Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. § 41 et seq., and by virtue of the authority vested in it by said Act, the Federal Trade Commission (“Commission”), having reason to believe that Negotiated Data Solutions LLC (hereinafter referred to as “Respondent”) has violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this Complaint stating its charges as follows:

NATURE OF THE CASE

1. Through this action, the Commission challenges a course of conduct whereby Respondent, and its predecessor in interest, Vertical Networks, Inc. (“Vertical”), engaged in unfair acts or practices and unfair methods of competition through which it sought to break a licensing commitment that its predecessor, National Semiconductor (“National”), made to the Institute of Electrical and Electronics Engineers (“IEEE”), a standard setting organization, in 1994. The relevant standard, which included the technology subject to the licensing commitment, was subsequently adopted by the industry.

2. The conduct at issue in this action has caused or threatened to cause substantial harm to competition and to consumers, and will in the future cause or threaten to cause further substantial injury to competition and to consumers, absent the issuance of appropriate relief in the manner set forth below.
**RESPONDENT**

3. Respondent is a limited liability company organized, existing, and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1550 N. Lake Shore Drive, No. L6C, Chicago, Illinois 60610.

4. Respondent is engaged in the business of licensing patents that it has acquired. Respondent does not produce or manufacture tangible products.

5. Respondent is, and at all relevant times has been, a person, partnership, or corporation within the meaning of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and at all times relevant herein, Respondent has been, and is now, engaged in commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

**THE DEVELOPMENT OF THE FAST ETHERNET STANDARD**

6. In or about 1983, the IEEE published the first 802.3 standard, the Ethernet standard, which allowed computer equipment attached to a local area network ("LAN") to transmit data across a copper wire at a rate of 10 megabits per second ("Mbps"). Computer equipment manufacturers subsequently adopted the Ethernet standard which ensured that their equipment would be interoperable.

7. In or about 1993, the IEEE authorized the 802.3 Working Group to develop a new standard based on the Ethernet standard to meet the demand for higher data transmission rates. Employees of National were members of and active participants in the 802.3 Working Group.

8. The new standard, commonly referred to as “Fast Ethernet,” would allow equipment attached to a LAN to transmit data across a copper wire at 100 Mbps.

9. The 802.3 Working Group wanted Fast Ethernet equipment to be compatible, to the extent possible, with then-existing LANs based on the original Ethernet standard, which operated at substantially slower data transmission rates. The terms “autodetection” and “autonegotiation” were used to refer to technology that would permit such compatibility by enabling two devices at opposing ends of a network link to exchange information and automatically configure themselves to optimize their communication.

11. The 802.3 Working Group considered several alternative technologies to National’s “NWay” technology prior to the adoption of the Fast Ethernet standard. It also considered adopting a Fast Ethernet standard without an autonegotiation feature.

12. At IEEE meetings to determine which autodetection technology to include in the 802.3 standard, one or more representatives of National publicly announced that if NWay technology were chosen, National would license NWay to any requesting party for a one-time fee of one thousand dollars ($1,000). National made that assurance fully knowing that, as a result, it could be forgoing significant licensing revenues.

13. In a subsequent letter dated June 7, 1994, and addressed to the Chair of the 802.3 Working Group of IEEE, National wrote:

National Semiconductor Corporation (“National”) is pleased to be a contributing member of the IEEE 802.3 Working Group responsible for developing an autodetection standard based upon National's architecture informally known as “NWay.” To further demonstrate its support for this effort, National would like to make clear its position with respect to prospective licensing of National's intellectual property rights in its NWay technology.

In the event that the IEEE adopts an autodetection standard based upon National's NWay technology, National will offer to license its NWay technology to any requesting party for the purpose of making and selling products which implement the IEEE standard. Such a license will be made available on a nondiscriminatory basis and will be paid-up and royalty-free after payment of a one-time fee of one thousand dollars ($1,000.00).

14. The IEEE adopted a Fast Ethernet standard with an autodetection feature based upon the NWay technology after National made its licensing commitment. National’s one thousand dollar licensing commitment was a significant factor contributing to the incorporation of NWay technology into the 802.3 standard. For example, various IEEE members were aware of and relied upon National’s one thousand dollar licensing commitment when they voted to include NWay as the autodetection technology in the 802.3 standard.

15. National benefited financially from its licensing assurance. The assurance accelerated sales of National products that conformed to the Fast Ethernet standard by (a) speeding completion of the standard by allaying concerns about the future costs of autonegotiation, and (b) increasing the demand for Fast Ethernet products by making them backward compatible with Ethernet equipment already installed on existing LANs.
INDUSTRY ADOPTION OF THE FAST ETHERNET STANDARD

16. IEEE published the Fast Ethernet standard with National’s NWay autonegotiation technology in 1995. By that time, Ethernet was the dominant standard for wired LANs and there were millions of Ethernet ports installed in the United States.

17. Inclusion of autonegotiation technology in the Fast Ethernet standard enabled owners of existing Ethernet-based LANs to purchase and install multi-speed, Fast Ethernet-capable equipment on a piecemeal basis without having to upgrade the entire LAN at once or buy extra bridging equipment.

18. Since 1995, dozens of manufacturers, including many of whom did not participate in the standard setting process, incorporated the Fast Ethernet standard with the NWay technology into hundreds of millions of computer devices such as personal computers, switches, routers, DSL and cable modems, wireless LAN access points, IP phones, and other equipment. Several of these firms were aware of National’s commitment to license NWay technology for a one-time fee of one thousand dollars. Standardizing on a single autonegotiation technology allowed Fast Ethernet devices made by different manufacturers to work with one another and with legacy Ethernet equipment.

19. By 2001, there were no commercially viable alternative autonegotiation technologies for Ethernet. The inclusion of NWay in the Fast Ethernet standard and the subsequent adoption of that standard by the industry eliminated viable autonegotiation technology alternatives from the marketplace.

20. The Fast Ethernet standard with the NWay technology became the industry standard after its publication. The standard and the technology have been integrated into hundreds of millions of computer devices and equipment. NWay is the only autonegotiation technology that works with this installed base of wired Ethernet and Fast Ethernet equipment. As a result the industry has been locked into using NWay technology since at least 2001.

21. The inclusion of NWay technology into the Fast Ethernet standard and the subsequent adoption of that standard by the industry conferred monopoly power which otherwise would not have existed.

