

## **SD HOST/ANCILLARY PRODUCT LICENSE AGREEMENT (“HALA”) FREQUENTLY ASKED QUESTIONS (“FAQ”)**

All section references and defined terms used in this FAQ refer to the current version of the SD Host / Ancillary Product License Agreement (Rev. September, 2003). You may scroll through this FAQ, or click one of the links below to view a specific question.

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## **Licensing Documents**

1. **Q.)** *Why is there a new version of the HALA?*  
**A.)** The current version of the HALA (Rev. September, 2003) grants Licensees a license to the portion of the SD Specifications owned by SD-3C LLC (the “SD-3C”) (Parts 1-4) in addition to a license to the higher level SD Specifications owned by the SDA (e.g., Parts 5 and higher). The prior versions of the HALA (Revs. December, 2000 and April, 2001) granted a license only to the SD-3C-owned portion of the SD Specifications, and the prior version of the HALA (Rev. January 2002) included an earlier version of the SDA IP Policy. The SDA and the SD-3C have combined their efforts to create the current version of the HALA (sometimes referred to as the Combined HALA) so that Licensees need to execute only one document to obtain a license to all portions of the SD Specifications. (See Recitals and Sections 3.1, 3.2)
2. **Q.)** *What are the benefits of signing the current HALA (Rev. September, 2003)?*  
**A.)** A Licensee receives many additional benefits under the current HALA (Rev. September, 2003) including:

- a. A production (i.e., not limited to evaluation) license to the higher level SD Specifications (i.e., Parts 5 and higher, SD I/O Extension, Part E-1) and any material revisions to the SD-3C-owned portion of the SD Specifications (Parts 1-4).
  - b. A license to updates, New Versions and future parts of the SD Specifications (as defined by the HALA).
  - c. A direct license to all of Licensee's designated Affiliates.
  - d. An option to sell remaining inventory stock and manufacturing works in process upon termination of the HALA.
  - e. An option to designate individual Affiliates or "All Affiliates" to use licensed rights.
  - f. An option to use subcontractors without necessarily requiring them to execute a HALA.
  - g. A procedure to maintain the confidentiality of Licensee's identity.
  - h. A disclaimer of certain consequential damages on Licensee's behalf.
  - i. A right to retain the SD Specifications after termination or expiration of the HALA if required to do so by law.
  - j. Clarification of the definition of an "SD I/O Card".
  - k. Conversion to a calendar year payment schedule.
  - l. Clarification of payment of verification fees.
  - m. Includes updated version of the SDA IP Policy.
3. **Q.)** *How can a Licensee that has executed a prior version of the HALA receive the benefits of the current HALA (Rev. September, 2003)?*
- A.)** A Licensee that wishes to obtain the benefits of the September 2003 version of the HALA must rescind the version of the HALA signed by such Licensee through execution of a form Rescission Agreement which can be obtained from the SD Card Association, and concurrently execute the September 2003 version of the HALA. The relevant documents have previously been provided to all relevant Licensees. If you need additional information, please contact the SDA as set forth in Answer 31 below.
4. **Q.)** *Are all Licensees required to complete a Licensee Registration Form?*
- A.)** Yes. A Licensee must complete and submit a Licensee Registration Form to the SDA.
5. **Q.)** *Why is there a new version of the Non-Disclosure Agreement ("NDA")?*
- A.)** Similar to the HALA, the current version of the NDA (Rev. January, 2003) grants potential licensees an evaluation license to both the SD-3C-owned and the SDA-owned portions of the SD Specifications. The prior version of the NDA provided an evaluation license only to the SD-3C-owned portion of the SD Specifications. Again, the SDA and the SD-3C have combined their efforts to create the current version of the NDA (sometimes referred to as the Combined NDA) so that potential licensees need to execute only one document to obtain an evaluation license to all portions of the SD Specifications.

