

PATENT SUBLICENSE AGREEMENT

This Patent Sublicense Agreement (this "Agreement") is effective as of October 18, 2002 (the "Effective Date"), between BRILLIANT DIGITAL ENTERTAINMENT, INC., a Delaware corporation having its principal place of business at 6355 Topanga Canyon Boulevard, Suite 120, Woodland Hills, California 91367 ("Brilliant"), ALINET, INC., a Delaware corporation having its principal place of business at 6355 Topanga Canyon Boulevard, Suite 120, Woodland Hills, California 91367 ("Alinet" and, together with Brilliant, the "Sublicensors") and SHARMAN NETWORKS LIMITED, a company incorporated in Vanuatu and located at 1st Floor BDO House, PO BOX 240, Port Villa, Vanuatu ("Sublicensee").

RECITALS

A. Sublicensor is the licensee of Kinectech Inc., a Delaware corporation ("Master Licensor") of the rights to use and to sublicense for use United States Patent No. 5,978,791 and all related intellectual property pursuant to the Patent License Agreement, dated October 18, 2002, by and among Kinectech, Inc., Brilliant and Alinet (the "Master License"), a copy of which has been delivered to Sublicensee.

B. Sublicensee desires to obtain a sublicense of Sublicensor's rights to use the Sublicensed Rights (as defined in Section 1.1 below) within the Permitted Use (as defined in Section 1.1 below) in the Territory (as defined in Section 1.1 below) ("Business"). Sublicensor is willing to provide Sublicensee with a license to use the Sublicensed Rights in connection with Sublicensee's Business upon the terms of this Agreement.

AGREEMENT

In consideration of the foregoing and the various obligations and rights set forth below, the parties agree as follows:

ARTICLE I
LICENSE

1.1 *Definitions.* As used in this Agreement, the following terms are defined as follows:

1.1.1 "*Affiliate*" shall mean, with respect to any entity, any other entity that, directly or indirectly, controls, is controlled by or is under common control with, that entity, provided, however, that in each case any such other entity shall be considered to be an Affiliate only during the time period during which such control exists. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any entity, shall mean the possession, directly or indirectly, of the power to direct and/or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.



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1.1.2 "Confidential Information" shall mean all non-public information, know-how and data which a party acquires from the other party including, in the case of information acquired by Sublicensee, information concerning the Patent, development, technical specifications or use of the Sublicensed Rights, and in the case of information acquired by the Sublicensor, any information relating to the business of Sublicensee, including but not limited to, formulas, patterns, compilations, programs, devices, methods, techniques and processes of Sublicensee, business plans, business strategies, marketing plans, customer lists, price lists, cost information, information about employees, descriptions of inventions, process descriptions, descriptions of technical know-how, engineering and technical specifications and documentation, and pending or abandoned patent applications.

1.1.3 "Improvements" shall mean all developments, adoptions, enhancements or modifications that constitute improvements in or to the Patent or otherwise fall within the scope of the Patent claims.

1.1.4 "Patent" shall mean (i) U.S. Patent No. 5,978,791; (ii) all improvements, modifications, continuations, continuations-in-part, divisions, re-issues and re-examinations thereof (including any patent claiming priority from or derived from application no. 08/425,160), copies of which, to the extent filed with the United States Patent Office prior to the Effective Date, are attached as Exhibit "A" hereto, and (iii) any other United States or foreign patent filed by, or issued or assigned to the Master Licensor or Sublicensor (or for which Sublicensor otherwise has a right or ability to grant a sublicense under) that would be necessary for Sublicensee to make, have made, use, import, sell and offer for sale Sublicensee's Product, within the constraints of the Permitted Use.

1.1.5 "Permitted Use" shall mean the permitted uses set forth in Schedule 1.1 attached hereto and by this reference incorporated herein.

1.1.6 "Sublicensed Rights" shall mean the Patent, the Improvements, and all additional applications for, corresponding to and claiming the benefit of, and continuations, divisions, reissues and foreign counterparts of the Patent and Improvements.

1.1.7 "~~Sublicensee's Product~~" shall mean the peer-to-peer technology platform currently known as the Kazaa Media Desktop, which includes the searching and file-sharing technology currently known as the "FastTrack Technology", and any future fixes, updates, upgrades and replacements to or for the Kazaa Media Desktop.

1.1.8 "Territory" shall mean the United States of America, its territories, and its possessions, as well as any other country or geographic region for which a patent application has been filed by the Master Licensor or Sublicensor, or a patent has been issued to the Master Licensor or Sublicensor that is substantially similar to the Patent or any of its claims.