ASSIGNMENT OF THE PATENTS TO VERTICAL NETWORKS

22. National was issued U.S. Patent No. 5,617,418 (“the ’418 Patent”) on April 1, 1997, and U.S. Patent No. 5,687,174 (“the ’174 Patent”) on November 11, 1997. Both patents arose from a common parent application, Ser. No. 07/971,018, which National had filed on November 2, 1992. National later received equivalent counterpart patents issued by certain foreign governments. Hereinafter, the ’174, the ’418, and the equivalent counterpart foreign patents are
collectively referred to as “the Patents.” The ’174 and ’418 Patents expire in 2014.

23. On or about June 30, 1998, National assigned to Vertical all rights, titles and interests in nine U.S. patents and their foreign counterparts. The Patents were included in that assignment.

24. Prior to the assignment of the Patents, National gave Vertical a copy of the June 7, 1994 letter. Vertical acknowledged at the time that it had been informed “that several of the patents may be ‘encumbered’ by whatever actions [National] may have taken in the past with respect to the IEEE standards.” The final agreement between Vertical and National stated that the assignment is “subject to any existing licenses and other encumbrances that [National] may have granted.” It further provided, “Existing licenses shall include . . . [p]atents that may be encumbered under standards such as an IEEE standard.”

BREACH OF THE LICENSING COMMITMENT

25. Vertical was struggling financially by late 2001 in the wake of the “dot com” bust and the shakeout of the telecommunications industry. Vertical sought to generate new revenue streams by licensing its patents and enforcing its rights against third parties it believed might infringe those patents.

26. In Spring 2002, Vertical also sought to alter the terms of National’s licensing commitment to the IEEE in an effort to increase the prices it could charge those companies that implemented the Fast Ethernet standard and NWay.

27. In a March 27, 2002 letter to the IEEE, Vertical asserted that one or more of the Patents “may be applicable to portions and/or amendments of” IEEE standard 802.3. In that same letter, Vertical promised to make available to any party a non-exclusive license under the Patents “on a non-discriminatory basis and on reasonable terms and conditions including its then current royalty rates.” The March 27, 2002 letter referred to the June 7, 1994 letter, although it did not describe the terms of that letter. In particular, Vertical did not mention that National had committed to license NWay for a one-time fee of one thousand dollars. The 2002 letter concluded by claiming that “the assurances provided in this letter supersede any assurances provided by National Semiconductor Corporation relevant to the above-identified patents.”

28. At or around the same time it sent the letter to the IEEE, Vertical identified approximately sixty-four “Target Companies.” Vertical subsequently sent letters to many of the “Target Companies” demanding licensing fees on a per unit basis for “802.3-compliant auto-negotiating products.” Those demands represent a substantial increase over National’s commitment to license the NWay technology for a one-time fee of one thousand dollars.
29. Vertical made a “conservative estimate” that the Patents cover at least seventy percent of Ethernet port shipments worldwide. Based on market data, Vertical projected that the Patents would generate more than $20 million a year in licensing revenue.

30. Several companies sought to accept the original licensing offer and tendered $1,000 in accordance with the June 7, 1994 letter. Vertical rejected those acceptances.

31. Vertical threatened or initiated legal actions against companies that refused to pay the royalties it demanded. As a result of that effort, several companies entered into licensing agreements that have produced licensing fees for the Patents far in excess of $1,000 per company.

32. Companies are locked into using NWay given the installed base of Ethernet and Fast Ethernet computer equipment, the incompatibility of NWay with alternative autonegotiation technologies, and the significant costs associated with a decision to abandon autonegotiation altogether.

33. On or about November 14, 2003, Vertical assigned the Patents to Respondent. Subsequently, Vertical sold its remaining business assets and ceased operations.

34. Respondent possessed a copy of, and was familiar with the June 7, 1994 letter of assurance when it received assignment of the Patents from Vertical. A principal of Respondent had represented Vertical in the negotiations in 1998 that led to National’s agreement assigning the Patents to Vertical.

35. Respondent has asserted and continues to assert that making, using, selling, offering for sale, or importing things that employ NWay autonegotiation technology infringes the Patents.

**HARM TO COMPETITION & CONSUMERS**

36. The acts and practices of Respondent, as herein alleged, were and are to the prejudice and injury of consumers, are continuing and will continue in the absence of the relief herein requested. The injury to consumers of NWay technology include, but are not limited to, the following:

   a. increased royalties (or other payments) associated with the manufacture, sale, use or importation of products that implement an IEEE standard enabling autonegotiation by or with 802.3 compliant products; and

   b. increases in price and/or reductions in the use or output of products that implement an IEEE standard enabling autonegotiation by or with 802.3 compliant products.
37. The threatened or actual anticompetitive effects of Respondent’s conduct include, but are not limited to, the following:

a. increased royalties (or other payments) associated with the manufacture, sale, use or importation of products that implement an IEEE standard enabling autonegotiation by or with 802.3 compliant products;

b. increases in price and/or reductions in the use or output of products that implement an IEEE standard enabling autonegotiation by or with 802.3 compliant products;

c. decreased incentives on the part of semiconductor chip and LAN equipment manufacturers to produce products that implement IEEE standards enabling autonegotiation by or with 802.3 compliant products;

d. decreased incentives on the part of semiconductor chip and LAN equipment manufacturers and others to participate in IEEE or other standard setting activities; and

e. both within and outside the semiconductor chip and LAN equipment industries decreased reliance, or willingness to rely, on standards established by industry standard setting organizations.
VIOLATIONS ALLEGED


39. Respondent’s course of conduct has caused and is likely to continue to cause substantial injury to consumers of NWay technology that could not reasonably be avoided and is not outweighed by countervailing benefits to consumers or competition. Therefore, Respondent’s conduct, as described in paragraphs 1-37 above, incorporated herein by reference, constitute unfair acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-second day of September, 2008, issues its complaint against Respondent.

By the Commission, Chairman Kovacic dissenting.

Donald S. Clark
Secretary

SEAL:
DECISION AND ORDER

The Federal Trade Commission ("Commission"), having initiated an investigation of certain acts and practices of Negotiated Data Solutions LLC, hereafter referred to as "Respondent N-Data," and Respondent N-Data having been furnished thereafter with a copy of a draft of Complaint that the Bureau of Competition proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge Respondent N-Data with violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45; and

Respondent N-Data, its attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order ("Consent Agreement"), containing an admission by Respondent N-Data of all the jurisdictional facts set forth in the aforesaid draft of Complaint, a statement that the signing of said Consent Agreement is for settlement purposes only and does not constitute an admission by Respondent N-Data that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission’s Rules; and

The Commission, having thereafter considered the matter and having determined that it had reason to believe that Respondent N-Data has violated the said Act, and that a Complaint should issue stating its charges in that respect, and having accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, and having duly considered the comments filed by interested persons pursuant to Commission Rule 2.34, 16 C.F.R. § 2.34, now in further conformity with the procedure described in Commission Rule 2.34, the Commission hereby makes the following jurisdictional findings and issues the following Decision and Order ("Order"): 
1. Respondent Negotiated Data Solutions LLC is a limited liability company organized, existing and doing business under and by virtue of the laws of the State of Illinois with its office and principal place of business located at 1550 N. Lake Shore Drive, No. 16C, Chicago, Illinois 60610.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of Respondent N-Data, and the proceeding is in the public interest.

