twenty years or until the end of the term of the last to expire patent included in the licensed Patent Rights, whichever is longer.

7.2 This Agreement can be terminated by Key in the event that the earned royalties and/or Annual Minimum Royalties are not paid in full within thirty (30) days after CCL has been notified in writing by Key that any such payments are overdue.

7.3 This Agreement can be terminated by CCL at its sole option and discretion upon giving one hundred eighty (180) days prior written notice to Key.

7.4 In the event that CCL has become subject to voluntary or involuntary liquidation, insolvency, bankruptcy, suspension of payment or similar corporate reorganization proceedings, or has become subject to the appointment of a receiver, assignment for the benefit of, or composition or other arrangements with creditors, Key creditors, Key may (reserving cumulatively all other rights and remedies under this Agreement, in law, at equity, or otherwise, except as otherwise stated herein), cancel and terminate this Agreement and all Licenses granted under this Agreement, by giving thirty (30) days prior written notice. Notwithstanding the foregoing, such termination shall not occur if by the end of the notice period CCL arranges for the dismissal of such action, and such action is dismissed.

7.5 To the extent that they pertain to rights, entitlements or obligations accrued or incurred prior to termination, the provisions of Section 2.2, Article 3, Article 5, Article 6, Article 8 and Article 12 will survive the termination of this Agreement.

ARTICLE 8 - RIGHTS UPON TERMINATION OR EXPIRATION

8.1 Upon the termination of this Agreement prior to the end of the Term, CCL will: (i) pay to Key all outstanding amounts which may then be due and owing to Key, including without limitation the earned royalties up to the date of expiration or termination but in any event all payments referred to in Schedule D, and (ii) except as provided in this section Section 8.1, immediately cease exercising the Exclusive License and rights granted to it by Key hereunder in connection therewith.

8.2 Key's early termination of this Agreement for reasons other than a breach by CCL, as provided in this Agreement, will be without prejudice to the rights of CCL to complete the performance of any binding agreement for the supply of Rotating Labels to any purchaser then in existence for one hundred and eighty (180) days. Upon the termination of this Agreement by either party or upon the expiry thereof, any parties sublicensed by CCL to the rights granted to CCL hereunder shall become the direct licensees of Key, and all such sublicenses shall be assigned to Key, and Key shall except such assignment, by CCL with effect as of the date of such termination.

ARTICLE 9 - KEY'S REPRESENTATIONS

9.1 Key represents that it has the right and power to enter into this Agreement and to perform its obligations hereunder.

9.2 Key represents that at the time of execution of this Agreement, it is the owner of all rights, title, and interest in and to the Spin Patents. The Spin Patents licensed hereunder have been duly registered in the United States to protect the rights comprised therein.

9.3 Key represents that there are no outstanding licenses or options with respect to the subject matter of this Agreement.

9.4 To the knowledge of Key, the Spin Patents do not infringe the rights of any third party. Key has not received any notice that any of the rights being licensed hereunder infringe on the rights of any third party.

9.5 Key knows of no unusual hazards to personnel and/or property which may result from handling, making and/or use of the Spin Patents with respect to Rotating Labels.

ARTICLE 10 - CCL'S REPRESENTATIONS

10.1 CCL represents that it has the right and power to enter into this Agreement and to perform its obligations hereunder

10.2 CCL represents that it has not entered into, and will not enter into, any other agreement(s) which would prevent it from meeting its obligations hereunder.

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ARTICLE XI

INFRINGEMENT

11.1 If any claim is made or threatened against CCL by any third party that the exercise by CCL of any rights granted under this Agreement by Key infringes any intellectual property or other rights of any other person, CCL shall fully notify Key as soon as practicable after it becomes aware of the claim or threatened claim.