1.2 *Sublicense Grant.* Subject to the terms and conditions set forth in this Agreement, Sublicensor grants Sublicensee a limited, non-exclusive, non-transferable (except as set forth in

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Section 9.7 below), irrevocable license, non-sublicensable right (the "Sublicense"), to use the Sublicensed Rights, restricted to the Permitted Use, to make, have made, use, import, export, distribute, subdistribute, sell and offer for sale Sublicensee's Product within the Territory.

1.3 *Sublicense Restrictions.* Sublicensee may not sublicense any of the rights granted to Sublicensee hereunder; provided, however that Sublicensee may distribute to end users Sublicensee's Product for use by such end users within the constraints of the Permitted Use. Sublicensee shall not cause any of the Sublicensed Rights to become subject to any liens, claims or encumbrances. In the event that Sublicensee requests that a third party distributor of the searching and file-sharing technology known as the "FastTrack Technology" be extended a sublicense of the Sublicensed Rights, Sublicensee may present to Sublicensor for review, approval and execution, which approval is expected by both parties to be provided and not be unreasonably withheld (it being understood however, that it shall not be unreasonable for Sublicensor to withhold its consent on the basis that the Master Licensor has failed to approve such sublicense), a sublicense agreement between Sublicensor and such third party in which Sublicensor licenses the Sublicensed Rights to such third party. The parties agree that Sublicensee shall be entitled to 100% of any license fees received from those parties who currently distribute the searching and file-sharing technology known as the "FastTrack Technology", and that Sublicensor and Sublicensee shall negotiate in good faith for a division of any license fees received from any other third party authorized licensee of the FastTrack Technology.

1.4 *Retention of Rights.* Sublicensor reserves the right to use all or any portion of the Sublicensed Rights in any manner, or license, assign, convey, transfer, sell or otherwise alienate any portion of or all the Sublicensed Rights to any third party, whether or not such use by Sublicensor or such third party is in direct competition with the business of Sublicensee.

1.5 *Consideration.*

1.5.1 Commencing on the Effective Date, in consideration of the rights granted hereunder solely as it relates to those parties (including Sublicensee) who currently distribute the searching and file-sharing technology known as the "FastTrack Technology", Sublicensee shall pay to Sublicensor the following:

- (1) upon signing of this Agreement, a lump sum payment of \$500,000.00 for the period from the Effective date through and including March 31, 2003; provided that Sublicensee may deduct from such payment all amounts that are currently due to Sublicensee from Brilliant as of the date of such payment;
- (2) upon signing of this Agreement, a lump sum payment of \$150,000.00 representing the monthly fee for the month of April 2003; and
- (3) on or before the first day of each calendar month of the Term commencing May 1, 2003, \$120,000.00 per month for each month of the Term from and after April, 2003.

All payments shall be paid in U.S. dollars. All payments shall be wired to:

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Chase Manhattan Bank, New York, NY
Beneficiary: Salomon Smith Barney
ABA # 021-000-021
Acct # 066-198-038
For further credit to: Brilliant Digital Entertainment, Inc
Acct # 571-0435-16-386

1.6 *Status.* The status of Sublicensee under this Agreement is that of an independent contractor and not an agent or employee of Sublicensor for all purposes, including without limitation payment of all taxes and assessments which any state, federal, municipal or other taxing authority may impose.

ARTICLE 2 OWNERSHIP RIGHTS

2.1 *Exclusive Rights in Master License.* Sublicensee acknowledges that, as between Sublicensee and Master Licensor, Master Licensor owns all right, title and interest, including intellectual property rights, in and to the Patent, subject to the exclusive license granted to Sublicensor and the Sublicense granted to Sublicensee hereunder. Except for the Sublicense granted to Sublicensee hereunder, no title to or ownership of the Patent in any form is transferred to Sublicensee. This Agreement shall be deemed inferior and subject to any rights reserved by Master Licensor in the Master License. All rights, not expressly granted to Sublicensee, are expressly reserved by Sublicensor. In the event of any conflict between rights granted hereunder and the rights retained by Master Licensor in the Master License, the Master License shall be deemed controlling; provided, however, nothing herein shall diminish the representations and warranties or obligations that Sublicensor has made or owes to Sublicensee.