6. **Q.)** *What is the difference between the NDA and the HALA?*  
**A.)** The NDA permits potential licensees to internally evaluate the SD Specifications for up to one (1) year. The HALA permits actual Licensees to use the SD Specifications for commercial, production purposes for up to ten (10) years. (See Section 14.1)

### Access

7. **Q.)** *Must a company be a member of the SDA to gain access to the SD Specifications?*  
**A.)** No. Any company can gain access to the SD Specifications for evaluation purposes by entering into the NDA. However, any company desiring to license the SD Specifications for production purposes by entering into the HALA must become a member of the SDA. There are many benefits to becoming a member of the SDA, including being able to help shape future SD Specifications. The SDA encourages all companies to review the Membership section of the SDA website for more information about the benefits of SDA membership.
8. **Q.)** *How can a Licensee determine what other companies are also HALA Licensees?*  
**A.)** A Licensee may view a list of HALA Licensees and their Affiliates who receive the benefits under the current HALA (“Benefited Affiliates”) on the HALA Licensee Only portion of the SDA website. A Licensee may also contact the SD Association to confirm whether a particular company is a current HALA Licensee. The identities of and information concerning other HALA Licensees and their Benefited Affiliates provided to Licensee is CONFIDENTIAL, and subject to the confidentiality provisions of the HALA. A Licensee may not disclose the identity of any other licensee, although it may disclose that itself is a HALA licensee. (See Sections 6.3 and 9)
9. **Q.)** *May a Licensee make photocopies of the SD Specifications for its own use?*  
**A.)** No. A Licensee may not photocopy the SD Specifications, but a Licensee may download as many copies as it desires from the secure section of the SDA website once the Licensee has received its password. (See Section 3.4)

### Payments

10. **Q.)** *How much does it cost to use the SD Specifications?*  
**A.)** A company may evaluate the SD Specifications for up to one (1) year under the NDA. A Licensee may license the SD Specification for production purposes under the HALA for an annual licensing fee of US \$1,000 payable to “SD-3C LLC”. HALA licenses are available for members only, please see the application page for the steps to joining.
- Q.)** *Should a Licensee withhold tax from its payment of the license fee and/or administration fee?*

- A.) Licensees are responsible for determining their tax liability and obligations within their relevant jurisdiction(s). If a Licensee determines that it is required to withhold tax from any payment, Licensee must comply with the Tax Compliance Procedures set forth on the Licensee Registration Form. (See Section 7.5)
11. Q.) *Who must sign the tax form set forth on the Licensee Registration Form?*  
A.) Only Licensees that are required to make income or withholding tax deductions are required to complete the tax form.
12. Q.) *Does each subsidiary of a Licensee need to sign the HALA and pay the annual fees in order to use the SD Specifications?*  
A.) No, not necessarily. A HALA Licensee may choose to designate as many Affiliates as it desires to be Benefited Affiliates, provided that each entity it designates meets the definition of an “Affiliate”. Each properly designated Affiliate may use the SD Specifications according to the terms of the HALA, and does not have to sign a separate HALA or pay an additional fee. If a Licensee prefers, a Licensee may choose to have its affiliated company sign a separate HALA, in which case such affiliated company would be separately assessed a license and administration fee. (See Section 1.1)
13. Q.) *Why is there an option for a Licensee to designate individual Affiliates, or “All Affiliates”, that may use the SD Specifications under Licensee’s HALA?*  
A.) Each Benefited Affiliate that Licensee designates on its HALA may use the SD Specification according to the terms of the HALA. However, each Benefited Affiliate is also subject to the license grant back provisions of the HALA. A Licensee may prefer to designate “All Affiliates” for the sake of convenience, or a Licensee may prefer to designate only those Affiliates it knows will need to use the SD Specifications so as not to subject unnecessarily to the grant back provisions other affiliated companies that will not actually need to use the SD Specifications. (See Sections 1.1, 2.4)

## **Indemnification**

14. Q.) *Why is a Licensee required to indemnify the Licensors for claims arising out of its use of the SD Specifications even though no indemnification is given by the Licensors to Licensee?*  
A.) Since the HALA license fee is set at such a nominal rate and open to all who wish to take a license and profit from the sale of licensed products without any royalty obligations to Licensors under the HALA, the indemnification obligation in Section 11.1 is meant to provide protection to the Licensors against third party claims. By the same token, given the economics involved, Licensors are unable to offer any type of indemnification to Licensees.