ORDER

I.

IT IS ORDERED that, as used in this Order, the following definitions shall apply:

A. “Respondent” means Negotiated Data Solutions LLC; its directors, officers, employees, agents, and representatives, when acting in such capacities; its successors and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by Negotiated Data Solutions LLC and the respective directors, officers, employees, agents and representatives of each, when acting in such capacities; and their successors and assigns.


C. “1994 Letter” means the letter dated June 7, 1994, from Mark Grant, the Director of Intellectual Property for National Semiconductor Corp., to Geoffrey Thompson, Chair of IEEE’s 802.3 Working Group. (A copy of the 1994 Letter is attached to the Appendix C Patent License Agreement as Attachment A.)

D. “Action” means any proceeding whether legal, equitable, or administrative, as well as any arbitration, mediation, or any other form of public or private dispute resolution in the United States or anywhere else in the world.

E. “Appendix A Offer” means the form of offer attached as Appendix A to this Order, including the Appendix C Patent License Agreement, which shall be attached to, and made part of, the offer.

F. “Appendix B Offer” means the form of offer attached as Appendix B to this Order, including the Appendix C Patent License Agreement, which shall be attached to, and made part of, the offer.

G. “Appendix C Patent License Agreement” means the form of agreement attached as Appendix C to this Order.
H. “Appendix D Letter” means the form of letter attached as Appendix D to this Order.

I. “Filing” means any document filed in an Action, including, but not limited to, a complaint, an answer, or a pleading.

J. “Held” and “Holding” mean, with respect to intellectual property:

1. to be the assignee of,

2. to own, or

3. to otherwise have sufficient control over such intellectual property so as to be able to license it to others.

K. “Person” means any natural person, partnership, corporation, association, trust, joint venture, government, government agency, or other business or legal entity.

L. “Relevant U.S. Patents” means:


2. all continuations, continuations-in-part, divisionals, reissues, re-examinations of and extensions or additions to U.S. Patent Nos. 5,617,418; 5,687,174; US RE39,405 E; and US RE39,116 E;

3. all current or future United States patents that share a common parent application with or that claim a priority from an application for U.S. Patent Nos. 5,617,418; 5,687,174; US RE39,405 E; and US RE39,116 E; and

4. all current or future United States patents that share a common parent application with, or that claim a priority from, the following U.S. Patent Applications, Nos.: 971,018 (filed on November 2, 1992); 146,729 (filed on November 1, 1993); or 430,143 (filed on April 26, 1995).

M. “Relevant Foreign Patents” means all current and future patents issued by a foreign government, including but not limited to certificates and registrations, that are equivalents or counterparts to any Relevant U.S. Patent or that claim priority from any application for a Relevant U.S. Patent; and all child applications of any of the aforesaid patents, including but not limited to continuations, continuations-in-part, divisionals,
reissues and re-examinations thereof. The “Relevant Foreign Patents” include, but are not limited to:


2. all patents arising from the following patent applications:

N. “Relevant Patents” means all Relevant U.S. Patents and all Relevant Foreign Patents.

O. “Standard Setting Organization” means any group, organization, association, membership or stock corporation, government body, or other entity that, through voluntary participation of interested or affected parties, is engaged in the development, promulgation, promotion or monitoring of product or process standards for the electronics industry, or any segment thereof anywhere in the world.

P. “Subsidiaries” means Persons controlled directly or indirectly through ownership interests of 50% or more. For example, if A owns 50% of B and if B owns 50% of C, then C is a Subsidiary of both A and B. The Subsidiaries of an entity would consist of all Persons for which the entity would be the Ultimate Parent Entity if the entity were not controlled by any other entity. For purposes of this definition only, the terms “Ultimate Parent Entity,” “controlled,” and “entity” have the same meaning they have under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a, and the rules promulgated thereunder, 16 C.F.R. § 801 et seq.

II.

IT IS FURTHER ORDERED that, as to any intellectual property Held by Respondent, Respondent shall honor all promises or assurances made by Respondent, or by any other Person while Holding such intellectual property, where:

A. such promises or assurances concern the terms on which such intellectual property would be offered if a proposed standard of a Standard Setting Organization were adopted, and

B. such standard is subsequently adopted.
PROVIDED, HOWEVER, that for purposes of this Order only, Respondent’s compliance with Paragraphs III and IV of this Order shall be deemed compliance with the promises and assurances made in the 1994 Letter.

III.

IT IS FURTHER ORDERED that:

A. Immediately upon the date this Order becomes final, Respondent shall cease and desist from any and all efforts, and shall not undertake any new efforts, by any means, directly or indirectly, in or affecting commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44:

1. to initiate or continue any Action against any Person with respect to the enforcement of any of the Relevant Patents,

2. to assert or enforce, or to threaten to enforce, against any Person, any of the Relevant Patents, or

3. except as specified in this Paragraph III of the Order, to propose, offer, or agree to license any of the Relevant Patents to any Person.

PROVIDED, HOWEVER, that, if Respondent has offered to enter into an Appendix C Patent License Agreement with such Person, in accordance with Paragraph III.B. of this Order, then Respondent may:

(I) initiate or continue any Action against such Person with respect to any of the Relevant Patents;

(ii) assert or enforce, or threaten to enforce, any of the Relevant Patents against such Person; or

(iii) propose, offer, or agree to license any of the Relevant Patents to such Person.

PROVIDED, HOWEVER, that Respondent may continue, for twenty (20) days after the date that Respondent signs the Agreement Containing Consent Order in this matter, any preexisting Action with respect to any of the Relevant Patents.

PROVIDED, FURTHER, HOWEVER, that nothing in this Order shall be construed to limit, expand, supersede, or in any way alter (I) the scope, effect, or meaning of the 1994 Letter, or (ii) any legal or equitable rights arising under the 1994 Letter.
PROVIDED, FURTHER, HOWEVER, that a Person’s acceptance of, or failure to accept, an Appendix A Offer shall not prejudice, and shall not be construed to limit, such Person’s legal or equitable rights, including but not limited to:

(i) any right to dispute the validity, infringement, or enforceability of any of the Relevant Patents, and

(ii) any right to defend against a claim of infringement of the Relevant Patents on the grounds that the 1994 Letter gives such Person a right to a license to the Relevant Patents and that such license would protect such Person against such claim of infringement.