2.2 *Improvements.*

2.2.1 *Improvements to Sublicensed Rights.* Sublicensee agrees that, as between Sublicensee and Master Licensor, Master Licensor will have the sole and exclusive right, title, and interest (both legal and equitable) to all of the intellectual property rights in Improvements to the Patent made by any of Master Licensor, Sublicensor or Sublicensee. Sublicensor agrees that the Improvements will be deemed (without the payment of additional royalties) part of the Sublicense granted hereunder to Sublicensee. None of Master Licensor, Sublicensor or Sublicensee is, however, obligated to make any Improvements. Furthermore, Sublicensee hereby acknowledges and agrees that any Improvements made by Sublicensee shall be considered a "work made for hire" and Master Licensor shall own all right, title and interest therein. To the extent that the Improvements do not automatically vest in Master Licensor, Sublicensee hereby grants, assigns and transfers to Master Licensor all right, title and interest in and to the Improvements to the extent that Sublicensee has had or will have any

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right, title or interest therein. Master Licensor shall have the sole and exclusive rights to all the improvements and any additions and modifications thereto throughout the world, whether such rights currently exist or are recognized in the future, and in all media and languages, whether now or subsequently existing. Sublicensee shall execute such further instruments as Master Licensor may reasonably request to evidence, establish, maintain or protect Master Licensor's rights in and ownership of the Improvements.

2.2.2 Improvements to Processes and Know-How Ancillary to the Sublicensed Rights. Subject to the terms and conditions contained herein and notwithstanding any provisions of this Agreement to the contrary, the parties agree that Sublicensee shall own any improvement in, modification to or development of any method or apparatus used for manufacturing and/or using products or services embodying the Sublicensed Rights as well as any improvement in, modification to or development of any know-how used for manufacturing and/or using products or services embodying the Sublicensed Rights, to the extent that the foregoing is developed by Sublicensee (collectively, "Related Development"). The definition of "Related Development" specifically excludes the Patent. Notwithstanding any other provision of this Agreement, the parties acknowledge and agree that, as between Sublicensor and Sublicensee, Sublicensee has the exclusive, proprietary ownership and use rights to the Kazaa Media Desktop, together with all code and other components thereof, whether developed by or for, or licensed to, Sublicensee and any improvements or modifications thereto, including all know-how, techniques, inventions and code relating thereto (collectively, the "Sharman Software").

2.3 Patent Markings. Sublicensee agrees to cause any products made by or for Sublicensee, which are covered by one or more claims of the Patent to have clearly marked thereon a patent notice listing the number of the Patent.

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ARTICLE 3
CONFIDENTIALITY

3.1 Duties.

3.1.1 Due to the importance and sensitivity of any Confidential Information disclosed by Sublicensor, Sublicensee agrees that during the Agreement Period and for three (3) years following the termination of this Agreement or the Sublicense for any reason, Sublicensee shall (i) hold such Confidential Information in confidence, (ii) not use such Confidential Information except for the purposes contemplated by this Agreement, (iii) not publish or disclose such Confidential Information to third parties unless authorized in writing by Sublicensor; and (iv) not permit any individual who is not in Sublicensee's employment to use, publish, disseminate, disclose or have access to the Confidential Information, except for those Third Parties who execute agreements substantially similar to those referred to in Section 2.3 above.

3.1.2 Due to the importance and sensitivity of the Confidential Information disclosed by Sublicensee, Sublicensor agrees that during the Agreement Period and for three (3) years following the termination of this Agreement or the Sublicense for any reason, Sublicensor shall (i) hold such Confidential Information in confidence, (ii) not use such Confidential Information except for the purposes contemplated by this Agreement, (iii) not publish or disclose such Confidential Information to third parties unless authorized in writing by Sublicensor; and (iv) not permit any individual who is not in Sublicensee's employment to use, publish, disseminate, disclose or have access to the Confidential Information, except for those Third Parties who execute agreements substantially similar to those referred to in Section 2.3 above.

3.1.3 Any information acquired from a disclosing party shall not constitute Confidential Information if it (1) is already known to the recipient at the time that it is disclosed by the disclosing party; or (2) is publicly-known at the time of the disclosure to the receiving party by the disclosing party. Additionally, the confidential obligations of a receiving party herein will cease as to particular Confidential Information that (1) has become publicly known through no fault of the receiving party; (2) is received by the receiving party properly and lawfully from a third party without restriction on disclosure and without knowledge or reasonable suspicion that the third party's disclosure is in breach of any obligations to the disclosing party; (3) has been developed by the receiving party completely independent of the delivery of Confidential Information by the disclosing party hereunder; (4) has been approved for public release by written authorization of the disclosing party; or (5) is required by judicial, legislative or regulatory process to be disclosed (provided, that if any Confidential Information is required by judicial, legislative or regulatory process to be disclosed, the receiving party shall provide the disclosing party with prompt written notice of any such request or requirement so that the disclosing party may seek an appropriate protective order or other appropriate remedy and/or waive compliance with the terms of this Agreement).

