

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
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NATURE OF CONVEYANCE:	SECURITY AGREEMENT
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CONVEYING PARTY DATA	
Name	Execution Date
Diamond Semiconductor, Inc.	06/17/2004

RECEIVING PARTY DATA	
Name:	Dort Close IP Law Group, PLLC
Street Address:	1025 Connecticut Ave NW, Suite 1012
City:	Washington
State/Country:	DISTRICT OF COLUMBIA
Postal Code:	20036

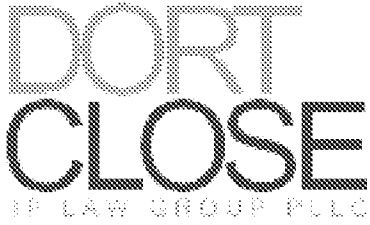
PROPERTY NUMBERS Total: 1	
Property Type	Number
Application Number:	10889305

CORRESPONDENCE DATA	
Fax Number:	(202)318-7729
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
Phone:	800-370-9397
Email:	ddort@dort.com
Correspondent Name:	David Bogart Dort
Address Line 1:	Box 66148
Address Line 2:	ATTN: Customer No. 37578
Address Line 4:	Washington, DISTRICT OF COLUMBIA 20035

NAME OF SUBMITTER:	David Bogart Dort
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Total Attachments: 7
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CH \$40.00 10889305



1025 Connecticut Avenue NW, Ste. 1000
Washington, DC 20036
800-370-9397; fax 202-318-7729

www.dort.com

BY ELECTRONIC DOCUMENT

June 17, 2004

Christopher Bayne
Diamond Semiconductor, Inc. (California Corporation)
16548 Oleander Avenue
Los Gatos, CA 95032

Re: Representation of Diamond Semiconductor, Inc. in intellectual property matters
relating to the TOROIDAL FURNACE

Dear Mr. Bayne:

Thank you for selecting Dort Close IP Law Group, PLLC, ("the firm") to represent you, ("the Client"), in connection with your intellectual property matters. The initial scope of the Firm's engagement will be to act as counsel to you in connection with selected intellectual property matter relating to the TOROIDAL FURNACE invention. Although we may also represent you on other types of matters, we have agreed that this current engagement is limited to performance of services related to the contingency fee arrangement set forth below with regard to the Toroidal Furnace only. Other intellectual property matters will require another fee agreement whether they are governed under a contingency fee agreement or not.

CONTINGENT FEE AGREEMENT

This Agreement is made between Diamond Semiconductor, Inc. ("Client") and the DORT CLOSE IP LAW GROUP PLLC law firm ("Attorneys") in order to establish the manner in which attorney's fees and any patent prosecution expenses will be paid to Attorneys for their representation of Client on all matters relating to certain legal claims as described below.

In consideration of the mutual agreements and obligations contained in this Agreement, Client and Attorneys agree as follows:

SCOPE OF REPRESENTATION

1. Client employs Attorneys to draft and prosecute patent application(s) that Client may have with respect to the Toroidal Furnace (the "invention") and mutually agreed upon continuations, divisionals, continuations-in-part regarding the invention and perform other mutually agreed upon directly related patent work regarding the invention, including but not limited to: patent searches and informal right to operate studies.

6/17/2004

PATENT
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2. Attorneys shall provide all legal services reasonably necessary to protect the invention with the United States Patent and Trademark Office including attempting to procure at least one U.S. patent and engaging in appeals to the BPAI, up to the Fee Investment cap in section 4. Attorneys shall pursue the inventions aggressively, expeditiously and as economically as is consistent with high quality legal representation. Under no circumstances is the firm required to procure more than two (2) issued patents, to appeal to the Court of Appeals for Federal Circuit upon in the event of a loss at the BPAI, or to enforce the invention by way of a lawsuit. These and other additional services may be provided to Client at normal billable rates in effect at the time such services are provided.

3. Client shall pay for all costs and disbursements related to protecting the invention including: USPTO filing and petition fees patent illustration services, extension fees and PCT filing fees. Under no circumstances may the Client's costs exceed \$10,000 without subsequent agreement or mutual consent. If Attorneys incur any such expense or disbursement on Client's behalf, Client will promptly reimburse Attorneys for the same upon receipt of appropriate invoices.

4. The term "fee investment" as used in this Agreement shall mean the total number of hours devoted by Attorneys to the Services multiplied by Attorneys' hourly specialty rates at the time of calculation for each person whose work is included in the total, together with interest accrued on such amount. The fee investment covered under this agreement will not exceed \$50,000 without mutual consent, but in any event, will be no less than \$7,500.

