

International Business Machines Corporation

322 South Road
Poughkeepsie, NY 12601

November 13, 1996

Cynthia L. Fuller
c/o American Bankers Association
1120 Connecticut Ave., N.W.
Washington, D.C. 20036



Dear Ms. Fuller:

This letter is written to inform X9 of IBM's patent licensing practices as related to standardization activities. IBM is willing to offer licenses under the patents that issue on the patent applications listed on Attachment A hereto in accordance with the terms set forth below. It is the belief of IBM that these are the IBM patents or patent applications that are relevant to current draft standards X9.52 (Triple DEA Modes of Operation) and X9.42 (Public Key Cryptography for the Financial Services Industry: Agreement of Symmetric Keys Using Diffie-Hellman), and other X9 standards related to triple DES.

In the event a proposed standard is adopted, and the standard cannot be practiced without the use of one or more issued patents, which are now or hereafter owned or controlled by IBM, IBM agrees upon request to grant a non-exclusive license under such patent or patents on a nondiscriminatory basis and on reasonable terms and conditions including its then current royalty rates and provided a similar grant under licensee's patents within the scope of the license granted to licensee is made available upon request to IBM. More specific information on IBM's current licensing terms and conditions are contained on Attachment B.

Any requests for license information may be directed to:

Director of Licensing
International Business Machines Corporation
500 Columbus Avenue
Thornwood, NY 10594

Internet ID: GROSENTHAL@VNET.IBM.COM
Telephone: (914) 742-6258
Fax: (914) 742-6729

IBM is pleased to make this offer in support of the standardization activities in X9. If you have any questions, please let me know.

Sincerely,

S. M. Matyas

cc: G. Rosenthal

Attachment A: SUBJECT PATENT APPLICATIONS

Maryas et al., "Method and Apparatus for Establishing an Authenticated Shared Secret Value between a Pair of Users." Serial No. 08/736,774. Filed October 25, 1996

Attachment B: IBM WORLDWIDE PATENT LICENSING PRACTICES -1996 - RELATING TO STANDARDIZATION ACTIVITIES

IBM is willing to grant nonexclusive licenses for a fixed term of years under its patents (except those directed to ornamental designs), upon reasonable and non-discriminatory terms and conditions to those who respect IBM's intellectual property rights. The principal provisions of such a license are outlined below.

IBM will grant a license for those patents which cover the field of business of the other party. In return, the other party is required to grant IBM an option for a nonexclusive license under those patents which cover IBM's field of business and under terms and conditions equivalent to those which IBM has granted to the other party.

The royalty for use of IBM's patents may be based on the licensee's selling price of each product covered by one or more licensed patents. The royalty rates are 1% of the selling price for each patent used, up to a maximum of 5% of the selling price, for each licensed product.

A license under IBM's patents does not include any rights to know-how or other technical information, or licenses under other intellectual property rights. Such license does not extend to any activities which constitute contributory infringement or inducement to infringe. A licensee must make his own determination as to whether he needs a license under the patents of others.

This highlights IBM's present patent licensing practices and is subject to change at anytime, as well as to variation to conform to local laws and regulations.