

Settlement and Cross-License Agreement

This Settlement and Cross-License Agreement ("Agreement") is entered into as of July 6, 1998, between OIS OPTICAL IMAGING SYSTEMS, INC. ("OIS"), a Delaware corporation having its principal place of business at 47050 Five Mile Road, Northville, Michigan 48167 U.S.A., and SHARP CORPORATION ("SHARP"), a Japanese corporation having its principal place of business at 22-22 Nagaike-cho, Abeno-ku, Osaka 545, Japan.

WITNESSETH:

WHEREAS, both OIS and SHARP have been and are active in the field of developing flat panel screens using active matrix liquid crystal display ("AMLCD") technology; and

WHEREAS, OIS has developed a design labeled "Super High Aperture" for display screens and other applications using AMLCD technology, and has applied for several patents in the United States and other countries for various aspects of this development, one of these applications having resulted in the issuance on June 24, 1997, of United States Letters Patent No. 5,641,974 (the '974 Patent"); and

WHEREAS, SHARP has developed a design for an AMLCD screen for which it has applied for patent protection in the United States and other countries, its U.S. application serial no. 08/695,632 (the "SHARP Application") having a filing date of August 12, 1996 (claiming priority from a Japanese application no. 206367/95 filed

August 11, 1995, and Japanese application no. 254043/95 filed September 29, 1995), and such SHARP Application is represented by SHARP to contain disclosures sufficient for Sharp to copy one or more claims of OIS's '974 Patent to provoke an interference proceeding in the United States Patent and Trademark Office ("USPTO"); and

WHEREAS, although the SHARP Application bears an effective filing date earlier than the filing date of the '974 Patent, OIS has represented to SHARP that OIS conceived the invention claimed in the '974 Patent in the United States before SHARP's effective filing date, and diligently reduced its invention to practice; and

WHEREAS, the parties seek to resolve this controversy without the time, expense and uncertainty of a contested interference proceeding, by granting each other mutual rights in the subject matters claimed in the patents issued and to be issued from the applications described below, and otherwise declaring the rights of OIS and SHARP with respect to the claimed subject matter:

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement:

"SHARP Licensed Products" shall mean AMLCD screens practicing any claim of an OIS Licensed Patent (defined below) for visual display of information, but shall exclude any AMLCD screen used in a military vehicle (whether used on land, air or sea) or in the cockpit of a civilian aircraft. Nothing in the preceding sentence shall be construed as granting to SHARP a license to practice claims in an OIS foreign counterpart application that does not contain explicit reference to "photo-imageable" properties of an insulating layer.

"OIS Licensed Products" shall mean AMLCD screens practicing any claim of a SHARP Licensed Patent (defined below) without limitation of use.

"OIS Licensed Patents" shall mean the '974 Patent, reissue and reexamination of the '974 Patent and any subsequent United States Letters Patent issuing from a divisional, continuation, continuation-in-part, or continued prosecution application of application no. 631,455 filed April 12, 1996, which relies upon the filing date of application no. 631,455 for priority purposes, as well as any claims in any patent issuing from foreign counterpart applications containing explicit references to "photo-imageable" properties of an insulating layer; but shall not include any patent issuing from a continuation-in-part application that does not rely upon the filing date of application no. 631,455 for priority purposes, and also shall not include any patent issuing from application no. 470,271 filed June 6, 1995, or issuing from any application that is a continuation or divisional application of application no. 470,271, or otherwise relies upon application no. 470,271 but not upon application no. 631,455 for priority purposes, or any claims of any patent issuing from a foreign counterpart application that does not contain an explicit reference to "photo-imageable" properties of an insulating layer.

"SHARP Licensed Patents" shall mean any United States Letters Patent issuing from the SHARP Application, reissue and reexamination thereof, and any subsequent United States Letters Patent issuing from a from a divisional, continuation, continuation-in-part, or continued prosecution application of the SHARP Application, and any patent issuing from a foreign counterpart application; and shall not include any continuation-in-part application of the SHARP Application that does not rely upon the filing date of the

SHARP Application for priority purposes.

"Effective Date" of this Agreement shall mean the date first written above.