## Subcontracting

15. **Q.)** *May a Licensee use a subcontractor to manufacture and/or design an SD Host Product or SD Ancillary Product?*  
**A.)** Yes. Licensee's rights and obligations regarding the use of third party subcontractors are set forth in Sections 2.1, 3.1, 3.2 and 3.3 of the HALA.
16. **Q.)** *Must a subcontractor of a HALA Licensee execute a separate HALA and pay the associated fees?*  
**A.)** No, not necessarily. Provided that Licensee agrees it will not disclose Confidential Information to the subcontractor unless Licensee has entered into a suitable confidentiality agreement with the subcontractor and Licensee agrees to be responsible and financially liable for the subcontractor, the subcontractor does not need to sign a separate HALA or pay any additional fees. (See Section 3.3)

## Host Products, Ancillary Products, SD I/O Cards and Memory Cards

17. **Q.)** *If a company desires to produce a standalone product that hosts SD Cards, what agreement should it sign?*  
**A.)** It should sign the HALA in order to host SD Cards that comply in whole or in part with Part 1, Part 2, and other applicable portions of the SD Specifications. A complete definition of an SD Host Product can be found at Section 1.15 of the HALA
18. **Q.)** *If a company desires to produce an ancillary product that is interoperable with SD Host Products or SD Memory Cards, what agreement should it sign?*  
**A.)** It should sign the HALA provided that such ancillary product is not an SD Memory Card, or other product incorporating semiconductor memory products used for data storage in accordance with Part 2 of the SD Specifications, flash memory storage devices, or flash memory controllers. A complete definition of a SD Ancillary Products can be found at Section 1.9 of the HALA.
19. **Q.)** *If a company desires to produce an I/O Card, what agreement should it sign?*  
**A.)** It depends. An I/O Card without Memory Storage is considered to be an SD Ancillary Product. A license to make such an I/O Card can be obtained by entering into the HALA, and no associated royalty applies. A complete definition of an I/O Card without Memory Storage can be found at Section 1.16 of the HALA. A Company that desires to produce an I/O Card with Memory Storage must enter into the License Agreement for SDA Memory Card Specifications ("LAMS") available from the SDA and the SD Memory Card License ("CLA") available from the SD-3C LLC. Please note that separate royalties and/or fees may apply.

20. **Q.)** *If a company desires to produce SD Memory Cards, what agreement should it sign?*
- A.)** The HALA applies only to SD Host Products and SD Ancillary Products. A company that desires to produce SD Memory Cards should contact the SD-3C LLC directly about executing the SD Memory Card License. (See Sections 1.19, 3.7) For certain types of SD Memory Cards (e.g. SDIO Combo Cards, miniSD Cards, and microSD Cards), a LAMS is also required.

## **Future Specifications**

21. **Q.)** *Will Licensees need to sign a new HALA or other agreement each time a revision or New Version of the SD Specification is released?*
- A.)** It depends. The current HALA provides that revisions or New Versions of the SD Specifications (as defined as the SD Group Specification and the SD Association Specification identified in Schedule A-1 and A-2 of the HALA) adopted by the SDA will be included within the definition of SD Specifications. Therefore, Licensees that have executed a current HALA (Rev. September, 2003), where the agreement is still in effect when any such revision or New Version is released, will have an automatic license to the copyrights in any such revisions and New Versions of the SD Specifications as they are released. (See Sections 10.1, 10.2). However, certain specifications adopted by the SD Association related to the SD Specifications may contain third party technology contributed to the SD Association on reasonable and non-discriminatory terms, which could require additional licenses from such third parties for implementation of the specification.
22. **Q.)** *How are Essential Patent Claims to higher levels and future versions of the SD Specifications to be licensed?*
- A.)** The Essential Patent Claims licensed under the HALA are limited in scope to Parts 1-4 by the definition of SD Group Specifications as further described in Schedule A-1 (note that the specification books for Parts 1-4 are fixed to a date certain). Patent claims essential to implement a higher level SD Specification (Parts 5 and higher) or a New Version, including any new SD Application Format not listed on Schedule A-1, will be licensed in accordance with items 2 and 5 of the IP Policy. (See Sections 1.6, 10.4 and Schedule E). Nothing in the HALA or these FAQ's, however, shall be construed as a representation that all third party entities owning Essential Patent Claims have licensed such claims under the HALA or the SD Card Association IP Policy.