11.2 Key shall in its absolute discretion decide whether the action referred to in section 11.1 should be defended. In the event of Key deciding that the action should be defended, Key shall be responsible all legal costs of the proceedings provided that:

- (a) Key is given full control of any proceedings or negotiations in connection with the claim or threatened claim and shall be exclusively entitled to appoint and instruct legal advisers and counsel in connection with any such proceedings or negotiations and to determine the forum for any such proceedings;
- (b) CCL shall at its own cost (excluding legal costs) give Key all reasonable assistance for the purpose of any such proceedings or negotiations;
- (c) except pursuant to a final award, CCL shall not pay or accept any such claim or threatened claim, or compromise any such proceedings, without the consent of Key (which shall not be unreasonably withheld);
- (d) CCL shall do nothing which would or might vitiate any policy of insurance or insurance cover which CCL may have in relation to any such claim or threatened claim;
- (e) Key shall be entitled to, and CCL shall accordingly account to Key for, any damages and costs which are awarded against, or which with the consent of CCL (which shall not be unreasonably withheld) are agreed to be paid by any other party in respect of any such claim or threat;
- (f) Key shall be entitled to require CCL to take such steps as Key may reasonably require to mitigate or reduce any loss of Licensee;
- (g) such proceedings relate to the infringement of a U.S. intellectual property right.

11.3 In the event that Key is not required to be involved under Section 11.4 or decides not to be involved in the defence of the action, CCL shall be entitled to defend the proceedings at its expense and shall be responsible for any damages and costs awarded.

11.4 Notwithstanding anything contained herein to the contrary, Key shall have no liability to CCL under Sections 11.1 or 11.2 otherwise than in respect of any claim for infringement of any intellectual property or other rights of any person (i) which is based on the manufacture, use or

sale of or any other dealing in the Other Spin Technologies other than in accordance with this Agreement, (ii) to the extent such claim is related to the infringement of other than a U.S. intellectual property right and (iii) to the extent that the use or exploitation of the Spin Patents, Improvements or Patent Rights by CCL, its sublicensees or customers could have been effectuated in a non-infringing manner.

11.5 The preceding provisions state the entire obligation and liability of Key arising out of or in connection with this Agreement with respect to any claim of infringement of any intellectual property or other rights of any person.

11.6 In the event that it appears that the Spin Patents or any of them is infringed within the United States, the following shall apply:

- a) To the extent that either party learns of an infringement or threatened infringement of the Spin Patents or Improvements by a third party which either party believes may constitute an infringement upon the Key's or CCL's rights or an unauthorised use of the technology licensed hereunder, such party shall promptly notify the other and the parties shall consult with each other concerning the actions to be taken to restrain any such infringement;
- b) If the parties agree that legal action should be commenced to restrain the infringement, CCL shall have the right to commence and conduct such action at its sole cost;
- c) If CCL does not wish to commence and conduct a legal action to restrain the infringement, Key shall be entitled to commence and conduct such action at its own cost;
- d) Each party agrees to co-operate fully with the other, each at its own cost, in the conduct of any action to restrain infringement or unauthorised use of the licensed technology;
- e) In the event that any such action to restrain infringement is successful and damages are recovered, such damages shall be applied first to defray the costs incurred by the party having conduct of the legal action, secondly to defray any costs incurred by the other party in its participation in the legal action, with the balance to be treated as royalty bearing sales under this license.

ARTICLE 12 - ASSIGNMENT OF THIS AGREEMENT

12.1 CCL agrees not to assign or transfer this Agreement or any part thereof, and/or any of its rights or obligations to any third party without the prior express written permission from Key, which permission shall not be unreasonably withheld.

ARTICLE 13 - GENERAL AND MISCELLANEOUS

13.1 This Agreement and the License herein granted and the obligations and rights incident to this Agreement shall be binding upon and inure to the benefit of the permitted assigns and successors of Key and CCL.

13.2 The provisions of this Agreement are severable, and in the event that any provision of this Agreement is determined to be invalid or unenforceable under any controlling body of law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof. Any unenforceable provision will be replaced by a mutually acceptable provision which comes closest to the intention of the Parties at the time the original provision was agreed upon.