"Subsidiary" shall mean any corporation, company, or other entity more than fifty percent (50%) of the outstanding shares of stock entitled to vote for the election of directors (other than any shares or stock whose voting rights are subject to restriction) of which is owned or controlled by either party hereto, directly or indirectly, now or hereafter during the term of this Agreement. Any corporation, company or other entity which would at any time be a Subsidiary of SHARP or OIS by reason of the foregoing shall be considered a Subsidiary for the purpose of this Agreement only so long as the ownership or control, directly or indirectly, by SHARP or OIS meets the conditions hereinabove set forth. For any case in which SHARP controls an affiliate that does not meet the definition of a "Subsidiary" set forth herein, then SHARP may seek consent from OIS for such affiliate to be deemed a Subsidiary by showing the nature of its control of the business of the affiliate, which consent shall not be unreasonably refused.

"Subsidiaries" shall mean, collectively, all corporations, companies or other entities that qualify as a Subsidiary under the foregoing.

2. Release. OIS hereby releases, acquits and forever discharges SHARP and its Subsidiaries sublicensed hereunder, and their vendees, from any and all claims or liability for infringement or alleged infringement of OIS Licensed Patents under which a license is herein granted by OIS resulting from the performance by SHARP and its Subsidiaries sublicensed hereunder, prior to the Effective Date, of acts which would be licensed if performed after the Effective Date.

3. Grant of Licenses by OIS. OIS grants and agrees to grant to SHARP non-exclusive licenses under OIS Licensed Patents to make, to use, to lease, to sell and to otherwise dispose of SHARP Licensed Products throughout the world. The right to "make" SHARP Licensed Products shall also include the right for SHARP to subcontract portions of the manufacture or assembly of SHARP Licensed Products to third parties. It shall also include the right to have a third party make a SHARP Licensed Product for the sole account of SHARP but only if said SHARP Licensed Product is to be sold, used or leased or otherwise disposed of under the trademark of SHARP and is made by a third party using manufacturing drawings and specifications of SHARP. Such right "to make" does not extend to off-the-shelf products of a third party, or to products designed by a third party and to which minor revisions are made to conform to specifications of SHARP.

4. Grant of Licenses by SHARP. SHARP grants and agrees to grant to OIS non-exclusive licenses under SHARP Licensed Patents to make, to use, to lease, to sell and to otherwise dispose of OIS Licensed Products throughout the world. The right to "make" OIS Licensed Products shall also include the right for OIS to subcontract portions of the manufacture or assembly of OIS Licensed Products to third parties. It shall also include the right to have a third party make an OIS Licensed Product for the sole account of OIS but only if said OIS Licensed Product is to be sold, used or leased or otherwise disposed of under the trademark of OIS and is made by a third party using manufacturing drawings and specifications of OIS. Such right "to make" does not extend to off-the-shelf products of a third party, or to products designed by a third party and to which minor revisions are made to conform to specifications of OIS.

5. Sublicenses to Subsidiaries of SHARP. SHARP shall not have the right to sublicense, except that SHARP shall have the right to grant to any of its Subsidiaries sublicenses under the licenses granted to it pursuant to this Agreement but without any right to sublicense further. Notwithstanding the foregoing sentence, SHARP shall not have the right to grant a sublicense to a Subsidiary that, prior to becoming a Subsidiary, had been licensed under the OIS Licensed Patents pursuant to a royalty-bearing license. In the event that the relationship of a Subsidiary of SHARP changes so that a corporation, company or other entity ceases to be such a Subsidiary, the sublicenses extended to such corporation, company or other entity under this Agreement shall automatically terminate as of the date such relationship changes.

6. Sublicenses to Subsidiaries of OIS. OIS shall not have the right to sublicense, except that OIS shall have the right to grant to any of its Subsidiaries sublicenses under the licenses granted to it pursuant to this Agreement but without any right to sublicense further. Notwithstanding the foregoing sentence, OIS shall not have the right to grant a sublicense to a Subsidiary that, prior to becoming a Subsidiary, had been licensed under the SHARP Licensed Patents pursuant to a royalty-bearing license. In the event that the relationship of a Subsidiary of OIS changes so that a corporation, company or other entity ceases to be such a Subsidiary, the sublicenses extended to such corporation, company or other entity under this Agreement shall automatically terminate as of the date such relationship changes.

7. Term. This agreement shall commence on the Effective Date and remain in effect until the expiration date of the last OIS Licensed Patent or SHARP Licensed Patent to expire.