ATTORNEY'S FEE

5. Client agrees to pay an attorney's fee to Attorneys for the Services ("Attorney's Fee") as follows:

a. The term "recovery" or "recoveries" as used in this Agreement shall include all monies, property and other value received, recovered or obtained by or on behalf of Client with respect to the invention, including, but not limited to:

1) gross payments, royalties and other similar licensing fees related to the licensing of the Invention on an exclusive basis;

2) the gross purchase price, earnout payments and similar consideration received upon the sale of the rights to the Invention (proceeds);

3) any venture capital or other equity or debt investment in Client in excess of \$250,000, other than bank lines of credit and similar credit arrangements to fund normal operating expenses of Client;

4) gross receipts from the sale of any products embodying the Invention;

5) gross payments, royalties and other similar licensing fees related to the licensing of the Invention on a nonexclusive basis; and

6) any settlements or court or arbitration awarded judgments that are the result of any enforcement actions regarding the Invention (awards).

b. Recoveries described in Sections 5(a)(1) through 5(a)(3) (and similar one-time recoveries) are described herein as "Schedule A Recoveries" and recoveries described in Sections 5(a)(4) through 5(a)(6) (and similar potentially-reoccurring recoveries) are described herein as "Schedule B Recoveries."

c. The term "fee investment" as used in this Agreement shall mean the total number of hours devoted by Attorneys to the Services multiplied by Attorneys' hourly specialty rates at the time of calculation for each person whose work is included in the total.

d. The term "total costs" indicates the sum of the Attorney's fee investment (\$50,000 max), the inventor's costs (\$100,000 max) and all other expenses. The total cost shall not exceed \$150,000, without mutual consent.

6. The Attorney's Fee shall be calculated as a percentage of any and all recoveries as follows:

Schedule A

Proceeds from sale or license of patent or rights in the invention, etc.	Percentage or total
Up to the amount of fee investment (FI),	40%
FI to FI plus recoverable inventor costs (IC) or total costs including outlay to development engineer.	0%
0 to \$100,000	30%
\$100,001 to \$1 million	\$30,000 + 15% of proceeds up to 1M\$
over \$1 million	above totals plus 5% of proceeds over \$1M up to 10 times fee investment.

Schedule B

Proceeds from gross receipts of products embodying protected invention(s) under license agreement, etc.	Percentage of gross revenue
Up to the amount of fee investment (FI)	100%
FI to FI plus recoverable inventor costs (IC) or total costs.	0%
\$0 to \$2,500,000 over total costs	3%
\$2,500,001 to \$10,000,000 over total costs	\$75,000 + 1% of all gross proceeds over \$2.5M but under \$10M
over \$10,000,001 over total costs.	\$150,000 + .5% of all gross proceeds over \$10M

The Attorney's Fee with respect to Schedule A Recoveries will be calculated under Schedule A and the Attorney's Fee with respect to Schedule B Recoveries will be calculated under Schedule B. The Attorney's Fees shall be the greater of either schedule A or schedule B, if both are applicable.

All Fee Investments will incur a 7% per annum interest charge (compounded quarterly) calculated from the end of the quarter in which they are incurred. (e.g. FI charges for 7/2004 will start incurring 7% interest on 10/1/2004). The accrued interest will be added to and become part of the Fee Investment and will be payable to Attorneys on the same basis.

PAYMENT OF ATTORNEY'S FEE

7. With respect to any Attorney's Fee payable upon the occurrence of a Schedule A Recovery, Client will remit the amount of the Attorney's Fee within thirty (30) days of the occurrence of such event. With respect to any Attorney's Fee payable upon occurrence of a Schedule B Recovery, Client will remit the amount of the Attorney's Fee at the time it delivers the quarterly report required by Section 18. Failure to make payment when due will constitute an event of default under this Agreement and will entitle Attorneys to take such actions as it may deem necessary or advisable to obtain payment, including but not limited to foreclosing on the security interest in the inventions granted pursuant to Section 8. If a payment default has occurred the amount of the Attorney's Fee will accrue interest at a default rate of 10% per annum (0.83% per month), compounded monthly.

GRANT OF SECURITY INTERESTS

8. In consideration of the Fee Investment, Client grants Attorneys a security interest in the Invention and any patents and patent applications related to the Invention. Attorneys shall have the right to file an instrument providing third parties notice of this security interest in the USPTO or appropriate foreign patent office in which the Invention is being protected and any other federal, state or local governmental office where Attorneys deem such filings to be necessary or advisable to perfect its security interest in the Invention. Client agrees to execute any and all further documents to evidence and facilitate the enforcement of such security interest. This security interest will secure the payment of the Attorney's Fee due by the terms of this agreement, or 100% of the Fee Investment, if greater. Upon payment of such amount, the security interest granted by this Agreement will terminate and Attorneys will cooperate with Client to make such filings as may be necessary to terminate the earlier security interest filings.

OTHER RESERVED RIGHTS AND RESPONSIBILITIES

9. Attorneys shall have a right of first refusal to purchase the Invention if Client offers to a third party any total or partial assignment of rights in the invention if the Schedule A Recovery to be received on such assignment does not at least satisfy the Fee Investment. Any assignment in contravention of the foregoing provision, will constitute an event of default and will entitle Attorneys to take such actions as it may deem necessary or advisable, including foreclosing on its security interest in the Invention.

10. The Client shall make a good faith effort to generate revenue from the invention.

11. Representations regarding rights and ownership in the Invention that are made in the papers executed by the inventors of the Toroidal Furnace and the Client and filed with the USPTO are incorporated by reference herein.