13.3 For the purpose of mailing any notice permitted or required by this Agreement, the addresses of the Parties hereto are as follows:

If to Key:

STEPHEN KEY DESIGN, LLC
1449 East F Street, Suite 101E
Oakdale, CA
U.S.A. 95361

Telecopier No.: (209) 668-5737
Attention: Mr. Stephen Key

If to CCL:

CCL LABEL INC.

4083 East Airport Drive
Ontario, CA 91761

Telecopier No.: (909) 605-6203
Attention: Division Technical Director

Either Party may change the address to which notices are directed by giving notice to the other Party. Any notice required to be given pursuant to this Agreement shall be in writing and mailed by registered mail, return receipt requested or delivered by a national overnight express service or by telecopier. Any notice will be deemed given when received.

13.4 The headings and titles of various Articles in this Agreement are for purposes of convenience of reference only.

13.5 In no event will this Agreement be construed to create a partnership, joint venture, or general agency relationship between the Parties. CCL has no authority to contract for, make agreements in the name of, or otherwise bind Key in any way.

13.6 A waiver, express or implied, by either Party to the Agreement, of any right hereunder, of any failure to perform, or of any breach by the other Party, will not constitute or be deemed a waiver of any other right hereunder, or of any other failure to perform, or of any other breach hereunder whether of a similar or dissimilar nature.

13.7 All dollar amounts herein are in legal tender of the United States of America.

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13.8 Any controversy or claim arising out of or relating to this contract shall be determined by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association. The number of arbitrators shall be one. The place of arbitration shall be Los Angeles, California. The governing law of the contract shall be the substantive law of California, excluding the body of law known as conflicts of laws. The arbitrator's decision in any such proceeding may be enforced by any court in California having jurisdiction of the subject matter of this Agreement.

13.9 Any future agreements and understandings between the Parties must be in writing and signed by a duly authorized representative of each Party.

13.10 This Agreement constitutes the entire Agreement between the Parties hereto with respect to the subject matter hereof. Any amendments and modifications of this Agreement shall be in writing and shall be signed by a duly authorized representative of each Party. There are no other understandings, agreements, representations or warranties except as herein expressly set forth in this Agreement.

13.11 Each of the parties agrees not to solicit for employment or for direct or indirect consulting services the employees of the other for a period of two years following the termination or the business relationship of the parties. This restriction shall not apply to prevent either party from offering employment to any employee or former employee of the other who contacts such party of his or her own initiative, seeking employment, or who responds to such parties general employment advertisements.

THE FOLLOWING ARE THE SCHEDULES in connection with this Agreement. Unless otherwise provided herein, the words and expressions used in these Schedules will have the same meaning as the same words and expressions used in this Agreement. The terms and conditions of these Schedules will be deemed incorporated into this Agreement.

SCHEDULE A

Spin Patents

Patent/Application Description	Geography	
"Apparatus & Method for Increasing an Effective Information Carrying Surface Area on A Container"	U.S. Patent 5,809,674	
"Apparatus and Method for Constructing a Rotatable Label Device"	U.S. Patent 5,884,421 International pending New Zealand #334683	CCL Label 12/19/00 10:11 AM Deleted: -
"Rotating Label System and Method"	U.S. Patent 6,086,697 International Applications Underway	CCL Label 12/19/00 10:12 AM Deleted: U.S. 09/126,010
"Rotatable Label System and Method of Constructing Same"	U.S. Patent 6,129,802 International Extensions filed	CCL Label 12/19/00 10:11 AM Deleted: 34 U.S. claims granted
"Rotatable Label System Including Tamper Evident Feature and Method of Constructing Same"	33 Claims Granted International Extensions	CCL Label 12/19/00 10:12 AM Deleted: Extensions Filed
"Roll Fed Method for Constructing a Rotatable Label System"	30 Claims Granted International Extensions Filed	CCL Label 12/19/00 10:12 AM Deleted: U.S. 09/187,299
"Method for Constructing a Rotatable Label System on A Drinking Vessel"	22 Claims Granted International Extensions Filed	CCL Label 12/19/00 10:13 AM Deleted: U.S. filed
"Rotatable Label System and Method of Constructing Same For Prescription Containers" PCT/US00/11496	PCT Filed U.S., Japan, Canada, EEU designated	CCL Label 12/19/00 10:13 AM Deleted: U.S. filed
"Rotating Label System and Method" Continuation -in- part 09/551,985	U.S. Filed International Available	CCL Label 12/19/00 10:13 AM Deleted: 09/273,232
		CCL Label 12/19/00 10:13 AM Deleted: U.S. filed
		CCL Label 12/19/00 10:13 AM Deleted: 09/327,151
		CCL Label 12/19/00 10:14 AM Deleted: -