3.2 *Duty to Disclose.* A receiving party shall with commercially reasonable promptness notify the disclosing party of any information which comes to the receiving party's attention which does or might indicate that there has been any loss of confidentiality arising from or otherwise related to the receiving party's act or omissions concerning the disclosing party's

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Confidential Information. In such event, the receiving party will take all commercially reasonable steps within its power to limit the spread of such information, including but not limited to taking whatever legal action necessary to terminate such the spread of any and all such information. The disclosing party, in its sole discretion, will have the right to take over and assume control of any such litigation or other legal action, by providing the receiving party with written notice of its decision to do so, and the receiving party will cooperate fully with the disclosing party in such litigation or other legal action.

3.3 *Injunctive and Other Relief.* Each party acknowledges that if it breaches any of its obligations under Article 3 of this Agreement, it will cause damage of an irreparable and continuing nature to the disclosing party, for which money damages will not provide adequate relief. Therefore, in addition to any money damages to which the disclosing party is entitled, the disclosing party also is entitled to obtain injunctive relief (including but not limited to immediate entry of a temporary restraining order) to prohibit the receiving party's continuing breach of the applicable covenant. The disclosing party will have the right to obtain such relief without having to prove any damages or post any bond.

3.4 *Title Protection.* Sublicensee covenants that it shall not attack, compromise, file a suit against or in any manner attempt to vitiate or commit or fail to take any action, which could vitiate any of the rights, titles or interests of the Master Licensor or Sublicensor in the Patent.

3.5 *Survival of Covenants.* Sublicensee's obligations under Sections 3.1, 3.2 and 3.3 will survive for three (3) years following the termination of this Agreement for any reason.

ARTICLE 4 WARRANTIES

4.1 *Sublicensor's Warranties.* Sublicensor warrants that: (i) Sublicensor has sufficient rights in the Sublicensed Rights to grant the Sublicense; (ii) to the best of Sublicensor's actual knowledge on the Effective Date, the Patent is valid and enforceable; and (iii) Sublicensor's license of the Sublicensed Rights pursuant to this Agreement does not, to the best of Sublicensor's actual knowledge on the Effective Date, infringe any proprietary rights of any Third Party under any United States Patent law.

4.2 *Warranty Exclusion and Waiver.* THE WARRANTIES SET FORTH IN SECTION 4.1 ABOVE ARE THE SOLE AND EXCLUSIVE WARRANTIES OF SUBLICENSOR. UNDER THIS AGREEMENT, SUBLICENSOR SPECIFICALLY DISCLAIMS, AND LICENSEE SPECIFICALLY WAIVES, ALL WARRANTIES WHICH ARE NOT CONTAINED IN SECTION 4.1 ABOVE, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN OR ARISING BY TRADE USAGE OR OTHERWISE, INCLUDING BUT NOT LIMITED TO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE; THAT ANY LICENSED MATERIAL WILL OPERATE ERROR FREE; THAT ANY PERCEIVED DEFECTS IN THE LICENSED MATERIAL WILL BE CORRECTED; OR THAT THE USE OF THE LICENSED MATERIAL WILL NOT BE INTERRUPTED DUE TO DEFECT OR THE FAULT OF ANY PERSON OR

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ENTITY.

4.3 *Mutual Representations and Warranties.* Sublicensee and Sublicensor hereby each, with respect to itself, represents and warrants to the other as follows:

4.3.1 It is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. It has all requisite corporate power and authority to own and operate its properties and assets, to execute and deliver this Agreement and to carry out the provisions of this Agreement.

4.3.2 It has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. All corporate action on its part and on the part of its officers, directors and stockholders necessary for the authorization of this Agreement and the performance of all of its obligations hereunder has been taken. This Agreement, when executed and delivered, shall be, valid and binding upon it and enforceable in accordance with its terms, except: (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights; and (ii) general principles of equity that restrict the availability of equitable remedies.

