

11-23-99

12-13-1999

Docket No.: 16281/1

FORM PTO-1595 (Modified)
(Rev. 6-93)
OMB No. 0651-0011 (exp. 4/94)
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P08A/REV02

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office



101221924

Tab settings

To the Honorable Commissioner of Patents and Trademarks, please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
APPLIED VOICE RECOGNITION, INC., d/b/a e-Docs.net
4615 Post Oak Place
Suite 111
Houston, TX 77027

2. Name and address of receiving party(ies):
Name: **Lernout & Hauspie Speech Products., N.V.**
Address: **Flanders Language Valley 50, B-8900**

Additional names(s) of conveying party(ies) Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other

City: **Ieper** State/Prov.:
Country: **BELGIUM** ZIP:

Execution Date: **November 5, 1999**

Additional name(s) & address(es) Yes No

4. Application number(s) or registration numbers(s):

If this document is being filed together with a new application, the execution date of the application is:

Patent Application No. Filing date
08/813,538
08/630,773

B. Patent No.(s)
5,812,977
5,875,429

Additional numbers Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: **Mark S. Leonardo, Esq.**
Registration No. **41,433**
Address: **Box IP, 18th Floor**
Brown, Rudnick, Freed & Gesmer, PC
One Financial Center
City: **Boston** State/Prov.: **MA**
Country: **USA** ZIP: **02111**

6. Total number of applications and patents involved: **4**

7. Total fee (37 CFR 3.41):.....\$ **160.00**

Enclosed - Any excess or insufficiency should be credited or debited to deposit account
 Authorized to be charged to deposit account

8. Deposit account number:
50-0369

00000270 5812977 160.00 00
12/10/1999 11:01:13
01 FC:581

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Mark S. Leonardo (41,433)

November 23, 1999

Name of Person Signing

Signature

Date

12

Total number of pages including cover sheet, attachments, and

2. CONTINUATION OF NAME AND ADDRESS OF RECEIVING PARTY(IES):

L&H Investment Co., N.V.
Pla Koningsstratt 215
B-1210
Brussels, Belgium

PATENT SECURITY AGREEMENT

AGREEMENT dated as of November 5, 1999 made by APPLIED VOICE RECOGNITION, INC., a Delaware corporation doing business as e-DOCS.net with its principal place of business at 4615 Post Oak Place, Suite 111, Houston, Texas 77027, its successors, assigns and other legal representatives ("Borrower"), in favor of LERNOUT & HAUSPIE SPEECH PRODUCTS N.V. ("Lernout"), a Belgian corporation with a place of business at Flanders Language Valley 50, B-8900, Ieper, Belgium, L&H INVESTMENT CO. N.V. ("L&H Investment"), a Belgian corporation with a place of business at Pla Koningsstraat 215, B-1210, Brussels, Belgium, and each of its respective successors, assigns, and other legal representatives (collectively, with Lernout and L&H Investment, the "Secured Party").

WITNESSETH:

WHEREAS, Borrower and Lernout are parties to a Convertible Secured Promissory Note Purchase Agreement dated as of the date hereof (the "Purchase Agreement"), a certain Promissory Note dated of even date herewith issued to Lernout by Borrower (the "Lernout Note") and certain agreements, documents and instruments entered into pursuant thereto, or in connection therewith, as may be amended, modified or supplemented from time to time (collectively with the Purchase Agreement and the Lernout Note, the "Lernout Loan Documents"), pursuant to which Lernout has agreed to make a loan to Borrower; and

WHEREAS, Lernout's willingness to enter into the Lernout Loan Documents and make the loan and credit accommodations available thereunder is subject to the condition, among others, that Borrower execute and deliver this Agreement; and

WHEREAS, Borrower and L&H Investment are parties to a Convertible Promissory Note Purchase Agreement dated as of May 24, 1999 (the "L&H Investment Agreement"), a certain Promissory Note dated May 24, 1999 issued to L&H Investment by Borrower (the "L&H Investment Note"), and certain agreements, documents and instruments entered into pursuant thereto, or in connection therewith, as may be amended, modified or supplemented from time to time (collectively with the L&H Investment Agreement and the L&H Investment Note, the "L&H Investment Loan Documents," and together with the Lernout Loan Documents, the "Loan Documents");

NOW, THEREFORE, in consideration of the premises and for one dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in addition to, and not in limitation of, any rights of the Secured Party under the Loan Documents, Borrower hereby agrees for the benefit of Secured Party as follows:

1. DEFINITIONS.

1.1 All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefore in the Loan Documents. In addition, the following terms

shall have the meanings set forth in this Section 1 or elsewhere in this Agreement referred to below:

“Agreement” shall mean this Patent Security Agreement, as it may be amended or supplemented from time to time.

