

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 15
)	
CINRAM INTERNATIONAL INC., et al., ¹)	Case No. 12-11882 (KJC)
)	
Debtors in a Foreign Proceeding.)	Jointly Administered

**OBJECTION OF MPEG LA, LLC TO NOTICE OF PROPOSED POTENTIAL
ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS
AND UNEXPIRED LEASES IN CONNECTION WITH THE SALE OF
SUBSTANTIAL ASSETS OF THE DEBTORS**

MPEG LA, LLC (“MPEG LA”) by its undersigned counsel files this Objection to the Notice of Proposed Potential Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with the Sale of Substantial Assets of the Debtors [D.I. 50] (“Assumption Notice”), stating to the Court as follows:

I. BACKGROUND

1. On June 25, 2012, Cinram International ULC (the “Foreign Representative”), in its capacity as the foreign representative for the above-captioned debtors (the “Debtors”), commenced these chapter 15 cases by filing verified chapter 15 petitions seeking recognition by the Court of the proceeding commenced under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended, and pending before the Ontario Superior Court of Justice, as a foreign main proceeding under chapter 15 of the Bankruptcy Code.

2. Also on June 25, 2012, the Foreign Representative filed a Motion for Entry of an Order (i) Recognizing the Canadian Sale Order, (ii) Authorizing and Approving the Sale Free and Clear of all Liens, Claims, Encumbrances, and Other Interests, (iii) Authorizing the

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number, as applicable, of each of the Debtors follow in parentheses: (a) Cinram International Inc. (4583); (b) Cinram (U.S.) Holding’s Inc. (4792); (c) Cinram, Inc. (7621); (d) Cinram Distribution LLC (3854); (e) Cinram Manufacturing LLC (2945); (f) Cinram Retail Services LLC (1741); (g) Cinram Wireless LLC (5915); (h) IHC Corporation (4225); and (i) One K Studios, LLC (2132). The Debtors’ executive headquarters is located at 2255 Markham Road, Toronto, Ontario, M1B2W3, Canada.

Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (iv) Granting Related Relief (the “Sale Motion”).

3. On July 6, 2012, the Foreign Representative filed the Assumption Notice.

4. Schedule 1 attached to the Assumption Notice (the “Assumption Schedule”) identifies MPEG LA as a contract counter-party to a license agreement, as amended that the Debtors seek authority to assume and assign to the purchaser of their assets (the “Purchaser”) upon approval of the Sale Motion. The Assumption Schedule sets forth a total cure amount of \$2,362,144.63 (the “Proposed Cure Amount”) to cure the defaults on the contract.

5. MPEG LA is License Administrator under a patent license entered into by debtor Cinram International Inc., as Licensee: that certain MPEG-2 Patent Portfolio License signed on December 15, 2009 as amended by that certain MPEG-2 Packaged Medium Amendment to the MPEG-2 Patent Portfolio License signed on December 15, 2009 (the “License”). Under the License, the Licensee is obligated to, among other things, report sales of products covered by the License, and to pay royalties on such sales, to MPEG LA.

6. Section 2.6 of the License permits Cinram International Inc. to grant sublicenses to its affiliates, subject to the identification of the affiliates on an attachment to the sublicense entitled “Licensed Affiliates”. Since the grant of the initial License, Cinram Inc., and Cinram Manufacturing LLC (together with Cinram International Inc., the “Debtor Licensees”) as well as non-debtors Cinram GmbH, Cinram Operations UK Limited, and Cinram Optical Discs S.A.S. (collectively, the “Non-Debtor Licensees,” and with the Debtor Licensees, the “Licensees”) have been granted sublicenses under the License.

7. Every six months, the Licensees are required to provide MPEG LA with a computation of the royalty payment owed by each of the Licensees to MPEG LA for the immediate six month period (the “Royalty Calculation”). The Licensees have yet to provide MPEG LA with the Royalty Calculations for the period ending June 30, 2012.

II. OBJECTION

8. MPEG LA objects to the assumption of the License unless it is assumed in its entirety. Because both the Debtor Licensees and the Non-Debtor Licensees operate under the License, the Debtors cannot assume the License with respect to the Debtor Licensees only.

9. MPEG also objects to the cure amount set forth in the Assumption Schedule. While without the Royalty Calculations, MPEG LA is unable to determine the proper cure amount at this time, it appears that the proposed cure amount is too low. Based on past historical performance under the License, MPEG LA estimates the cure amount as of July 1, 2012 at approximately \$4,820,810.47, which greatly exceeds the Proposed Cure Amount.² **See Exhibit A.** Further, additional amounts presumably are accruing in the ordinary course of business based upon post-petition sales. MPEG LA reserves all rights with respect to the calculation of the final cure amount pending receipt of the June Royalty Calculations.

10. Finally, the Purchaser must provide MPEG LA with adequate assurance of future performance.

² This number is provided as an example and is not meant to limit or otherwise fix MPEG LA's cure amount under the Licenses.

III. CONCLUSION

WHEREFORE, for the foregoing reasons, MPEG LA respectfully requests that this Court enter an order (i) sustaining this objection; (ii) conditioning the assumption and assignment of the Licenses on the payment of all outstanding obligations incurred by all the Licensees through the date of assumption; and (iii) granting such other and further relief as the Court deems just and proper.

Dated: July 24, 2012

POTTER ANDERSON & CORROON LLP

By: *R. Stephen McNeill*

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Attorneys for MPEG LA, L.L.C.

Exhibit A

Licensee	2010 Annual Totals	2011 Annual Totals	Annual Average	6-Month Average
Cinram GmbH	\$4,123,038.76	\$2,296,547.78	\$3,209,793.27	\$1,604,896.64
Cinram Inc.	\$4,009,011.23	\$2,869,018.80	\$3,439,015.02	\$1,719,507.51
Cinram International Inc.	\$719,269.41	\$443,157.41	\$581,213.41	\$290,606.71
Cinram Mfg. LLC	\$2,306,932.21	\$347,391.22	\$1,327,161.72	\$663,580.86
Cinram Operations UK Ltd	\$856,552.40	\$772,197.14	\$814,374.77	\$407,187.39
Cinram Optical Disc SAS	\$319,392.11	\$220,735.02	\$270,063.57	\$135,031.78
Totals	\$12,334,196.12	\$6,949,047.37	\$9,641,621.75	\$4,820,810.87

CERTIFICATE OF SERVICE

I, R. Stephen McNeill, hereby certify that on this 24th day of July 2012, I caused a true and correct copy of the foregoing **Objection of MPEG LA, LLC to Notice of Proposed Potential Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with the Sale of Substantial Assets of the Debtors** to be served on the parties listed below in the manner indicated.

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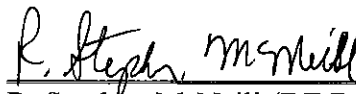
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Under penalty of perjury, I declare the foregoing is true and correct.



R. Stephen McNeill (DE Bar No. 5210)