ARTICLE 5
INDEMNIFICATION

5.1 *Sublicensor's Obligations.*

5.1.1 Subject to the limitations set forth in Section 6, below, Sublicensor agrees to defend, indemnify and hold harmless Sublicensee from all liabilities and reasonable expenses (including but not limited to attorneys' fees) judgments, fines or penalties which Sublicensee incurs that result from (i) actions of Sublicensor which constitute a breach of Sublicensor's representations, warranties or obligations under this Agreement, whether such actions are civil, criminal, administrative or investigative, including any associated appeals, and (ii) any third party claim, action, suit or proceeding (whether civil, criminal or administrative, including any associated appeals) the material allegation of which avers that the Sublicensed Rights, as used within the scope of the Permitted Use and in the Territory, constitutes an infringement of a United States registered copyright, trademark, service mark, patent or other intellectual property right in the Territory, provided that Sublicensee both (i) notifies Sublicensor in writing within thirty (30) days of receipt of notice of such claim, action, suit or proceeding (it being understood, however, that Sublicensor shall not be relieved of its obligations hereunder as a consequence of any delay in providing such notice if Sublicensor is not materially prejudiced by such delay); and (ii) provides Sublicensor with all information within Sublicensee's possession that is required for the defense of such suit. In lieu of indemnification, Sublicensor, at its sole option, may: (i) obtain for Sublicensee the right to utilize any such allegedly infringing Sublicensed Rights; or (ii) use its best efforts to make such Sublicensed Rights non-infringing without materially diminishing the utility to Sublicensee of the Sublicensed Rights.

5.1.2 Sublicensor agrees to defend, indemnify and hold harmless Sublicensee

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and its directors, officers, employees, consultants, representatives, predecessors, parent companies, corporate affiliates and subsidiaries from all liabilities and reasonable expenses (including but not limited to attorneys' fees) judgments, fines or penalties which Sublicensee or its directors, officers, employees, consultants, representatives, predecessors, parent companies, corporate affiliates and subsidiaries incur that result from any claim, action, suit or proceeding (whether civil, criminal or administrative, including any associated appeals) by Master Licensor that the creation, sale, offer to sell, distribution or use of Sublicensee's Product prior to the Effective Date of this Agreement infringed the Patent, provided that Sublicensee both (i) notifies Sublicensor in writing within thirty (30) days of receipt of notice of such claim, action, suit or proceeding (it being understood, however, that Sublicensor shall not be relieved of its obligations hereunder as a consequence of any delay in providing such notice if Sublicensor is not materially prejudiced by such delay); and (ii) provides Sublicensor with all information within Sublicensee's possession that is required for the defense of such suit.

5.2 *Sublicensee's Obligations.* Sublicensee agrees to defend, indemnify and hold harmless Sublicensor from all liabilities and reasonable expenses (including but not limited to attorneys' fees) judgments, fines or penalties which Sublicensor may incur that result from any claims, actions, suits or proceedings which arise due to (i) actions of Sublicensee which constitute a breach of Sublicensee's representations, warranties or obligations under this Agreement, whether such actions are civil, criminal, administrative or investigative, including any associated appeals, and (ii) any third party claim, action, suit or proceeding (whether civil, criminal or administrative, including any associated appeals) arising out of the creation, sale, distribution or use of Sublicensee's Product, including without limitation that Sublicensee's Product infringes upon any copyright, trademark, service mark, existing patent, or other intellectual property right (unless such claim is based upon or related to the Sublicensed Rights Infringing or constituting an interference with such copyright, trademark, service mark, existing patent, or other intellectual property right), provided that Sublicensor both (i) notifies Sublicensee in writing within ninety (90) days of receipt of notice of such claim, action, suit or proceeding (it being understood, however, that Sublicensee shall not be relieved of its obligations hereunder as a consequence of any delay in providing such notice if Sublicensee is not materially prejudiced by such delay); and (ii) provides Sublicensee with all information within Sublicensor's possession that is required for the defense of such suit.

5.3 No later than ten (10) business days from receipt of notice of a suit or claim which involves the indemnification obligations of the other party, each party to this Agreement will provide written notice to the other party of the indemnifiable suit or claim in question, it being understood, however, that a party that is required to provide such notice shall have no liability for any delay in providing such notice if the party required to be notified is not materially prejudiced by such delay. *Settlement Offers.* The party with the indemnification obligation (the "Indemnifying Party") will select a representative and/or counsel to assume primary responsibility for such claim or suit, at its sole cost and expense. The Indemnifying Party, at its sole expense, will assume control of the negotiation of any settlement offer to or from a third party, if such settlement is due to a claim or suit which involves the Indemnifying Party's indemnification obligations under this Agreement. The party being indemnified reasonably will assist the Indemnifying Party in any such settlement, suit or proceeding, provided that such assistance will be at the sole cost and expense of the Indemnifying Party. Unless Sublicensee and

Sublicensor otherwise agree, no settlement shall limit, restrict or otherwise affect the right of Sublicensor or Sublicensee to carry on or conduct their business (then or in the future) or require a license to be granted by Sublicensor or Sublicensee, or limit, restrict, make more expensive or less profitable or otherwise adversely affect the manner in which Sublicensor or Sublicensee carries on or conducts its business (then or in the future). In addition, Sublicensor and Sublicensee shall not be obligated to consent to any settlement which does not include the delivery by the settling defendant of a full and final release of Sublicensor and Sublicensee from any and all liability with respect to the subject matter of such action.