8. Resolution of Interference. SHARP agrees not to request an interference proceeding in the United States between any application for a SHARP Licensed Patent and any OIS Licensed Patent, nor to commence an interference action in a U.S. District Court against any OIS Licensed Patent pursuant to 35 U.S.C. § 291 based upon any SHARP Licensed Patent. In the event that the USPTO at any time declares an interference proceeding between the SHARP Application and the '974 Patent, or between any divisional or continuation application of the SHARP Application and any divisional or continuation application of the application for the '974 Patent, then the parties agree that any claims in the pertinent application of SHARP corresponding to a count in the interference shall be deemed abandoned by Sharp and priority of such claims awarded to OIS's inventors. Nothing herein shall affect SHARP's ability further to prosecute claims that do not correspond to a count in the interference. Promptly after declaration of an interference, OIS shall file a copy of this Agreement in the USPTO along with suitable papers to cause the interference to be terminated by consent, such true copy of this Agreement to be filed along with a request pursuant to 37 C.F.R. 1.666 (b) that this Agreement be kept separate from the file of the interference and disclosed only in accordance with that subsection.

9. Arbitration. Any disputes between the parties concerning the subject matter of this Agreement, or its interpretation, shall be resolved by arbitration in New York City under the auspices and rules of the American Arbitration Association before a single arbitrator skilled in the applicable law. The arbitrator's decision shall be final, and no appeal shall be taken by judicial proceeding or otherwise.

10. Government Actions. The parties agree to exert their best efforts to obtain any governmental approvals for the operation and continuation of this Agreement. At any time during the term of this Agreement, should any government or agency thereof take any action against or make recommendation to the parties hereto or any of them requiring directly or indirectly, formally or informally, alteration or modification of any term or condition of this Agreement or of the performance of the parties hereunder in a manner which is material and adverse to one party, then, if said one party makes written request to the other party within sixty (60) days from said action or recommendation of the government or government agency, the parties hereto shall enter into good faith negotiations with the objective of restructuring the relationship between the parties hereto in a manner such that the adverse effect of said alteration or modification of this Agreement will be minimized.

11. Warranties. OIS warrants that it has full title by assignment to the OIS Licensed Patents, and that it has full powers to grant the licenses herein, and that OIS conceived the invention claimed in the '974 Patent in the United States before SHARP's effective filing date and diligently reduced its invention to practice. SHARP warrants that SHARP has full title by assignment to the SHARP Licensed Patents, and that SHARP has full powers to grant the licenses herein.

12. Disclaimer of Further Rights. Nothing contained in this Agreement shall be construed as:

(a) a warranty or representation that any manufacture, sale, lease, import, use or other disposition of SHARP Licensed Products or OIS Licensed Products hereunder will be free from infringement of patents or utility models of third parties;

(b) a warranty or representation by any of the parties to this Agreement as to the validity or scope of any patent or utility model;

(c) an agreement to bring or prosecute actions or suits against third parties for infringement or conferring any right to bring or prosecute actions or suits against third parties for infringement;

(d) conferring any right to use in advertising, publicity, or otherwise, any trademark, trade name or names, or any contraction, abbreviation or simulation thereof, of either party;

(e) conferring by implication, estoppel or otherwise, upon any party licensed hereunder, any license or other right under any patent or utility model except the licenses and rights expressly granted hereunder. For example, no license is granted by this Agreement for any patent that has the same disclosure as an OIS Licensed Patent or a SHARP Licensed Patent, or any patent necessary to the use of an OIS Licensed Patent or SHARP Licensed Patent in a particular application. or any OIS patent that bears a first effective filing date earlier than the April 12, 1996, filing date of the application for the '974 Patent, or any Sharp patent that bears an earlier filing date than the August 11, 1995, effective filing date of the SHARP Application, or of any continuation-in-part application of the SHARP Application or the application for the '974 Patent;

(f) an obligation to furnish any technical information or know-how; or confirming by implication, estoppel or otherwise upon any party licensed hereto, any license or other right under design patents, or copyrights, including computer software that may be embodied in a SHARP Licensed Product or an OIS Licensed Product; or

(g) an obligation to file in any country an application for patent on any invention, or to secure any patent, or once having filed an application for patent or obtained a patent, to maintain the patent application or patent in force, or to enforce any patent or patent application against any third party.