## Technical Implementation

23. **Q.)** *Is implementation of the SD Specifications mandatory or optional for SD Host Products?*  
**A.)** Implementation of Part 1 (Physical Layer) and Part 2 (File System) of the SD Specifications is mandatory for all SD Host Products. Implementation of Parts 3 and higher of the SD Specifications is optional. All HALA Licensees that manufacture Host Products are encouraged to implement all applicable portions of the optional parts of the SD Specifications (Parts 3 and higher) in order to facilitate interoperability.
24. **Q.)** *Is implementation of the security specification (Part 3) mandatory for all SD Host Products or SD Ancillary Products?*  
**A.)** No. Licensee may implement any security feature it chooses. However, if a Licensee's SD Host Products or SD Ancillary Products use, incorporate or support Content Protection for Recordable Media ("CPRM") as a security feature, the Licensee must comply with all applicable portions of Part 3 of the SD Specifications, and may need to enter into a CPRM license with the 4C LLC. (See Sections 3.6, 3.8)
25. **Q.)** *What are some examples of "a format that is independently adopted by a third party" (Section 1.6) and incorporated or referenced in the SD Specifications but not included in the definition of Essential Patent Claims?*  
**A.)** Example of such a format would be the AAC, MP3, Windows Media Technology codecs, etc.
26. **Q.)** *May a Licensee's SD Host Product utilize Open MP3 application format?*  
**A.)** Yes. A Licensee may freely implement any application format that it desires on its SD Host Product.
27. **Q.)** *Must a Licensee implement the SD Application Format (Section 1.12), i.e., SD Specifications Parts 4 and higher, in order for its product to be compliant?*  
**A.)** No. Implementation of the SD Application Formats is optional; provided however that if an SD Application Format is utilized then Licensee must follow the corresponding SD Specification Part in order to be compliant with the SD Specifications.

## Logo Usage

28. **Q.)** *When may a Licensee use the SD Logo in connection with a Host/Ancillary Product under the HALA?*  
**A.)** A HALA Licensee that manufactures Host/Ancillary Products compliant with the mandatory portions of the applicable specifications may use the SD Logo on the associated product and packaging, and must use the SD Logo on all user manuals that accompany such product. (See Sections 1.9, 1.15, 4.3, 4.4)

## Verification

29. **Q.)** *Is verification of product compliance mandatory?*  
**A.)** Yes. All Licensees are obligated to conduct self-verification in accordance with the procedures outlined in Schedule D of the HALA. (See Section 5.2 and Schedule D)
30. **Q.)** *Are there any verification tools available from the SDA to assist in testing?*  
**A.)** There are no verification tools provided or certified by the SDA; however, there may be products available in the market that could help with self-verification. Note that any such products are independent of the SDA, and the SDA takes no responsibility for the performance of such products.

## Further Questions

- Q.)** *Whom should potential Licensees contact with further questions about the HALA, NDA or the SDA?*  
**A.)** Inquiries regarding interpretation of the HALA as it relates to the SD Group Specifications and billing inquiries for HALA license fees should be directed to the SD Group's representative Mike Quackenbush, at Miller, Kaplan and Arase, via e-mail at [mquackenbush@millerkaplan.com](mailto:mquackenbush@millerkaplan.com), or telephone at (415) 956-3600 during regular business hours in California, U.S.A. Inquiries regarding interpretation of the HALA as it relates to the SD Association Specifications, the NDA, SDA Membership information and billing inquiries for HALA administrative fees should be directed to the SD Card Association's representative Sana Siddiqui, at Global Inventures, Membership Services Coordinator, via email at [helpdesk@sdcard.org](mailto:helpdesk@sdcard.org), or telephone at (925) 275-6615 during regular business hours in California, U.S.A.