B. An offer to a Person (the “Offeree”) will be in compliance with the first proviso to Paragraph III.A. of this Order only if:

1. Respondent delivers an Appendix A Offer:

   a. to each counsel of record for the Offeree in any existing Action between the Offeree and Respondent, at the addresses for service of Filings on such counsel in such Action, or, if no such Action between the Offeree and Respondent exists, then:

   b. if the Offeree is a natural person, to the primary business address of the Offeree, or, if the Offeree is not a natural person, then:

   c. to one of the following:

      (1) a patent counsel employed (in-house) by the Offeree, at the primary business address of such patent counsel,

      (2) the general counsel of the Offeree, at the primary business address of such general counsel,

      (3) the chief executive officer of the Offeree, at the primary business address of such chief executive officer,

      (4) the chairman of the Offeree, at the primary business address of such chairman,

      (5) the president of the Offeree, at the primary business address of the such president, or

      (6) the highest-ranking manager of the Offeree, at the primary business address of such highest-ranking manager, or
The registered agent for service of process of the Offeree in the state of the Offeree’s incorporation (or, if the Offeree is not a corporation, in the state of the Offeree’s primary place of business),

or if none of the Persons listed in this Paragraph III.B.1.c. exists, then:

d. to the natural person with the largest ownership interest in the Offeree, at the primary business address of that natural person;

2. Respondent moves, within twenty (20) days of making such Appendix A Offer, to make that Appendix A Offer a part of the record of any existing Action to which both Respondent and the Offeree are parties; and

3. Respondent obtains and retains a receipt signed by the addressee(s), or by an agent or agents of the addressee(s), for delivery of the Appendix A Offer to the Offeree pursuant to Paragraph III.B.1. of this Order.

C. If Respondent receives a written request to enter into an Appendix C Patent License Agreement from any Person who has not received an Appendix A Offer made in accordance with Paragraph III.B. of this Order, then Respondent shall, within sixty (60) days of receiving such request:

1. offer such Person, in accordance with Paragraph III.B. of this Order, an Appendix A Offer, and

2. deliver, in accordance with III.B.3. of this Order, a copy of such Appendix A Offer to the natural person who requested the offer.

D. For purposes of Paragraph III of the Order, an Appendix A Offer is effective only as to the Person to which it is made and as to the Subsidiaries of such Person. An Appendix A Offer made to a Subsidiary of a Person is not effective as to such Person nor as to any other parents of the Subsidiary. Nor is an Appendix A Offer effective as to predecessors of, and successors to, the Person to which the offer is made.

PROVIDED, HOWEVER, that an Appendix A Offer made to a Person is effective as to Subsidiaries of such Person only for such time as they continue to be Subsidiaries. If and when they cease to be Subsidiaries of such Person, then Appendix A Offers made to such Person are no longer effective against such former Subsidiaries.
IV.

IT IS FURTHER ORDERED that:

A. If and when Respondent enters into an Action with any Person with respect to any of the Relevant Patents, then:

1. if Respondent has not previously made an Appendix A Offer to such Person in accordance with Paragraph III of the Order, then Respondent shall, within ten (10) days of entering into such Action with such Person, make an Appendix A Offer to such Person in accordance with Paragraph III of the Order; or

2. if Respondent has previously made an Appendix A Offer to such Person in accordance with Paragraph III of the Order, then Respondent shall make an Appendix B Offer to such Person as follows:

   a. at the time that Respondent makes its first Filing in such Action, Respondent shall enclose an Appendix B Offer with a copy of such first Filing, and deliver the offer and the filing to each counsel of record for such Person in such Action at the addresses for service of Filings on such counsel in such Action,

   b. Respondent shall obtain and retain a receipt for each such delivery signed by each such counsel of record, or by each agent of each such counsel of record; and

   c. at the time that Respondent makes such first Filing in such Action, Respondent shall move to make such Appendix B Offer a part of the record of such Action.

PROVIDED, HOWEVER, that Respondent shall not be required to comply with Paragraph IV.A. of this Order if:

   (I) Respondent previously delivered, in accordance with Paragraph III.B.1.a. of this Order, an Appendix A Offer to each of such Person’s counsels of record in an Action then existing between Respondent and such Person; and such Appendix A Offer was made a part of the record of such previous Action following Respondent’s compliance with Paragraph III.B.2. of this Order;

   (ii) Respondent previously made an Appendix B Offer to such Person in accordance with Paragraph IV.A.2. of this Order; and such Appendix B Offer was made a part of the record of such previous
Action following Respondent’s compliance with Paragraph IV.A.2.c. of this Order; or

(iii) Respondent previously entered into an Appendix C Patent License Agreement with such Person.

**PROVIDED, FURTHER, HOWEVER,** that a Person’s acceptance of, or failure to accept, an Appendix B Offer shall not prejudice, and shall not be construed to limit, such Person’s legal or equitable rights, including but not limited to:

(I) any right to dispute the validity, infringement, or enforceability of any of the Relevant Patents, and

(ii) any right to defend against a claim of infringement of the Relevant Patents on the grounds that the 1994 Letter gives such Person a right to a license to the Relevant Patents and that such license would protect such Person against such claim of infringement.

**B.** For purposes of Paragraph IV of the Order, an Appendix A Offer or an Appendix B Offer is effective only as to the Person to which it is made and as to the Subsidiaries of such Person. An Appendix A Offer or an Appendix B Offer made to a Subsidiary of a Person is not effective as to such Person nor as to any other parents of the Subsidiary. Nor is an Appendix A Offer or an Appendix B Offer effective as to predecessors of, and successors to, to the Person to which the offer is made.

**PROVIDED, HOWEVER,** that an Appendix A Offer or an Appendix B Offer made to a Person is effective as to Subsidiaries of such Person only for such time as they continue to be Subsidiaries. If and when they cease to be Subsidiaries of such Person, then Appendix A Offers and Appendix B Offers made to such Person are no longer effective against such former Subsidiaries.