ARTICLE 6 REMEDY LIMITATIONS

6.1 *Waiver of Damages and Remedies.* EACH OF SUBLICENSOR AND SUBLICENSEE HEREBY DISCLAIMS AND WILL NOT BE LIABLE FOR, AND EACH PARTY HEREBY WAIVES ANY CLAIMS OR REMEDIES IT MAY HAVE AGAINST THE OTHER PARTY, FOR INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES, INCLUDING BUT NOT LIMITED TO DAMAGE ARISING FROM LOST PROFITS, CUSTOMER CLAIMS, LOSS OF USE OF ANY OR ALL LICENSED MATERIAL OR ANY EQUIPMENT, SOFTWARE, SYSTEM OR FACILITY, LOSS OF DATA, LACK OR LOSS OF PRODUCTIVITY, COST OF SUBSTITUTE EQUIPMENT, SOFTWARE, SYSTEMS OR SERVICES, OR DOWNTIME COSTS WHICH ARISE OUT OF ANY BREACH OF THIS AGREEMENT BY A PARTY, OR WHICH ARISE PURSUANT TO ANY TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY, BUT EXCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OR ANY OTHER CLAIM, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH CLAIM IN ADVANCE.

6.2 *Exclusive Remedies.* EXCEPT FOR SUBLICENSEE'S PAYMENT OBLIGATIONS UNDER SECTION 1.5 AND SUBLICENSOR'S PAYMENT OBLIGATIONS UNDER SECTION 1.3, EACH PARTY'S TOTAL LIABILITY AND EACH PARTY'S SOLE AND EXCLUSIVE MONETARY REMEDY FOR LOSS OR DAMAGES RELATING TO OR ARISING OUT OF THE PERFORMANCE OF THE OTHER PARTY UNDER THIS AGREEMENT AND/OR ARISING UNDER ANY THEORY AT LAW OR EQUITY (WHETHER TORT, NEGLIGENCE OR OTHERWISE) IS LIMITED TO AND WILL NOT EXCEED \$500,000. EXCEPT AS ARTICLE 6 OF THIS AGREEMENT EXPLICITLY PROVIDES, EACH PARTY SPECIFICALLY WAIVES ALL OTHER MONETARY REMEDIES AVAILABLE TO IT AT LAW, IN EQUITY OR OTHERWISE, WHETHER FOR BREACH OF CONTRACT, TORT, OR OTHERWISE. Nothing in this Agreement, however, limits the ability of Sublicensor or Sublicensee to seek injunctive relief and other non-monetary equitable remedies in matters involving breaches of obligations under this Agreement including, without limitation, the provisions of Article 1, 3 and 4, it being acknowledged that such breaches may cause a party to suffer irreparable harm and may not be adequately compensated in damages. Nothing in this Agreement prevents either Sublicensor or Sublicensee from bringing such an action for injunctive relief in lieu of exercising termination rights or in addition to seeking damages under this Agreement.

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ARTICLE 7
CERTAIN OBLIGATIONS OF LICENSEE

7.1 *Infringement.* Sublicensee shall notify Sublicensor, in writing pursuant to the notice provisions contained herein, of any suspected infringement of the Sublicensed Rights in the Territory, and shall inform Sublicensor of any evidence of such infringement (it being understood, however, that Sublicensee shall not be liable hereunder as a consequence of any delay in providing such notice if Sublicensor is not materially prejudiced by such delay). In no event shall Sublicensee take any action to enforce Sublicensor's or Master Licensor's rights in the Patent. In the event of such infringement under the Permitted Use, when commercially reasonable under the circumstances based on a reasonable expectation that recoverable damages significantly exceed expected litigation costs, Sublicensor shall have the obligation, at Sublicensor's sole expense, to take whatever action necessary to enforce its rights in the Sublicensed Rights in the Territory. Sublicensee shall fully cooperate with Sublicensor, at Sublicensor's sole expense, to deal with the suspected infringement. With respect to any such claim and suits, Sublicensor shall employ counsel of its choosing to direct the litigation and any settlement thereof. Damages or other receipts received in connection with such claims, whether settled or litigated, shall belong exclusively to Sublicensor.

ARTICLE 8
TERM AND TERMINATION

8.1 *Term and Termination.* The term of this Agreement and the Sublicense granted to Sublicensee hereunder will commence on the Effective Date and continue, unless terminated earlier as provided for in this Agreement, for the life of the Patent ("Term"), as said Patent will be modified, improved and updated from time to time.