“PTO” shall mean the United States Patent and Trademark Office.

“Patents” shall mean all of the following now or hereafter owned, used or licensed by the Borrower (provided, however, that patents owned by third parties and licensed to the Borrower shall be encumbered under this Agreement only to the extent of the Borrower’s license rights therein, as provided in the definition of “Patent License Rights” below):

- (a) all letters patent of the United States or any other country, and all applications for letters patent of the United States or any other country;
- (b) all re-issues, continuations, divisions, continuations-in-part, renewals or extensions thereof;
- (c) the inventions disclosed or claimed therein, including the right to make, use, practice, offer for sale and/or sell (or license or otherwise transfer or dispose of) the inventions disclosed or claimed therein; and
- (d) the right (but not the obligation) to make and prosecute applications for such Patents.

Patents shall include but not be limited to those set forth on Schedule A attached hereto.

“Patent Collateral” shall mean all of the Borrower’s right, title and interest in and to all of the Patents, the Patent License Rights, and the Patent Rights, and all additions, improvements, and accessions to, all substitutions for and replacements of, and all products and Proceeds (including insurance proceeds) of any and all of the foregoing, and all books and records and technical information and data describing or used in connection with any and all such rights, interests, assets or property.

“Patent License Rights” shall mean any and all past, present or future rights and interests of the Borrower pursuant to any and all past, present and future licensing agreements in favor of the Borrower, or to which the Borrower is a party, pertaining to any Patents or Patent Rights, owned or used by third parties in the past, present or future, including the right in the name of the Borrower or Secured Party to enforce, sue and recover for, any past, present or future breach or violation of any such agreements.

“Patent Rights” shall mean any and all past, present or future rights in, to and associated with the Patents throughout the world, whether arising under federal law, state law, common law, foreign law, or otherwise, including but not limited to the following: all

such rights arising out of or associated with the Patents; the right (but not the obligation) to register claims under any federal, state or foreign patent law or regulation; the right (but not the obligation) to sue or bring opposition or bring cancellation proceedings in the name of the Borrower or Secured Party for any and all past, present and future infringements of or any other damages or injury to the Patents or the Patent Rights, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, damage or injury; and the Patent License Rights.

“Proceeds” shall mean any consideration received from the sale, exchange, license, lease or other disposition or transfer of any right, interest, asset or property which constitutes Patent Collateral, any value received as a consequence of the ownership, possession, use or practice of any Patent Collateral, and any payment received from any insurer or other person or entity as a result of the destruction or the loss, theft or other involuntary conversion, of whatever nature, of any right, interest, asset or property which constitutes Patent Collateral.

1.2. UCC Terms. Unless otherwise defined herein or in the Loan Documents, terms used in Article 9 of the Uniform Commercial Code of the State of Texas (the “UCC” or the “Code”) are used herein as therein defined.

1.3. Rules of Interpretation. All definitions (whether set forth herein or by reference) shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation" or the phrase "but not limited to." All reference herein to Sections, Exhibits and Schedules shall be deemed references to Sections of and Exhibits and Schedules to this Agreement unless the context otherwise requires.

2. GRANT OF SECURITY.

2.1 Grant of Security Interest. As collateral security for the complete and timely payment, performance and satisfaction of all Obligations (as defined in the Security Agreement from Borrower to Secured Party dated as of the date hereof), the Borrower hereby unconditionally grants to Secured Party a continuing security interest in and first priority lien on the Patent Collateral, and pledges, mortgages and hypothecates the Patent Collateral to Secured Party.