**V.**

**IT IS FURTHER ORDERED** that:

A. Within thirty (30) days after the date this Order becomes final, Respondent shall send by certified mail an executed copy of the Appendix D Letter, a copy of this Order, and a copy of the complaint in this matter (“Complaint”) to each of the following:
1. Secretary, IEEE-SA Standards Board, and PatCom Administrator  
Institute of Electrical and Electronics Engineers  
445 Hoes Lane  
Piscataway, NJ 08855

2. Steve M. Mills, Chair, IEEE-SA Standards Board  
IEEE Standards Association  
445 Hoes Lane  
Piscataway, NJ 08855

3. Bob Grow, Chair, IEEE 802.3 Working Group  
IEEE 802.3 Working Group  
Institute of Electrical and Electronics Engineers  
445 Hoes Lane  
Piscataway, NJ 08855

B. Within ninety (90) days after the date this Order becomes final, Respondent shall distribute copies of the Complaint and Order in this matter to all Persons with which Respondent has previously communicated with respect to any of the Relevant Patents or the licensing thereof.

C. Within thirty (30) days after the date this Order becomes final, Respondent shall distribute copies of this Order and the Complaint to every officer, director, employee or agent of Respondent.

D. For a period of five (5) years after the date this Order becomes final, Respondent shall furnish a copy of this Order and the Complaint to each new officer, director, employee or agent of Respondent. Such copies shall be furnished within thirty (30) days after each such Person assumes his or her position as officer, director, employee, or agent.

E. In any Action to which Respondent is a party and in which infringement of any of the Relevant Patents is alleged, Respondent shall:

1. attach copies of this Order and the Complaint to the first Filing Respondent makes after this Order becomes final, and

2. deliver a copy of that Filing (with the attached copies of this Order and the Complaint) to all parties to the Action and to any judge, arbitrator, or other official presiding over such Action.
VI.

**IT IS FURTHER ORDERED** that Respondent shall not sell, assign, grant exclusive licenses to, or otherwise transfer any of the Relevant Patents to any other Person prior to the termination of this Order.

**PROVIDED, HOWEVER,** that Respondent may sell, assign, grant exclusive licenses to, or otherwise transfer all of the Relevant Patents to a single Person if:

(I) in an executed agreement providing for such sale, assignment, exclusive license, or other transfer of the Relevant Patents, such Person acknowledges it is, and agrees to be, a successor bound by all the terms of this Order and by all terms and conditions of all Appendix C Patent License Agreements formed pursuant to this Order; and

(ii) Respondent files such agreement with the Commission at least thirty (30) days prior to such sale, assignment, exclusive license, or other transfer.

VII.

**IT IS FURTHER ORDERED** that:

A. Sixty (60) days after the date this Order becomes final, Respondent shall submit to the Commission a verified written report setting forth in detail the manner and form in which it intends to comply, is complying, and has complied with the terms of this Order.

B. Beginning twelve (12) months after the date this Order becomes final, and annually thereafter on the anniversary of the date this Order becomes final, for the next 5 years, Respondent shall submit to the Commission verified written reports setting forth in detail the manner and form in which it is complying and has complied with this Order.

VIII.

**IT IS FURTHER ORDERED** that Respondent shall notify the Commission at least thirty (30) days prior to:

A. any proposed dissolution of Respondent;

B. Any proposed acquisition, merger or consolidation of Respondent; or

C. any other change in Respondent, including, but not limited to, assignment and the creation or dissolution of subsidiaries, if such change might affect compliance obligations arising out of the Order.
IX.

**IT IS FURTHER ORDERED** that, for the purpose of determining or securing compliance with this Order, and subject to any legally recognized privilege, and upon written request with reasonable notice to Respondent, Respondent shall permit any duly authorized representative of the Commission:

A. Access, during office hours of Respondent and in the presence of counsel, to all facilities and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and all other records and documents in the possession or under the control of Respondent related to compliance with this Order; and

B. Upon thirty (30) days’ notice to Respondent and without restraint or interference from Respondent, to interview officers, directors, or employees of Respondent, who may have counsel present, regarding such matters.

X.

**IT IS FURTHER ORDERED** that this Order shall terminate on September 22, 2028.

By the Commission, Chairman Kovacic dissenting.

Donald S. Clark
Secretary

SEAL
ISSUED: September 22, 2008
APPENDIX A
OFFER
APPENDIX A
PATENT LICENSE OFFER

1. This Patent License Offer (“Offer”) is made by Negotiated Data Solutions LLC (“N-Data”), an Illinois limited liability company having a mailing address of 1550 N. Lake Shore Drive, Suite 16C, Chicago, Illinois 60610. This Offer provides an opportunity for you to obtain a license for certain patents assigned to, or owned or controlled by, N-Data.

2. The terms and conditions under which N-Data is licensing patents pursuant to this Offer are set forth in the agreement that is attached hereto (“Patent License Agreement”).

3. This Offer will remain available and open for 120 calendar days after receipt. If, prior to the expiration of those 120 days, you file a declaratory judgment action in court against N-Data disputing the validity, infringement, or enforceability of any of the Relevant Patents (as that term is defined in the attached Patent License Agreement), the time for your acceptance of this Offer will be extended until 60 days after the conclusion of any appeal, or expiration of time to appeal, from entry of final judgment in, or dismissal of, such declaratory judgment action.

4. You may accept this Offer only by sending to N-Data at 1550 N. Lake Shore Drive, Suite 16C, Chicago, Illinois 60610:
   a. your name, address, and telephone number,
   b. one thousand dollars ($1,000) in the form of either a cashier’s check payable to N-Data or a wire transfer to N-Data, and
   c. a copy of the Patent License Agreement executed by you.

5. Immediately upon N-Data’s receipt of such acceptance, your Patent License Agreement with N-Data will become effective (“Effective Date”).

6. Within ten (10) days after the Effective Date of the Patent License Agreement, N-Data will mail to you a copy of the Patent License Agreement executed by an officer of N-Data.

7. Your acceptance of, or your failure to accept, this Offer shall not prejudice, and shall not be construed to limit, any of your legal or equitable rights, including but not limited to:
   a. any right to dispute the validity, infringement, or enforceability of any of the Relevant Patents, and
Appendix A

b. any right to defend against a claim of infringement of the Relevant Patents on the
grounds that the letter dated June 7, 1994, from Mark Grant to Geoffrey Thompson (a
copy of which is Attachment A to the Patent License Agreement) gives you a right to a
license to the Relevant Patents and that such license would protect you against such
claim of infringement.

8. This Offer is made in accordance with a Decision and Order issued by the Federal Trade
Commission, a United States Government agency, and the text of this Offer and of the
Patent License Agreement is a part thereof. A copy of that Decision and Order, as well as a
copy of the related Complaint of the Federal Trade Commission, can be found at [Web
links].

