

PATENT ASSIGNMENT

Electronic Version v1.1
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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
TIMEMED LABELING SYSTEMS, INC.	11/03/2008
RECEIVING PARTY DATA	
Name:	WELLS FARGO BANK, NATIONAL ASSOCIATION
Street Address:	6001 Topanga Canyon Boulevard
Internal Address:	Suite 205
City:	Woodland Hills
State/Country:	CALIFORNIA
Postal Code:	91367
PROPERTY NUMBERS Total: 2	
Property Type	Number
Patent Number:	4348440
Application Number:	11645873
CORRESPONDENCE DATA	
Fax Number:	(213)830-8743
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
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ATTORNEY DOCKET NUMBER:	0718228.335892
NAME OF SUBMITTER:	Kimberley A. Lathrop
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PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT (this "Agreement") is entered into as of November 3, 2008, by and between TIMEMED LABELING SYSTEMS, INC., an Illinois corporation ("Debtor"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Bank has extended or will hereafter extend credit to Precision Dynamics Corporation, a California corporation ("Borrower"), and to secure Borrower's obligations to Bank, Debtor has executed various agreements, including without limitation, that certain Continuing Guaranty, dated as of November 3, 2008 (which guaranty, together with any and all amendments and modifications thereto from time to time entered into, and any guaranties at any time hereafter executed in replacement and/or in substitution thereof and/or in addition thereto, shall be referred to herein as the "Guaranty"), and that certain Third Party Security Agreement, dated as of November 3, 2008, covering among other items, various proprietary rights and patents (which security agreement, together with any and all amendments and modifications thereto from time to time entered into, and any security agreements at any time hereafter executed in replacement and/or in substitution thereof and/or in addition thereto, shall be referred to herein as the "Security Agreement"); and

WHEREAS, Debtor and Bank wish to further clarify their respective rights and obligations with regard to certain collateral in an instrument to be recorded with the United States Patent and Trademark Office and elsewhere.

NOW, THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, Debtor and Bank hereby agree as follows:

1. SECURITY INTERESTS. Pursuant to the Security Agreement and subject to and upon the additional terms, covenants and conditions hereof, Debtor hereby grants to Bank a security interest in Debtor's entire right, title and interest in and to all of the following (the "Property");

(a) all patent applications and patents (collectively the "Patents") in which Debtor now has or at any time hereafter acquires an interest, including without limitation, all proceeds thereof, including without limitation, license royalties and proceeds of infringement suits.

(b) all proceeds and revenues from any claim by Debtor against third parties for past, present or future infringements of the Patents, all rights corresponding thereto and all reissues, divisions, continuations, renewals, extensions and continuations thereof in whole or in part.

The Property shall include without limitation: (i) all Patents described or listed in Exhibit A attached hereto and incorporated herein by this reference, and (ii) all reissues and/or extensions of any of the Patents now existing or hereafter acquired. The patent rights assigned to Bank as security hereunder shall be held by Bank for the full term for which said Patents are granted, and for the term or terms of each and every extension thereof, as fully as the same would have been held by Debtor if this Agreement had not been executed.

2. OBLIGATIONS SECURED. The security interest established by this Agreement secures payment of all indebtedness and performance of all obligations which may now or at any time hereafter be owed by Debtor to Bank (collectively, the "Secured Obligations"), including

without limitation, all obligations now existing or arising under or in connection with the Guaranty, the Security Agreement, and/or in connection with any promissory note and/or loan agreement now or at any time hereafter executed by Borrower with Bank, including but not limited to that certain Amended and Restated Credit Agreement between Borrower and Bank dated as of November 3, 2008, and all amendments, modifications and extensions thereto and substitutions and replacements therefor, which may from time to time be entered into between Borrower and Bank (the "Loan Agreement"). Upon payment and performance in full of all of the Secured Obligations other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted, Bank, at Debtor's cost and expense, shall promptly terminate its security interest in the Property.

3. NEW PATENT RIGHTS. If before the Secured Obligations shall have been satisfied in full, Debtor shall obtain rights to any new patentable inventions, or become entitled to the benefit of any patent application and/or patent for any reissue, division, continuation, renewal, extension or continuation in whole in part of any Patent and/or any improvement on any Patent, the provisions of Paragraph 1 hereof shall apply automatically thereto and Debtor shall give to Bank prompt written notice thereof.

4. PERFECTION OF SECURITY INTEREST. Debtor hereby covenants and agrees to prepare, execute, acknowledge, deliver and record or file such instruments and documents and to do and perform all other acts which may be reasonably necessary or which Bank deems reasonably necessary or appropriate to perfect Bank's security interest in the Property. Promptly after the issuance of any Patent or the acquisition of any interest in or to any Patent hereafter, Debtor shall duly execute, acknowledge and record in the United States Patent and Trademark Office a Patent Security Agreement substantially in the form of this Agreement; provided that Exhibit A to each such Patent Security Agreement shall describe (with such particularity as may be required by said Patent and Trademark Office or other applicable governmental authorities or agencies from time to time) only the additional Patents which have not been previously recorded as subject to Bank's security interest.