2.2 Supplemental to Loan Documents. The parties expressly acknowledge and agree that they have executed and delivered the Loan Documents pursuant to which the Borrower unconditionally granted to Secured Party a continuing security interest in and first priority lien on the Collateral (including the Patent Collateral). In no event shall this Agreement, or the recordation of this Agreement (or any document hereunder) with the PTO, or any other governmental or public office or agency, adversely affect or impair, in any way or to any extent, the other Loan Documents, the security interest of Secured Party in the Collateral (including the

Patent Collateral) pursuant to the other Loan Documents, the attachment and perfection of such security interest under the Code, or the present or future rights and interests of Secured Party in and to the Collateral under or in connection with this Agreement, the other Loan Documents, and/or the Code. Any and all rights and interests of Secured Party in and to the Patent Collateral (and any and all obligations of the Borrower with respect to the Patent Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of Secured Party (and the obligations of the Borrower) in, to or with respect to the Collateral (including the Patent Collateral) provided in or arising under or in connection with the other Loan Documents.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER. The Borrower represents and warrants to, and covenants and agrees with, Secured Party, as follows:

3.1 Title. Except as set forth in the Purchase Agreement or in this Agreement, the Borrower is and will continue to be the sole and exclusive owner of the entire legal and beneficial right, title and interest in and to the Patent Collateral and Patents, free and clear of any lien, charge, security interest or other encumbrance, except for the security interest and conditional assignment created by this Agreement, and the Loan Documents, and except for liens and encumbrances explicitly permitted pursuant to the Loan Documents. The Borrower will defend its right, title and interests in and to the Patents and the Patent Collateral against claims of any third parties.

3.2 Maintenance of Patent Collateral. The Borrower shall take any and all such actions (including but not limited to institution and maintenance of suits, proceedings or actions) as are necessary and appropriate to properly maintain, protect, preserve, care for and enforce the Patents, Patent Rights and Patent Collateral. Without limiting the generality of the foregoing, the Borrower shall pay when due such fees, taxes and other expenses which shall be incurred or which shall accrue with respect to any of the Patent Collateral. The Borrower shall not abandon or dedicate to the public any of the Patents or related Patent Rights, nor do any act nor omit to do any act if such act or omission is of a character that tends to cause or contribute to the abandonment or dedication to the public of any Patent or related Patent Right or loss of or adverse effect on any rights in any Patent or related Patent Right.

3.3 Patent Symbols and Notices. The Borrower shall in the future use statutory and other appropriate symbols, notices or legends of the Patents pending or issued consistent with notice practice.

3.4 No Conflicting Agreements. The Borrower shall not take any actions or enter into any agreements, including but not limited to any actions or agreements for the assignment, sale, transfer, license, disposition, grant of any interest in or encumbrance of any of the Patent Collateral, which are inconsistent with or would or might impair in any way the Borrower's representations, warranties and covenants herein, without the prior written consent of the Secured Party (which consent can be granted or withheld at the Secured Party's sole discretion); provided, however, that, notwithstanding any other provision of this Agreement, so long as no

Event of Default shall have occurred and be continuing, or (notwithstanding an Event of Default) if the Borrower obtains prior written consent from the Secured Party, which consent may be granted in the Secured Party's sole discretion, the Borrower may license or otherwise transfer the Patent Collateral in any lawful manner that is in the ordinary course of its business and is not inconsistent with the provisions of this Agreement, and the Loan Documents. Without limiting the generality of the foregoing, the Borrower shall not permit the inclusion in any agreement to which it becomes a party of any provision which could or might in any way impair or prevent the creation of a security interest in or the conditional assignment of the Borrower's rights and interests in any property of material value covered by such agreement which is included within the definition of Patent Collateral.

3.5 Enforcement of Licenses. The Borrower shall do all things which are necessary and appropriate to insure that each licensee of any Patent, in its use of any or all of the Patent Collateral in its business, shall: (a) comply fully with all applicable license agreements; and (b) satisfy and perform all the same obligations set forth herein (with respect to the Borrower's use of the Patent Collateral) as fully as though such obligations were set forth with respect to such licensee's use of the licensed Patent Collateral.

3.6 No Infringements. There is at present no infringement or unauthorized or improper use of the Patents or the Patent License Rights or the Patent Rights related thereto. In the event any such infringement or unauthorized or improper use by any third party has been made and/or reasonably established by the Borrower, the Borrower shall promptly notify Secured Party and shall take action against such infringement or unauthorized or improper use.

3.7 Filing for Perfection of Interest. Secured Party shall cause this Security Agreement to be recorded with the PTO and appropriate state agencies.

4. REMEDIES UPON AN EVENT OF DEFAULT. Upon the occurrence of and during the continuance of an Event of Default:

(a) Secured Party may declare all Obligations secured hereby immediately due and payable and shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as now in effect in the State of Texas or under other applicable law.