1 The final sentence of Paragraph 8 should be inserted only in Appendix A Offers delivered
after the Complaint and the Decision and Order are public, i.e. after the Commission has
accepted for public comment the Consent Agreement Containing Consent Order in this matter.
APPENDIX B
OFFER
APPENDIX B
PATENT LICENSE OFFER

1. This Patent License Offer (“Offer”) is made by Negotiated Data Solutions LLC (“N-Data”), an Illinois limited liability company having a mailing address of 1550 N. Lake Shore Drive, Suite 16C, Chicago, Illinois 60610. This Offer provides an opportunity for you to obtain a license for certain patents assigned to, or owned or controlled by, N-Data.

2. The terms and conditions under which N-Data is licensing patents pursuant to this Offer are set forth in the agreement that is attached hereto (“Patent License Agreement”).

3. Expiration of Offer. Enclosed with this Offer is either a complaint or some other legal document (“Complaint”) filed by N-Data in federal court litigation or in some other legal proceeding (“Litigation”). The Complaint names you as a party to the Litigation.

   a. You may accept this Offer up until the time designated, under the rules of the Litigation, for your filing of an answer or other response to the Complaint; and, thereafter, this Offer is void.

   b. If, under the rules of the Litigation, there is no time designated for your filing of an answer or other response to the Complaint, then you may accept this Offer up until 45 days after receiving it; and, thereafter, this Offer is void.

4. You may accept this Offer only by sending to N-Data at 1550 N. Lake Shore Drive, Suite 16C, Chicago, Illinois 60610:

   a. your name, address, and telephone number,

   b. thirty-five thousand dollars ($35,000) in the form of either a cashier’s check payable to N-Data or a wire transfer to N-Data, and

   c. a copy of the attached Patent License Agreement executed by you.

5. Immediately upon N-Data’s receipt of such acceptance, your Patent License Agreement with N-Data will become effective (“Effective Date”).

6. Within ten (10) days after the Effective Date of the Patent License Agreement, N-Data will mail to you a copy of the Patent License Agreement executed by an officer of N-Data.

7. Your acceptance of, or your failure to accept, this Offer shall not prejudice, and shall not be construed to limit, any of your legal or equitable rights, including but not limited to:
Appendix B

a. any right to dispute the validity, infringement, or enforceability of any of the Relevant Patents, and

b. any right to defend against a claim of infringement of the Relevant Patents on the grounds that the letter dated June 7, 1994, from Mark Grant to Geoffrey Thompson (a copy of which is Attachment A to the Patent License Agreement) gives you a right to a license to the Relevant Patents and that such license would protect you against such claim of infringement.

8. This Offer is made in accordance with a Decision and Order issued by the Federal Trade Commission, a United States Government agency, and the text of this Offer and of the Patent License Agreement is a part thereof. A copy of that Decision and Order, as well as a copy of the related Complaint of the Federal Trade Commission, can be found at [Web links].

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1 The final sentence of Paragraph 8 should be inserted only in Appendix B Offers delivered after the Complaint and the Decision and Order are public, i.e. after the Commission has accepted for public comment the Consent Agreement Containing Consent Order in this matter.
APPENDIX C
PATENT LICENSE AGREEMENT
Patent License Agreement

This PATENT LICENSE AGREEMENT between Negotiated Data Solutions LLC (the “Licensor”), an Illinois limited liability company having a place of business at 1550 N. Lake Shore Drive, No. 16C, Chicago, Illinois 60610, and

_________________________________________ (the “Licensee”) having principal offices at______________________________, is effective as of ___________ (“the Effective Date”).

WHEREAS, the Federal Trade Commission (“Commission”) having initiated an investigation of the Licensor and having thereafter considered the matter and, having determined that it had reason to believe that Licensor had violated the Federal Trade Commission Act, issued a Complaint stating its charges in the matter of Negotiated Data Solutions LLC, Docket No. C-####.1

WHEREAS, the Licensor disputed said charges, but agreed to settle the charges in order to avoid the expense of litigation.2

1 Until the Decision and Order has become final, the following paragraph should be substituted for this paragraph:

WHEREAS, the Federal Trade Commission (“Commission”) has initiated an investigation of the Licensor in the matter of Negotiated Data Solutions LLC, Matter No. 051 0094.

2 Until the Decision and Order has become final, the following paragraph should be substituted for this paragraph:

WHEREAS, the Licensor believes that it has not engaged in any unlawful conduct, but agreed to settle this matter in order to avoid the expense of litigation.
WHEREAS, in order to settle said charges, Licensor entered to an Agreement Containing Consent Order pursuant to which the Commission has issued a Decision and Order in the matter of Negotiated Data Solutions LLC, Docket No. C-####, requiring, in part, that, under certain circumstances, Licensor enter into this Patent License Agreement.

WHEREAS, Licensee wishes to obtain a license to practice the Licensed Patents within the Licensed Field of Use.

NOW, therefore, the parties agree as follows:

1. Definitions.


1.2. “Held” means, with respect to intellectual property:

   1.2.1. to be the assignee of,

   1.2.2. to own, or

   1.2.3. to otherwise have sufficient control over such intellectual property so as to be able to license it to others.

1.3. **IEEE.** “IEEE” means the Institute of Electrical and Electronics Engineers, Inc. and the Institute of Electrical and Electronics Engineers Standards Association; and their committees and subcommittees.

1.4. **IEEE Standards.** “IEEE Standards” means:

   1.4.1. any and all standards of the IEEE, including past, current, and future standards, and including all supplemental or letter standards of the IEEE; and

3 Until the Decision and Order has become final, the following paragraph should be substituted for this paragraph:

WHEREAS, the Licensor entered to an Agreement Containing Consent Order in the matter of Negotiated Data Solutions LLC, Matter No. 051 0094, requiring, in part, that, under certain circumstances, Licensor enter into this Patent License Agreement.
1.4.2. any and all standards of the American National Standards Institute (ANSI) or the International Standards Organization (ISO), that incorporate or replicate any standard specified in Paragraph 1.4.1. of this Patent License Agreement.

1.5. Importing. “Importing” means to import into the United States.

1.6. Licensed Entities. “Licensed Entities” means the Licensee and all Subsidiaries of the Licensee, including, but not limited to:

1.6.1. Subsidiaries subsequently acquired by the Licensee, and

1.6.2. Subsidiaries of the Licensee that have previously failed to accept, or have rejected, the Licensor’s offer, pursuant to the Decision and Order of the Federal Trade Commission in the matter of Negotiated Data Solutions LLC, Docket No. C-####, of a license to the Licensed Patents.

Provided, however, that Subsidiaries of the Licensee that become Licensed Entities pursuant to the terms of this Patent License Agreement shall lose their status as Licensed Entities if and when they cease to be Subsidiaries of the Licensee.