5. RETENTION OF RIGHTS. Unless and until there shall have occurred and be continuing an Event of Default (as defined in the Security Agreement and/or the Loan Agreement), Debtor shall retain the right to use the Property in the ordinary course of Debtor's business. Except as permitted by Section 5.7 of the Loan Agreement, Debtor agrees neither to sell or assign its interest in, nor grant any license under, the Property, without the prior written consent of Bank; provided however, that Debtor may grant such bona fide licenses for good and valuable consideration as are necessary and usual in the ordinary course of Debtor's business as it is presently conducted and any reasonable extensions thereof, on the condition that such licenses so granted shall be subject to the terms and conditions of the Security Agreement and this Agreement.

6. WARRANTIES. In addition to the representations and warranties made by Debtor in the Security Agreement, Debtor represents and warrants that:

- (a) the patents are subsisting and have not been adjudged invalid or unenforceable, in whole or in part;
- (b) to the best of Debtor's knowledge, each of the Patents is valid and enforceable.

(c) Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, free and clear of any liens, charges and encumbrances except (i) those in favor of Bank and (ii) those listed on Exhibit B, including without limitation, pledges, assignments, licenses, shop rights and covenants by Debtor not to sue third persons;

(d) Debtor has the unqualified right to enter into this Agreement and perform its terms;

(e) the Patents listed on Exhibit A hereto and in Exhibit A to any other Patent Security Agreement(s) delivered by Debtor to Bank represent all of the patents and applications therefor in which Debtor has any rights; and

(f) the information set forth in Exhibit A hereto is correct in all material respects.

7. COVENANTS. Debtor hereby covenants and agrees to cooperate with Bank in whatever manner may be reasonably necessary or which Bank may deem reasonably necessary or appropriate so that Bank may enjoy its rights and interests hereunder to the fullest extent. Such cooperation shall include, without limitation:

(a) prompt preparation and execution (at Debtor's expense) of all petitions, oaths, specifications, declarations or other papers that may be reasonably necessary or which Bank may deem reasonably necessary or appropriate for prosecuting any Patents and for prosecuting interference proceedings involving any such Patents; and

(b) prompt assistance and cooperation (at Debtor's expense) in the prosecution of any legal actions or other proceedings involving any Patents, including without limitation, oppositions, cancellation proceedings, priority contests, public use proceedings and court actions alleging infringement or any other cause of action.

8. DEFENSE OF PROPERTY; INDEMNITY; PROSECUTION OF PATENT APPLICATIONS. Debtor hereby covenants and agrees promptly upon request of Bank to defend the Property and Bank's rights and interests therein and to promptly notify Bank of any event, occurrence or legal action which materially affects the Property or the rights of the parties in relation thereto. Debtor acknowledges that Bank may, but shall have no obligation whatsoever to, commence any legal action or other proceeding to defend the Property or to contest the use by any other party of the Property or any portion thereof. Debtor shall unconditionally indemnify Bank and hold Bank harmless from and against all claims, causes of action, damages, liability, reasonable and documented costs and expenses, including reasonable attorneys' fees, that Bank may be subject to in connection with this Agreement except those arising out of the gross negligence or willful misconduct of Bank, including without limitation, patent infringement and contributory patent suits that may be brought against Bank.

Until the Secured Obligations shall have been paid in full, Debtor shall have the duty, through qualified patent counsel, to prosecute diligently any patent applications of the Patents pending as of the date of this Agreement or at any time thereafter, to make application on unpatented but patentable inventions and to preserve and maintain all rights in all material Patents, including without limitation, the payment of all maintenance fees. Any expenses incurred in connection with such an application shall be borne by Debtor. Debtor shall not abandon any right to file a patent

application material to its business, or any pending Patent without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

9. APPOINTMENT. Following the occurrence and during the continuance of an Event of Default as defined in the Security Agreement and/or the Loan Agreement (or in the case of clause (i) below, at any time, including prior to the occurrence of an Event of Default), Bank shall have the right to, in the name of Debtor, or in the name of Bank or otherwise, without notice to or assent by Debtor, and Debtor hereby irrevocably constitutes and appoints Bank (and any of Bank's officers or employees or agents designated by Bank) as Debtor's true and lawful attorney-in-fact with full power and authority, (i) to sign the name of Debtor on all or any of such documents or instruments and perform all other acts that Bank deems necessary or advisable in order to perfect or continue perfected, maintain the priority or enforceability of or provide notice of Bank's security interest in, the Property, and (ii) execute any and all other documents and instruments, and perform any and all acts and things for and on behalf of Debtor, which Bank may deem reasonably necessary or advisable to maintain, preserve, or protect the Property and to accomplish the purposes of this Agreement, including without limitation (A) to assert or retain any rights under any license agreement for any of the Property, including, without limitation, any rights of Debtor arising under Section 365(n) of the U.S. Bankruptcy Code (11 U.S.C. Section 101 *et seq.*), (B) to defend, settle, adjust or institute any action, suit or proceeding with respect to the Property, including without limitation the right to sue, in Bank's name or joined with Debtor, for past, present or future infringements of the Patents, and (C) to execute any and all applications, documents, papers and instruments for Bank to use the Property, to grant or issue any non-exclusive license with respect to any Property, and to assign, convey or otherwise transfer title in or dispose of any of the Property; provided, however, that in no event shall Bank have the unilateral power, prior to the occurrence of an Event of Default, to assign any of the Property to any person, including itself, without Debtor's prior written consent. The foregoing shall in no way limit Bank's rights and remedies upon or after the occurrence of an Event of Default. This power of attorney, being coupled with an interest, is irrevocable until termination of the Agreement.