(b) Secured Party may notify any obligors with respect to the Patent Collateral of Secured Party's security interest and that such obligors are to make payments directly to Secured Party. Secured Party may send this notice in Borrower's name or in Secured Party's name, and at Secured Party's request Borrower will join in Secured Party's notice, provide written confirmation of Secured Party's security interest and request that payment be sent to Secured Party. Secured Party may enforce this obligation by specific performance. Secured Party may collect all amounts due from such obligors. Upon and after notification by Secured Party to Borrower, Borrower shall hold any proceeds and collections of any of the Patent Collateral in trust for Secured Party and shall not commingle such proceeds or collections with any other of Borrower's funds, and Borrower shall deliver all such proceeds to Secured Party immediately

upon Borrower's receipt thereof in the identical form received and duly endorsed or assigned to Secured Party.

(c) Secured Party will give to the Borrower reasonable notice of the time and place of any public sale of Patent Collateral, or part thereof, or of the time after which any private sale or other intended disposition thereof is to be made. Such requirement of reasonable notice shall be met if such notice is delivered to the address of the Borrower set forth in this Agreement at least fifteen (15) calendar days before the time of the proposed sale or disposition. Any such sale may take place from Borrower's location or such other location as Secured Party may designate. Borrower shall remain liable for any deficiency in payment of the Obligations after any such sale.

(d) No Obligation of Secured Party. Nothing herein shall be construed as obligating Secured Party to take any of the foregoing actions at any time.

5. LIABILITIES, INDEMNITY AND COSTS.

5.1 License Agreement Obligations; Liability for Uses of Patent Collateral. Nothing in this Agreement shall relieve the Borrower from any performance, in accordance with this Agreement, of any covenant, agreement or obligation of the Borrower under any license agreement now or hereafter in effect licensing any part of the Patent Collateral, or from any liability to any licensee or licensor under any such license agreement or to any other party, or shall impose any liability on Secured Party for any act or omission of the Borrower in connection with any such license agreement. The Borrower shall be liable for any and all uses or misuses of and the practice, manufacture, sales (or other transfers or dispositions) of any of the Patent Collateral by the Borrower and its affiliates. The Borrower shall also be exclusively liable for any claim, suit, loss, damage, expense or liability arising out of or in connection with the fault, negligence, acts or omissions of the Borrower (regardless of whether such fault, negligence, acts or omissions occurred or occur prior to or after such license termination).

5.2 Indemnification. The Borrower shall indemnify and hold harmless Secured Party from and against, and shall pay to Secured Party on demand, any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses, obligations or liabilities of any kind or nature (except those resulting from Secured Party's action or inaction in the form of gross negligence or willful misconduct) arising in any way out of or in connection with this Agreement, the Patent Collateral, custody, preservation, use, practice, operation, sale, license (or other transfer or disposition) of the Patent Collateral, any alleged infringement of the intellectual property rights of any third party, the production, marketing, provision, delivery and sale of the goods and services provided under or in connection with or using or practicing any of the Patents or the Patent Collateral, the sale of, collection from or other realization upon any of the Patent Collateral, the failure of the Borrower to perform or observe any of the provisions hereof, or matters relating to any of the foregoing. The Borrower shall also indemnify and hold harmless Secured Party from and against any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses, obligations or liabilities arising out of or in connection with any fault, negligence, act or omission of the Borrower (regardless of whether such fault,

negligence, act or omission occurred or occurs prior to or after such license termination). The Borrower shall make no claim against Secured Party for or in connection with the exercise or enforcement by Secured Party of any right or remedy granted to it hereunder, or any action taken or omitted to be taken by Secured Party hereunder (except for the gross negligence or willful misconduct of Secured Party).

5.3 Rights of Each Secured Party Pari Passu. The rights of each Secured Party upon and after an Event of Default shall be pari passu and each Secured Party shall share all Proceeds (net of any expenses which may be incurred by such Secured Party in obtaining or preserving such benefit) pro rata in accordance with the unpaid amount of the Obligations held by each of them.

6. POWER OF ATTORNEY. The provisions of this Section 6 shall be subject in all events to the terms and conditions of the Loan Documents.