1.7. Licensed Field of Use. “Licensed Field of Use” means the use of NWay Technology in Products to implement an IEEE Standard. In addition, “Licensed Field of Use” includes optimization or enhancement features that are consistent with the use of NWay Technology to implement the IEEE Standard.

1.8. Licensed Foreign Patents. “Licensed Foreign Patents” means all current and future patents issued by a foreign government, including but not limited to certificates and registrations, that are equivalents or counterparts to any Licensed U.S. Patent or that claim priority from any application for a Licensed U.S. Patent; and all child applications of any of the aforesaid patents, including but not limited to continuations, continuations-in-part, divisionals, reissues and re-examinations thereof. The “Licensed Foreign Patents” include, but are not limited to:


1.8.2. all patents arising from the following patent applications: European Patent Applications SN 93308568.0 (DE, FR, GB, IT, NL); Japanese Patent

4 Until the Decision and Order has become final, and a docket number has been assigned to this matter, the words “Matter No. 051 0094” should be substituted for the words “Docket No. C-####.”
Applications SN H5-274147; Korean Patent Applications SN 22995/93; or Taiwanese Patent Applications SN 83104531; and

1.8.3. any other current or future patent that was issued by a foreign government, that:

1.8.3.1. is Held by Respondent now or in the future,

1.8.3.2. was previously Held (or shares a common parent application with, or claims a priority from, a patent previously Held) by National Semiconductor Corporation, and

1.8.3.3. has a claim that Respondent, at any time, asserts is infringed by the use of NWay Technology.

1.9. Licensed Patents. “Licensed Patents” shall mean all Licensed U.S. Patents and all Licensed Foreign Patents.

1.10. Licensed U.S. Patents. “Licensed U.S. Patents” means:


1.10.2. all continuations, continuations-in part, divisionals, reissues, re-examinations of and extensions or additions to U.S. Patent Nos. 5,617,418; 5,687,174; US RE39,405 E; and US RE39,116 E;

1.10.3. all current or future United States patents that share a common parent application with or that claim a priority from an application for U.S. Patent Nos. 5,617,418; 5,687,174; US RE39,405 E; and US RE39,116 E;

1.10.4. all current or future United States patents that share a common parent application with, or that claim a priority from, the following U.S. Patent Applications, Nos.: 971,018 (filed on November 2, 1992); 146,729 (filed on November 1, 1993); or 430,143 (filed on April 26, 1995); and

1.10.5. any other current or future United States patent that

1.10.5.1. is Held by Respondent now or in the future,

1.10.5.2. was previously Held (or shares a common parent application with, or claims a priority from, a patent previously Held) by National Semiconductor Corporation, and
1.10.5.3. has a claim that Respondent, at any time, asserts is infringed by the use of NWay Technology.

1.11. **NWay Technology.** “NWay Technology” is defined by reference to the 1994 Letter and shall have the same meaning that the term “NWay technology” has in that letter.

1.11.1. In determining the meaning of the term “NWay Technology,” the following documents, *inter alia*, can be consulted:


1.11.1.2. Bill Bunch, “An Introduction to Auto-Negotiation,” (February 1995) [Web link].

1.11.2. Some examples of the use of “NWay Technology,” within the meaning of this Patent License Agreement, are described in the various versions of Clause 28 (and Annexes thereto, such as Annexes 28A, 28B, 28C, and 28D) published in the following standards:


1.11.2.2. IEEE Std 802.3-2005, IEEE Standard for Information technology – Telecommunications and information exchange between systems – Local and metropolitan area networks – Specific requirements – Part 3: Carrier sense multiple access with collision detection (CSMA/CD) access method and physical layer specifications;

1.11.2.3. IEEE Std 802.3aj-2003 (Amendment to IEEE Std 802.3-2002), IEEE Standard for Information technology – Telecommunications and information exchange between systems – Local and metropolitan area networks – Specific requirements – Part 3:
Carrier Sense Multiple Access with Collision Detection (CSMA/CD) Access Method and Physical Layer Specifications – Amendment: Maintenance 7;

1.11.2.4. IEEE Std 802.3-2002, IEEE Standard for Information technology – Telecommunications and information exchange between systems – Local and metropolitan area networks – Specific requirements – Part 3: Carrier sense multiple access with collision detection (CSMA/CD) access method and physical layer specifications;

1.11.2.5. IEEE Std 802.3, 2000 Edition, Information technology – Telecommunications and information exchange between systems – Local and metropolitan area networks – Specific requirements – Part 3: Carrier sense multiple access with collision detection (CSMA/CD) access method and physical layer specifications;

1.11.2.6. IEEE Std 802.3ab-1999 (Supplement to IEEE Std 802.3, 1998 Edition), Information technology – Telecommunications and information exchange between systems – Local and metropolitan area networks – Specific requirements – Supplement to Carrier Sense Multiple Access with Collision Detection (CSMA/CD) Access Method and Physical Layer Specifications – Physical Layer Parameters and Specifications for 1000 Mb/s Operation Over 4-Pair of Category 5 Balanced Copper Cabling, Type 1000BASE-T;

1.11.2.7. IEEE Std 802.3, 1998 Edition, Information technology – Telecommunications and information exchange between systems – Local and metropolitan area networks – Specific requirements – Part 3: Carrier sense multiple access with collision detection (CSMA/CD) access method and physical layer specifications;


1.12. **Person.** “Person” means any natural person, partnership, corporation, association, trust, joint venture, government, government agency, or other business or legal entity.

1.13. **Product.** “Product” means any thing, tangible or intangible, including, but not limited to:

1.13.1. any apparatus, device, system, combination, design, process, or method, and

1.13.2. anything that can infringe, in any way, any claim of any Licensed Patent.

1.14. **Subsidiaries.** “Subsidiaries” means Persons controlled directly or indirectly through ownership interests of 50% or more. For example, if A owns 50% of B and if B owns 50% of C, then C is a Subsidiary of both A and B. The Subsidiaries of a Licensee would consist of all Persons for which the Licensee would be the Ultimate Parent Entity if the Licensee were not controlled by any entity. For purposes of this definition only, the terms “Ultimate Parent Entity,” “controlled,” and “entity” have the same meaning they have under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a, and the rules promulgated thereunder, 16 C.F.R. § 801 et seq.

1.15. **Supply Chain Person.** “Supply Chain Person” means any Person in the Licensed Entities’ downstream chain of manufacture or distribution. The term “Supply Chain Person” includes, but is not limited to, any system integrators, resellers, purchasers and end users of the Licensed Entities’ Products.