10. LICENSE. For the purpose of enabling Bank to exercise its rights and remedies hereunder upon the occurrence and during the continuance of an Event of Default or otherwise in connection with this Agreement, Debtor hereby grants to Bank an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to Debtor) to use, license or sublicense any Property.

11. DEFAULTS. Upon the occurrence of any Event of Default as defined in the Security Agreement and/or the Loan Agreement, subject to applicable cure provisions, if any, Bank shall have the rights and remedies available to a secured party under law and/or expressly provided in the Guaranty, the Security Agreement and/or the Loan Agreement. In addition, Bank shall have the right to sue for past infringement of the Property and to collect all damages and profits for past infringements.

If any Event of Default shall have occurred and be continuing, and following the giving of any notices required hereby, Bank shall have, in addition to all other rights and remedies given it by this Agreement and the Security Agreement, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents may be located and, without limiting the generality of the foregoing, Bank may immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to Debtor, all of which are expressly waived, and without

advertisement, sell at public or private sale or otherwise realize upon the whole or from time to time any part of the Property or any interest which the Debtor may have therein, and after deducting from the proceeds of sale or other disposition of the Property all expenses (including all reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of the Secured Obligations. Any remainder of the proceeds after payment in full of such obligations shall be paid over to the Debtor or to such other party who may be entitled to such remaining proceeds. Notice of any sale or other disposition of the Property shall be given to Debtor at least ten (10) days before the time of any intended public or private sale or other disposition of the Property is to be made, which Debtor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, any holder of any note or Bank may, to the extent permissible under applicable law, purchase the whole or any part thereof.

12. RELATION TO SECURITY AGREEMENT. This Agreement is a supplement to the Security Agreement, and Bank's rights and remedies, and Debtor's obligations and waivers, under the Security Agreement, and the interpretive principles stated in the Security Agreement shall be applicable hereunder; provided however, that this Agreement and the Security Agreement shall be construed together so as to grant Bank the greatest rights and remedies with regard to the Property; and provided further, that Bank's rights and remedies hereunder may be expressly modified by amendments to the Security Agreement from time to time.

13. SUCCESSORS; ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Debtor may not assign this Agreement or any interest herein without Bank's prior written consent.

14. ENFORCEABILITY. If any provision of this Agreement shall for any reason be unenforceable in any respect, such enforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such unenforceable provisions had not been contained herein.


15. GOVERNING LAW. Except to the extent that Federal law preempts, this Agreement shall be governed by and construed in accordance with the laws of the State of California.

[signature page follows]

IN WITNESS WHEREOF, Debtor and Bank hereby have executed this Agreement as of the date first above written.

DEBTOR:

TIMEMED LABELING SYSTEMS, INC.,
an Illinois corporation

By: 
Name: *MARK SEGAL*
Title: *SECRETARY*

BANK:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: _____
Teresa Thompson
Vice President

IN WITNESS WHEREOF, Debtor and Bank hereby have executed this Agreement as of the date first above written.

DEBTOR:

TIMEMED LABELING SYSTEMS, INC.,
an Illinois corporation

By: _____
Name:
Title:

BANK:

WELLS FARGO BANK, NATIONAL
ASSOCIATION


By:  _____
Teresa Thompson
Vice President

EXHIBIT A
to
PATENT SECURITY AGREEMENT
between

TIMEMED LABELING SYSTEMS, INC.
and
WELLS FARGO BANK, NATIONAL ASSOCIATION
Dated as of November 3, 2008

The following are the patents and patent applications owned by Debtor that presently are on record with the United States Patent and Trademark Office:

<u>Application or Patent Number</u>	<u>Title</u>	<u>Issue Date</u>
4,348,440	Pressure sensitive seal	September 7, 1982
11645873	Protective-coated thermal labels	July 3, 2008

EXHIBIT B
to
PATENT SECURITY AGREEMENT
between
TIMEMED LABELING SYSTEMS, INC.
and
WELLS FARGO BANK, NATIONAL ASSOCIATION
Dated as of November 3, 2008

None

Exhibit B
Patent Security Agreement

CHI:2172861.2

RECORDED: 11/06/2008

PATENT
REEL: 021794 FRAME: 0200