6.1 Grant. The Borrower hereby grants to Secured Party, and any officer or agent of Secured Party as Secured Party may designate in its sole discretion, a power of attorney, thereby constituting and appointing Secured Party (and Secured Party's designee) its true and lawful attorney-in-law and attorney-in-fact, effective upon the occurrence and during the continuation of an Event of Default, for the purpose of assigning, selling, licensing or otherwise transferring or disposing of all right, title and interest of the Borrower in and to any of the Patent Collateral in accordance with the terms hereof. The Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

6.2 Irrevocable. The foregoing power of attorney is coupled with an interest and is irrevocable until this Agreement shall terminate (which termination shall occur concurrently with the termination of all Obligations under the Loan Documents).

6.3 Release. The Borrower hereby releases Secured Party from any claims, causes of action and demands at any time arising out of or in connection with any actions taken or omitted to be taken by Secured Party under the power of attorney granted herein (except for the gross negligence or willful misconduct of Secured Party).

7. RIGHTS OF AND LIMITATIONS ON SECURED PARTY. It is expressly agreed by Borrower that Borrower shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it relating to the Patent Collateral. Secured Party shall not have any obligation or liability under or in relation to the Patent Collateral by reason of the execution and delivery of or arising out of this Agreement and Secured Party's rights hereunder, or the grant of a security interest by Borrower to Secured Party of, or the receipt in accordance with this Agreement by Secured Party of, any payment relating to any Patents, nor shall Secured Party be required or obligated in any manner to perform or fulfill any of the obligations of Borrower relating to the Patent Collateral or be liable to any party on account of Borrower's use of the Patent Collateral.

8. GENERAL PROVISIONS.

8.1 Purchase Agreement Controls. This Agreement is supplemental to the Purchase Agreement, the terms of which the Borrower expressly accepts, confirms and acknowledges are incorporated herein by reference. In the event of any irreconcilable conflict between the provisions of this Agreement and the Purchase Agreement the provisions of the Purchase Agreement shall control.

8.2 Specific Enforcement. Due to the unique nature of the Patent Collateral, and in order to preserve its value, the Borrower agrees that the Borrower's agreements, duties and obligations under this Security Agreement shall be subject to specific enforcement and other appropriate equitable orders and remedies.

8.3 Severability. In the event any term or provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable to any extent or in any respect, or otherwise determined to be of no effect, in any jurisdiction, such invalidity, illegality, unenforceability or determination shall affect only such term or provision, or part thereof, in only such jurisdiction. The parties agree they will negotiate in good faith to replace any provision so held invalid, illegal or unenforceable, or so determined, with a valid, enforceable and effective provision which is as similar as possible in substance and effect to the provision which is invalid, illegal, unenforceable or of no effect.

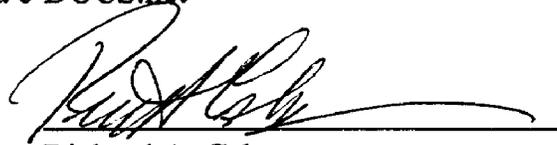
[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Borrower has caused this Security Agreement to be executed by its duly authorized officer, as an instrument under seal, as of the date first written above.

WITNESS:

APPLIED VOICE RECOGNITION, INC.,
d/b/a e-DOCS.net

By: _____

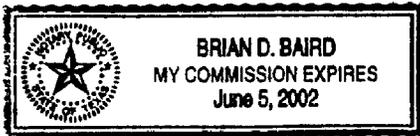


Richard A. Cabrera
Chief Financial Officer

STATE: *TEXAS*
COUNTY: *HARRIS*

November 5, 1999

Then personally appeared the above-named Richard A. Cabrera and stated that he is the duly authorized Chief Financial Officer of Applied Voice Recognition, Inc., d/b/a e-DOCS.net (the "Corporation") and acknowledged the foregoing instrument to be his free act and deed, and the free act and deed of said Corporation, before me.



Brian D. Baird

Notary Public
My Commission Expires:

Schedule A
To
Patent Security Agreement

List of Patents

<u>Item</u>	<u>File No.</u>	<u>Serial No.</u>	<u>Status</u>
Airborne Order System	12409	08/813,538	Abandoned
Locator System in a Store	12410		Abandoned
Voice Actuated Gaming System	12459	08/630,773	Abandoned
Voice Interface for Common Subroutines	12469	5,812,977	Issued
Apparatus for Editing Healthcare Information System	12852	5,875,429	Issue
	13313		Awaiting Disclosure
Method and Apparatus for Indicating Confidence Level in Usual Voice Editing	13469		Filed September 15, 1999

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RECORDED: 11/23/1999

PATENT
[REEL: 010425 FRAME: 0264