2. **License Grant and Release.** Licensor hereby grants to each of the Licensed Entities, under any and all claims of the Licensed Patents, a license to NWay Technology, to make, use, sell, offer for sale, or Import any Product, in the Licensed Field of Use. Such license is fully paid-up, perpetual, irrevocable, worldwide, non-exclusive, non-transferable, and non-sublicensable. As to Licensed Patents that issued prior to the Effective Date, such license shall be given retroactive effect from the moment the Licensed Patents issued. Each of the Licensed Entities is hereby released from any and all claims of infringement – including but not limited to direct infringement, literal infringement, infringement under the doctrine of equivalents, inducement of infringement, and contributory infringement – of the Licensed Patents in the Licensed Field of Use – including claims that the Licensed Entities infringed any of the Licensed Patents in the Licensed Field of Use prior to the Effective Date, on the Effective Date, or after the Effective Date.
3. **Exhaustion and Release.** The license granted herein to the Licensed Entities shall cover, for Products of the Licensed Entities within the Licensed Field of Use, all Supply Chain Persons. Licensor declares and agrees that, as to any Supply Chain Person, all the Licensor’s rights with respect to the Licensed Patents are hereby exhausted with respect to Products of the Licensed Entities in the Licensed Field of Use. Each such Supply Chain Person is hereby released from any and all claims of infringement of the Licensed Patents in the Licensed Field of Use, including claims that such Person infringed any of the Licensed Patents in the Licensed Field of Use prior to the Effective Date, on the Effective Date, or after the Effective Date. With respect to any portion of a Product of the Licensed Entities that would, absent the license provided in Section 2 of this Patent License Agreement, infringe any claim of any of the Licensed Patents, such portion will be treated under this Patent License Agreement, for the purposes of applying the “first sale doctrine” or principles of “patent exhaustion,” as if it infringed all claims of all of the Licensed Patents. Therefore, as to any portion of a Product of the Licensed Entities that, absent the license as provided in Section 2 of this Patent License Agreement, would infringe one or more claims of the Licensed Patents, Licensor’s patent rights for all claims of the Licensed Patents are completely exhausted.

4. **Consideration.** Licensee has provided good and sufficient consideration for the rights provided herein.

5. **No Warranty.** Nothing herein shall be construed as a warranty, admission or representation by Licensor or any of the Licensed Entities as to the validity, enforceability or scope of any Licensed Patent claim, or a warranty, admission or representation by Licensor that any manufacture, sale, offer for sale, use, importation into the United States or other disposition of any Product by any of the Licensed Entities or any third party will be free from infringement of patents other than the Licensed Patents.

6. **Licensee’s Retention of Rights.** This agreement shall not prejudice, and shall not be construed to limit, any of the Licensee’s legal or equitable rights, including but not limited to:

   6.1. the Licensee’s right to dispute the validity, infringement, or enforceability of the Licensed Patents, and

   6.2. the Licensee’s right to defend against a claim of infringement of the Licensed Patents on the grounds that the 1994 Letter gives the Licensee a right to a license to the Licensed Patents and that such license would protect the Licensee against such claim of infringement; and the Licensee’s right to argue that the meaning of “NWay Technology” in the 1994 Letter is broader than the definition of “NWay Technology” in Paragraph 1.11. of this Patent License Agreement. Nothing in this Patent License Agreement shall limit, supersede, or in any way alter the scope, effect, or meaning of the 1994 Letter.

7. **Governing Law.** This Agreement shall be construed and controlled by the laws of the State of Illinois.
8. **Public Identification as Licensee.** Licensee, Licensor, and each of the Licensed Entities may publicly disclose or announce that Licensee has entered into this Patent License Agreement with Licensor.

In witness whereof this Patent License Agreement is in effect.

**LICENSOR:**

Negotiated Data Solutions LLC

By: ____________________
(Signature)

Name: __________________
(Printed)

Title: __________________
(Printed)

Date: ___________________

**LICENSEE:**

_________________________

By: ____________________
(Signature)

Name: __________________
(Printed)

Title: __________________
(Printed)

Date: ___________________
Attachment A
June 7, 1994

Mr. Geoffrey Thompson
Chair, 802.3 Working Group, IEEE
c/o SynOptics Communications, Inc.
4401 Great America Pkwy.
P.O. Box 58185
Santa Clara, CA 95052-8185

Dear Mr. Thompson:

National Semiconductor Corporation ("National") is pleased to be a contributing member of the IEEE 802.3 Working Group responsible for developing an autodetection standard based upon National's architecture informally known as "NWay". To further demonstrate its support for this effort, National would like to make clear its position with respect to prospective licensing of National's intellectual property rights in its NWay technology.

In the event that the IEEE adopts an autodetection standard based upon National's NWay technology, National will offer to license its NWay technology to any requesting party for the purpose of making and selling products which implement the IEEE standard. Such a license will be made available on a nondiscriminatory basis and will be paid-up and royalty-free after payment of a one-time fee of one thousand dollars ($1,000.00).

With respect to the "NWay" mark, following adoption by the IEEE of an autodetection standard based upon National's NWay technology, National will offer to relinquish any claims it may have in such mark in favor of the IEEE.

Should there be any questions or concerns about any of the foregoing matters, please feel free to call Paul Ahrens to discuss them. He can be contacted at (408) 721-4251.

Best regards,

Mark Grant
Director of Intellectual Property

cc: Paul Ahrens

02-0000169
File No. 051-0094
APPENDIX D

LETTER TO IEEE
Re: Patent Assurance; 802.3

To whom this may concern:

This is to notify you, pursuant to the enclosed Decision and Order (“Order”) issued by the Federal Trade Commission, that Negotiated Data Solutions LLC (“N-Data”) is offering to any requesting party a non-exclusive license to certain patents originally assigned to National Semiconductor Corporation. (A copy of the Order can also be found at [Web link].)

A copy of this offer is incorporated into the enclosed Order as Appendix A. As specified in the offer, N-Data will grant this license, which is paid-up and royalty-free, in exchange for a one-time fee of one thousand dollars ($1,000.00).

A copy of the license agreement is incorporated into the enclosed Order as Appendix C. The license will cover, within the licensed field of use, the patents specified in Paragraphs 1.8. and 1.10. of the license agreement.

N-Data also notes that IEEE has included on its website a reference, made in connection with IEEE Standard 802.3, to the letter of March 27, 2002, from Scott Pickett, Chief Technical Officer and Executive Vice President of Vertical Networks, Inc., to the IEEE-SA Standards Board Patent Committee. The licensing terms and conditions described in that letter do not apply to NWay Technology. (As the current assignee of the patents identified in that letter, N-Data is now the successor in interest to Vertical Networks, Inc.)

Sincerely,

Alan Loudermilk
Manager and Member
Negotiated Data Solutions LLC

Enclosure