13. Assignment. This Agreement and the licenses granted herein shall inure to the benefit of the parties hereto, and, insofar as is expressly provided for herein, to Subsidiaries of the parties hereto. Either party may assign its rights, privileges and obligations hereunder to a Subsidiary or to an entity as to which the party is a Subsidiary, or to a successor to substantially all of its business, but not otherwise to a competitive manufacturer of products utilizing AMLCD technology. As to other third parties, neither party may assign its rights, privileges and obligations hereunder without the prior written consent of the other party hereto, which consent shall not be unreasonably refused. Nothing in this Agreement shall be construed as a limitation preventing OIS from selling or otherwise assigning any OIS Licensed Patent to a third party (which assignment shall not affect any licenses granted herein). Notice shall be given by the assigning party to the other party within a reasonable time after any assignment under this paragraph. Promptly at SHARP's request, OIS shall record a copy of this Agreement in the USPTO pursuant to 37 C.F.R. §3.11.

14. Notice. All notices required or permitted to be given hereunder shall be in writing and shall be valid and sufficient if dispatched by registered airmail, postage prepaid, in any post office in the United States or in Japan, as the case may be, with a facsimile copy dispatched on the day of mailing, addressed as follows:

If to OIS:

OIS Optical Imaging Systems, Inc.
47050 Five Mile Road
Northville, MI 48167
Attn: Mr. Charles C. Wilson
Executive Vice President and Chief Financial Officer

If to SHARP:

Sharp Corporation
22-22 Nagaike-cho
Abeno-ku, Osaka 545, Japan
Attn: Mr. Nobuhiro Okuda
General Manager, Licensing Department, Intellectual
Property Division

Either party may change its address by a notice given to the other party in the manner set forth above. Notices given as herein provided shall be considered to have been given fourteen (14) days after the mailing thereof.

15. Miscellaneous Provisions. (a) This Agreement is in the English language only, which language shall be controlling in all respects, and all versions hereof in any other language shall be for accommodation only and shall not be binding upon the parties hereto. All communications to be made or given pursuant to this Agreement shall be in the English language.

(b) This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter of this Agreement and merges all prior discussion between them, and neither of the parties shall be bound by any modification of this Agreement, other than as expressly provided in this Agreement or as set forth on or subsequent to the date hereof in writing and signed by a duly authorized representative of the party to be bound thereby. No oral explanation or oral information by either party

hereto shall alter the meaning or interpretation of this Agreement.

(c) This Agreement and matters connected with the performance thereof shall be construed, interpreted, applied and governed in all respects in accordance with the laws of the State of New York, United States of America.

(d) The parties hereto shall keep the terms of this Agreement confidential and shall not now or hereafter divulge the terms of this Agreement or any part thereof to any third party except:

- (i) with the prior written consent of the other party; or
- (ii) to any governmental body having jurisdiction to call therefor; or
- (iii) to the USPTO in connection with the resolution of any interference between the SHARP Application and the '974 Patent; or
- (iv) as otherwise may be required by law; or
- (v) to legal counsel representing either party.

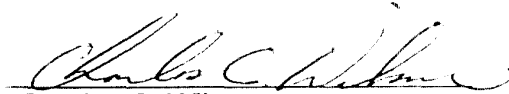
(e) Should any clause, sentence, or paragraph of this Agreement judicially be declared to be invalid, unenforceable, or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, and the parties hereto hereby agree that the part or parts of this Agreement so held to be invalid, unenforceable, or void shall be deemed to have been stricken, and the remainder shall have the same force and effect as if such part or parts had never been included herein.

IN WITNESS WHEREOF, the parties have caused their duly authorized officers
to execute this Agreement, on the dates below indicated.

OIS OPTICAL IMAGING SYSTEMS, INC.

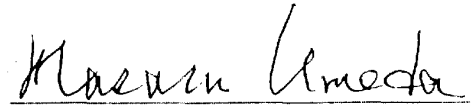
SHARP CORPORATION

By:



Charles C. Wilson

By:



Title:

Executive Vice President, CFO

Title:

Corporate Executive Director
Group General Manager, Law Group

Date: June 29, 1998

Date: July 6, 1998