WITHDRAWAL FROM REPRESENTATION

12. Subject to applicable court, agency and other applicable laws, Attorneys shall have the right to withdraw from representation of Client with respect to the Invention upon giving reasonable notice. In the event of such withdrawal, Attorneys shall retain its security interest in the Invention until it has received payment of the Fee Investment through the date of withdrawal. It is understood, however, that in the event of withdrawal, upon satisfaction of the Fee Investment Attorneys will release such security interest.

REMOVAL FROM REPRESENTATION

13. Subject to applicable court, agency and other applicable laws, Client shall have the right to remove Attorneys from representation of Client upon giving reasonable notice. In the event of such removal, Attorneys shall retain a security interest in the Invention as indicated above in Section 8, and this Agreement shall not otherwise be affected unless liquidated under Section 23 by an arms-length third party purchasers of the corporation.

ABANDONMENT OF RIGHTS

14. Attorneys shall not reduce any rights or compromise the Invention without the approval of Client.

15. If Client elects to fully or partially abandon the Invention, Client shall transfer an undivided interest in the invention to the Attorneys in payment of the Fee Investment, minus any Attorney's Fee amounts paid by Client to Attorneys prior to such abandonment. If attorneys generate revenue after co-owning the invention, the revenues will be shared equally.

16. If rights in the invention are partially transferred, this agreement may apply to the multiple parties holding such rights. In such a case, the right holder's responsibility under the agreement will be proportional to the percentage of the rights owned.

REPORTING AND PAYMENT EVENTS

17. Client will provide quarterly financial reports to Attorneys that account for all Schedule A Recoveries and all Schedule B Recoveries received in each calendar quarter. Such reports will be delivered to Attorneys no later than the 15th of the month following the end of each calendar quarter. Quarterly reports will include a summary of the Client's progress in developing the Invention and any investments made by third parties. Client may report information by electronic mail to the undersigned Attorney.

18. Attorneys shall have the right to cause an independent accountant selected by Attorneys to conduct an accounting to determine the amount of the Schedule A Recovery and Schedule B Recovery generated from the Invention. If such accounting reveals an underpayment, Client will pay the amount of the underpayment within thirty (30) days of receipt of the accountant's report. If the accounting reveals an overpayment, such

overpayment will be credited against future Attorney's Fee payments. Attorneys will bear any expenses associated with such accounting, unless there is determined to be an underpayment in excess of 10%, in which case, the costs of the accounting will be paid for by Client. At any time, Attorneys shall have the right to obtain market valuation of the Invention by one or more third party appraisers. Client agrees to provide reasonable cooperation to all such accountants and appraisers.

GOVERNING LAW

19. This Agreement shall be governed by the laws of the District of Columbia.
20. The Agreement may be modified by consent of the parties at any time, but the change must be in writing and signed by both parties to be enforceable.
21. This Agreement may be assigned by Attorneys only with the consent of Client or after Attorneys have been removed from representation pursuant to Section 13.
22. The Agreement may be assigned by the Client only upon a transfer of substantially all the rights in the Invention in which the transferee agrees to be bound by the terms of this Agreement or with the consent of Attorneys, which consent may be withheld in the exercise of its sole discretion.

LIQUIDATION OF AGREEMENT BY PURCHASE OF CORPORATION OR ITS ASSETS

23. All legitimate arms-length third-party subsequent complete or partial purchasers of the Client may elect to liquidate this agreement by full payment of all Fee Investments to the firm within 15 days of the transaction, plus an additional sum of either \$7,500 or 20% of the Fee Investment, whichever is less.

NO GUARANTY OF SUCCESS

24. Client acknowledges that Attorneys have made no guaranty regarding successful prosecution of the invention and that any expressions by Attorneys regarding the likelihood of success are matters of opinion only.

ARBITRATION OF ANY DISPUTES

25. Any dispute with regard to this Agreement shall be resolved by binding arbitration pursuant to procedures and by an arbitrator to be agreed upon by Client and Attorneys or, in the event of failure to so agree, by a single arbitrator selected by the Santa Clara County, California office of the American Arbitration Association in an arbitration conducted in Santa Clara County, California under the Commercial Arbitration Rules of the Association.

GEOGRAPHIC SCOPE OF AGREEMENT

26. This agreement applies to revenue generated from the invention in or importation to or from the United States either by sale, license, or enforcement of the invention or related or covered products. However, should Attorneys determine that intellectual property protection in other countries is necessary to protect revenue generated by the invention in jurisdictions other than the United States, Attorneys will reserve the right to direct the

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EFFECTIVE DATE

27. The effective date of this Agreement shall be retroactive to the first date of any work by Attorneys related to the Inventions.

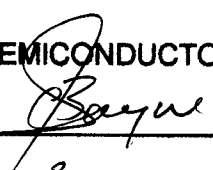
DORT CLOSE IP LAW GROUP PLLC

By  /s/ _____

Title: Manager/Patent Attorney _____

Date June 17, 2004

DIAMOND SEMICONDUCTOR

By  _____
Title: PRESIDENT. _____
Date 6/22/04 _____