

FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER

1775 K STREET, N. W.

WASHINGTON, D. C. 20006

MARCUS B. FINNEGAN
1927-1979

DOUGLAS B. HENDERSON
FORD F. FARABOW, JR.
ARTHUR S. GARRETT
DONALD R. DUNNER
BRIAN G. BRUNSVOLD
TIPTON D. JENNINGS IV
JERRY D. VOIGHT
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SUSAN H. GRIFFEN
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THOMAS H. JENKINS*
DANIEL J. HARROLD*
RAYMOND A. PECK, JR.*
GEOFFREY M. KARNY
JAY L. WITKIN
ROBERT E. CONVERSE, JR.*

(202) 293-6850

October 10, 1983

COUNSEL
GEORGE N. ROBILLARD
CHARLES S. HALL
SAUL LEFKOWITZ

CABLE ADDRESS
FINDERBOW

TELEX
ITT 440275 FHFG
RCA 248740 FHFG

FACSIMILE
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* ADMITTED TO A BAR OTHER THAN D. C.

CONFIDENTIAL OPINION OF COUNSEL

Mr. Warren Jones
Executive Director
America's Cup Challenge 1983 Ltd.
32nd Floor - City Center Tower
44 St. George's Terrace
GPO Box P 1236
Perth, WESTERN AUSTRALIA 6001

Dear Warren:

I am writing to ask for your instructions regarding the further processing of the patent applications.

As I believe you know two separate patent applications have been filed. The first being the one prepared in Holland and then the one prepared by Steve Peterson after having some extensive conferences with Ben Lexcen and Peter van Oossanen.

At the present time the Dutch-prepared application has been laid open for inspection in a number of countries including Holland, Australia, and England but none of the applications has issued. Further the application prepared in the United States has not been laid open in any country, but it has been made available for filing at least in Holland and perhaps by now in other countries.

As we have discussed I am aware that a Jop Slooff has made allegations that he suggested the wings for the keel. I have investigated this extensively with Peter and Ben, and it is quite evident that Ben had been using wings on keels long before this time, and Ben is quite certain that he had wings in mind prior to the time Slooff was involved. Slooff apparently doesn't

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know of Ben's early work and may have felt that he was making an original suggestion. While the law of inventorship is complex it appears to us that Ben is correct in believing that he not Slooff is the inventor of the wing feature of the keel.

Inventorship questions are quite different than the question of who is the designer. It appears to be even clearer that Ben is the sole designer of Australia II. However, questions regarding inventorship could ultimately confuse and cloud the designer question.

I understand that we have received information that the International Yacht Racing Union has indicated that if the keel is patented it will not be approved for racing yachts. This is a serious matter since if Australia II is going to remain in the forefront of 12 meter yacht design then the winged keel of which Australia II is the design leader must continue to be an approved design.

Since the original purpose of the patents was to prevent copying during the 1983 America's Cup race and that goal has now been accomplished the question remains whether pursuing the patent applications is in the best interest of Australia II's long-term goals.

I understand that you have discussed this problem with Mr. Bond and that you are considering allowing the applications to go abandoned.

A new factor has arisen in that we have learned that there is a feature of the fins that was not covered in the latest U.S. application -- that is the twist of the fins. If we are going to proceed with the applications it may be necessary to file a further application disclosing this twist feature to be in compliance with the U.S. patent laws which require that an inventor disclose the best mode contemplated for the use of his invention. Since the Dutch application has been laid open in some countries this may be difficult to do, but we have not completed our legal research on this question at this time.

One further factor that needs to be considered in this situation is the fact that the U.S.-prepared patents will disclose a number of details such as angles and theories which are not necessarily apparent to those who view the hull of the Australia II. Thus the issuance of the patents will make even more of Australia II's research available to the public than would be available otherwise.

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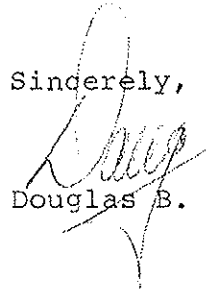
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These factors need to be considered in comparison with the continued cost which would be incurred in obtaining the patents, the limited commercial value to the patents if it is necessary to give royalty-free licenses to all racing yachts, and the continued problems raised by Slooff asserting, even though wrongly, that he is a joint inventor.

Thus, we need your decision based on all of the above factors as to whether we should proceed with the patent applications or not.

With best regards.

Sincerely,



Douglas B. Henderson

DBH/m

cc: Michael E. Boud, Esquire