8.2 *Other Causes*

8.2.1 *Sublicensor's Termination.* This Agreement will terminate, at Sublicensor's reasonable discretion, prior to the expiration of the Agreement Period, upon the occurrence of any of the following: (i) Sublicensee commits a material default under this Agreement (including but not limited to its failure to make a payment of any undisputed amounts owing to Sublicensor when and as the same become due) and such default remains uncured thirty (30) days following delivery by Sublicensor to Sublicensee of written notice of default; or (ii) Sublicensee dissolves or liquidates. Notwithstanding the above, if a party disputes in good faith the occurrence of a material breach of this Agreement and such is resolved, either as a result of agreement or the entry of a final order by a court of competent jurisdiction or any arbitrator empowered by the parties to finally resolve such dispute, in favor of the non-breaching party, then the breaching party shall have an additional sixty (60) day period following such resolution in order to cure such material breach and following such cure shall be fully reinstated of all rights hereunder without prejudice.

8.2.2 *Sublicensee's Termination.* This Agreement will terminate, at

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Sublicensee's reasonable discretion, effective ninety (90) days after Sublicensee's notice in writing pursuant to the notice provisions contained herein that Sublicensee has ceased using the searching and file-sharing technology known as the "FastTrack Technology" AND Sublicensee is no longer utilizing any of the Sublicensed Rights, provided that such notice must contain a representation and warranty that at the effective time of such termination, Sublicensee is not then in breach of any representation, warranty, covenant or agreement contained in this Agreement.

8.2.3 *Termination of Master License.* In the event that the Master License terminates for any reason, this Agreement shall automatically terminate.

8.3 *Effect of Termination.* Immediately upon a termination of this Agreement, all rights of Sublicensee to use the Sublicensed Rights will terminate in their entirety. The termination of this Agreement or the Sublicense, however, will not affect or impair any obligations or rights which arose prior to the date of such termination or out of the facts or occurrences which cause such termination. In addition to the survival provisions which may be contained elsewhere herein, the provisions of Articles 2, 3, 5, 6, 8 and 9 herein will survive the termination of this Agreement or the Sublicense for any reason.

8.4 *Return of Sublicensed Rights - No Use.* Upon the termination of this Agreement or of the Sublicense, Sublicensee will immediately return to Sublicensor all confidential materials delivered to Sublicensee by Sublicensor. Sublicensee will not retain any copies or abstracts of the foregoing items in any media, and acknowledges that this Agreement does not grant Sublicensee any use or other rights in the Sublicensed Rights.

ARTICLE 9 GENERAL

9.1 *No Agency or Partnership.* This Agreement does not make Sublicensee the agent, legal representative, partner or joint venturer of Sublicensor for any purpose whatsoever. Sublicensee has no right to create any obligation or responsibility, express or implied, on behalf of or in the name of Sublicensor, or to bind Sublicensor in any manner or concerning any matter.

9.2 *Notices.* All notices which concern this Agreement shall be given in writing, as follows: (i) by actual delivery of the notice in the hands of the party entitled to receive it, in which case such notice shall be deemed given on the date of delivery; (ii) by mailing such notice by registered or certified mail, return receipt requested, in which case such notice shall be deemed given five (5) days from the date of its mailing; (iii) by Federal Express, UPS, DHL or any other world recognized overnight carrier, in which case such notice shall be deemed given two (2) days from the date of its transmission; or (iv) by facsimile or telecopy, in which case such notice shall be deemed given on the date it is sent. All notices which concern this Agreement shall be addressed as follows:

If to Sublicensor:

Brilliant Digital Entertainment, Inc.
6355 Topanga Canyon Boulevard

with a copy to:

Snubbs Alderton & Markiles, LLP
15821 Ventura Blvd.,

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Suite 120
Woodland Hills, California 91367
Attn: Kevin Bernmeister

Suite 325
Encino, California 91436
Attn: Scott Alderton

If to Sublicensee:

with a copy to:

1st Floor BDO House
Port Villa, Vanuatu

Parkins Cole LLPPO BOX 240
180 Townsend Street, 3rd Floor
San Francisco, CA 94107
Attn: Kurt B. Opsahl

Attn: Nikki Henning

9.3. *Use of Sublicensee's Name.* Sublicensee agrees that Sublicensor may use Sublicensee's name and may disclose that Sublicensee is a licensee of Sublicensor Sublicensed Rights in Sublicensor advertising, promotion and similar public disclosures, provided however, that such advertising, promotion or similar public disclosures shall not indicate, without Sublicensee's written consent, that Sublicensee in any way endorses any Sublicensor products.