SCHEDULE B

Quarterly Earned Royalty Rates on OST Labels

- B.1 This royalty calculation pertains to OST labels manufactured or sold by CCL.
- B.2 The royalty shall be 40% of the OST Profits (the "OST Royalty Rate").
- B.3 The Parties acknowledge that CCL shall be responsible for paying any royalty sharing payments owing to Kronos, Inc. out of its 60% share of such OST Profits.
- B.4 In circumstances where CCL can demonstrate to Key to the satisfaction of Key (in its sole discretion) that the OST Royalty Rate is not commercially feasible, then the Parties may negotiate an alternative royalty rate based on OST Profits on OST labels sold in that circumstance (the "OST Alternative Royalty Rate"). The OST Alternative Royalty Rate shall be applicable only to OST Profits relating the circumstance for which it was negotiated by the Parties and agreed to advance in writing by Key.
- B.5 OST Profits shall be expressed in United States dollars. Proceeds received in other countries shall be converted to United States currency values at the rate of exchange then prevailing on the date CCL receives payment.

SCHEDULE C

Annual Minimum Royalties:

PERIOD	MINIMUM ROYALTIES
Year 2001	\$200,000
Year 2002	\$300,000
Year 2003	\$450,000
Year 2004	\$600,000
Year 2005 and each year thereafter	\$750,000

SAMPLE

SCHEDULE D

Quarterly Earned Royalty Rates on OST Labels Produced by CCL's SubLicensees

D.1 This royalty calculation pertains to OST Labels manufactured or sold by CCL's SubLicensees.

The royalty shall be 35% of CCL's **direct or indirect** royalty revenues, (determined in accordance with Section 4.1 of this Agreement) from any such SubLicensees (the "SubLicensee's OST Royalty Rate")

D.2 The Parties acknowledge that CCL shall be responsible for paying any royalty sharing payments owing to Kronos, Inc. out of its share of royalties received from its SubLicensees.

D.3 In circumstances where CCL can demonstrate to Key to the satisfaction of Key (in its sole discretion) that the SubLicensee's OST Royalty Rate is not commercially feasible, then the Parties may negotiate an alternative royalty rate based on the SubLicensee's revenues on OST Labels sold in that circumstance (the "SubLicensee's Alternative OST Royalty Rate"). The SubLicensee's Alternative OST Royalty Rate shall be applicable only to revenues on the sale of OST Labels relating the circumstance for which it was negotiated by the parties and agreed to advance in writing by Key.

D.4 Revenues of any sublicensee subject to royalty shall be expressed in United States dollars. Proceeds received in other countries shall be converted to United States currency values at the rate of exchange then prevailing on the date CCL receives payment.

CCL Label 1/4/01 10:58 AM
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JANICE KEY 12/17/00 2:59 PM
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SAMPLE

SCHEDULE E

Patent Cost Reimbursement Schedule

Date	Amount
October 1, 2000	\$60,000 (paid)
March 1, 2001	\$25,000
May 1, 2001	approximately \$15,000

SAMPLE

JANICE KEY 12/17/00 3:00 PM

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Barry Carr 12/11/00 10:07 AM

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement, intending to be legally bound, to be executed in duplicate by their duly authorized representatives effective the day and year first written above.

STEPHEN KEY DESIGN, LLC

CCL LABEL, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

SAMPLE