9.4. *Applicable Law.* The laws of the United Kingdom will govern the interpretation of this Agreement, irrespective of the fact that the one of the parties now is or may become a resident of a different jurisdiction. Service of process for any claim, which arises under this Agreement, shall be valid if made in accordance with the notice provisions set forth in Section 9.2 of this Agreement. If service of process is made as aforesaid, the party served agrees that such service will constitute valid service, and specifically waives any objections the party served may have under any law or rule concerning service of process. Service of process in accordance with this Section will be in addition to and not to the exclusion of any other service of process method legally available.

9.5. *Construction.* This Agreement has been prepared and negotiations have occurred in connection with such preparation pursuant to the joint efforts of the parties to this Agreement. This Agreement therefore will be construed simply and fairly and not strictly for or against any party to this Agreement.

9.6. *Compliance with Laws.* Each party to this Agreement will comply with all applicable laws and regulations.

9.7. *No Assignment.* Subject to the other provisions of this Agreement, Sublicensee will not have the right to assign, transfer, sublicense, lease, or in any manner convey all or any of its rights under this Agreement to unrelated third parties, by operation of law or otherwise, including without limitation to a successor through merger or an acquirer of substantially all of its assets, without the express prior written consent of Sublicensor, which consent may be granted or withheld in its sole and absolute discretion.

9.8. *Binding Effect.* This Agreement will be binding upon and inure to the benefit of Sublicensor and Sublicensee as well as each respective successors and permitted assigns (in the case of Sublicensee).

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9.9 *Complete Understanding.* This Agreement constitutes the complete understanding between the parties. No modification of any of this Agreement's provisions will be valid unless made in a written instrument which both parties sign.

9.10 *Descriptive Headings.* All section headings, titles and subtitles are in this Agreement for convenience of reference only, and are to be ignored in any construction of this Agreement's provisions.

9.11 *Severability.* If a court of competent jurisdiction rules that any one or more of this Agreement's provisions are invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any of this Agreement's other provisions, and this Agreement will be construed as if it had never contained such invalid, illegal or unenforceable provision. Without limiting other provisions of this Agreement, the parties expressly intend and agree that each and every limitation of liability, disclaimer of warranties or exclusion of damages in this Agreement be severable and independent of any other provision and be enforced as such. Further, the parties expressly intend and agree that if any remedy in this Agreement is determined to have failed of its essential purpose, all limitations of liability and exclusions of damages set forth in this Agreement will continue to remain in effect.

9.12 *Prior Agreements Superseded and Priority of this Agreement.* This Agreement supersedes any prior understandings, written agreements, or oral arrangements between the parties respecting the subject matter that this Agreement addresses. The terms of this Agreement will govern if there is any conflict between this Agreement and: (i) any purchase order of Sublicensee; and (ii) any other written instrument which concerns or affects the subject matter of this Agreement, including but not limited to correspondence and promotional materials. Each of the parties has relied specifically on the preceding as a material condition to entering into this Agreement.

9.13 *Waiver.* A party's attempted waiver, consent, or authorization of any kind whatsoever, whether required under this Agreement, or granted pursuant to any breach or default of any term of this Agreement, will not be effective or binding upon such party unless the same is in writing and signed by such party. Any such waiver, consent or authorization will be valid only to the extent specifically set forth in such writing. No failure or delay on the part of either party to this Agreement to exercise any right, remedy, power or privilege in connection with this Agreement will preclude or limit any other or further exercise of such right or the exercise of any other right, remedy, power or privilege.

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9.14 *Specific Performance.* The parties agree that the breach of any provision of this Agreement will cause irreparable harm to the non-breaching party. Accordingly, each party to this Agreement will have the remedies that are available to it for the violation of any of the terms of this Agreement with regard to the Sublicensed Rights, including but not limited to the equitable remedy of specific performance.

9.15 *Cooperation.* Each party shall execute any instruments reasonably believed by the other party to be necessary to implement the provisions of this Agreement.

SHARMAN NETWORKS LIMITED,
a company incorporated in Vanuatu

BRILLIANT DIGITAL ENTERTAINMENT,
INC., a Delaware corporation

GLOBAL WOMANES LIMITED
By its duly authorized representative

By: [Signature]

By: _____

In: SAE DIRECTOR

Its: _____

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SCHEDULE 1.1

PERMITTED USE

The Permitted Use shall mean:

Identifying peer PCs with resident sharable copies of digital music, video, images, files and/or games and facilitating a user's previewing, purchase, performance or use of same, implemented as an Internet-wide public access-peer-to-peer network created through contributions of unrelated persons' residual background computing resources on widely distributed, substantially all non-ISP based, PCs.

[Handwritten mark]

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