

CD PROJEKT SA
ul. Jagiellońska 74
03-301 Warsaw

Registered mail
Sapkowski ./ claim

DEMAND FOR PAYMENT

Greetings,

Acting in our capacity as the plenipotentiaries of Mr. **Andrzej Sapkowski** (see attached authorization forms), we hereby notify you that we have been charged with seeking payment of copyright royalties due to our principal in association with use of his work in various fields, particularly as concerns creation and distribution of computer games.

As is known, you have concluded several agreements concerning the use of Mr. Andrzej Sapkowski's work; however, these agreements cannot (even assuming that they contain the relevant provisions) effectively indemnify you against future claims by the Author. This is due to the fact that the basis for the claims herein expressed (while not the sole basis, and not the most problematic one – from your perspective) is Art. 44 of the Act on Copyright and Related Rights.

The abovementioned clause is, first and foremost, unconditionally binding (J. Barta, R. Markiewicz, *Ustawa o prawie autorskim i prawach pokrewnych (ed.) J. Barta, R. Markiewicz, Warsaw 2003, p. 364*), and furthermore it may be invoked when the compensation remitted to the author is too low given the benefits obtained in association with the use of that author's work. Notably, the latter condition is considered fulfilled if the compensation remitted to the author is too low by a factor of at least 2 (T. Targosz [in:] D. Flisak (ed.), *Prawo autorskie i prawa pokrewne. Komentarz, Warsaw 2015, p. 685*).

These exact circumstances exist in Mr. Andrzej Sapkowski's case, where the aforementioned factor is significantly greater than 2 (one might even say – egregiously so). It may be assumed that standard royalty rates associated with use of a work, particularly in adaptations, are approximately 5-15% of the profits generated. In addition, this percentage value should be greater than the corresponding provisions of your contracts with the Author which pertained to use of his works in the Company's ancillary activities (traditional games or merchandising).

Thus, even adopting a rather conservative approach and minimizing expectations, it may be concluded that, regarding the use of our principal's work in your core areas of activity where they constitute the nucleus of your most important products, the compensation should be at least 6% of the profits obtained. Consequently, even acknowledging any compensation the Author may have already received, and taking into account the increase in sales revenues, particularly related to with The Witcher 3 videogame together with its expansions, we may determine that, as of now, the claim is for at least 60,000,000.00 PLN (sixty million Polish Zlotys)¹.

¹ Under the assumption that, as of the end of 2017, these profits exceeded 1 billion PLN (https://www.cdprojekt.com/wp-content/uploads-pl/2017/11/opis_prezentacji_pl-compressed.pdf), they must necessarily be greater at the end of the current year, even if sales during this period are, understandably, not as strong.

We would also be remiss to fail to notice that basing our claims on the aforementioned legal grounds is rather advantageous for your company. Careful reading of your contracts concluded with the Author might lead one to conclude that, if the company did effectively acquire any copyright at all, it concerned only the first in a series of games, and therefore distribution of all other games, including their expansions, add-ons etc., is, simply speaking, unlawful. Naturally, we do not intend to engage in a debate with you on this point; however, having access to your own legal department and availing yourselves of the services of external law firms, you may relatively easily determine that, in the best case, the aforementioned contracts do not conform to even rudimentary due diligence principles, and even if one were to demonstrate that the successive contracts “confirmed” the alleged transfer of copyright for all the games, the subject claim is nevertheless rooted in legal regulations, in this scope – especially in Art. 43 of the Act on Copyright and Related Rights.

The brief analysis presented above in no way exhausts the pool of arguments and evidence in our possession. We are fully aware of the fact that the Author’s claim expressed herein is not a typical request, and that demanding payment of dozens of millions Polish Zlotys is not an everyday occurrence. We nevertheless wish to assure you that the case has been under preparation for a fairly long time, and that the Author is fully aware of the scenarios which may unfold depending on your actions. Even more importantly, both we and the Author are determined and prepared to see this matter through to a fully successful conclusion.

Even so, as is true in every case, and particularly true in this instance, considering the specific relationship between you and Mr. Andrzej Sapkowski, the Author’s nature and character, and also your own standing and business interests, we are prepared to settle the matter in an amicable – and more importantly – expeditious and quiet manner.

Both we and you are, after all, fully aware of the fact that even going public with a copyright claim may negatively impact the Group’s reputation and further growth² This is particularly true if the claim concerns your core activity and your most important product... We can reasonably expect that the negative consequences of the fact that Mr. Sapkowski has not received his due compensation, and furthermore, that the validity of your copyright contracts has been called into question, may translate into a decrease in stock prices significant enough to exceed the demands formulated in this notice.

This is why, as of now, we have not publicized the fact that we had undertaken the matter in question, and, naturally, the type and extent of the claims themselves. We believe and assume that you will appreciate this circumstance and that it will help us conclude the matter in a short time.

I would also like to mention that we are aware not only of your intent to actually and legitimately (!) purchase all copyright from Mr. Andrzej Sapkowski, but also of specific offers which have been extended in this regard. As of right now, we cannot assure you that the outcome you seek will materialize, but we may certainly notify you of the Author’s preliminary willingness to engage in discussions concerning this matter, and that expeditious payment of the claim expressed in this notice would definitely have a highly positive effect on the prospects for finding a comprehensive solution to all copyright issues which stand between you and our principal.

² See the exact wording of, among others, <https://www.cdprojekt.com/wp-content/uploads-pl/2017/04/dokumentacja-przedkladana-do-rozpatrzenia-zwyczynemu-walnemu-zgromadzeniu-cd-projekt-s.pdf>, p. 14.

Considering the above, in order to discuss details of payment and draft a timetable for the future, we are willing to meet with you, as long as we receive a reply from you within 14 days of receipt of this notice, and as long as the meeting itself occurs no later than on 19 October 2018.

Naturally, we are obligated to notify you that should the abovementioned deadlines not be met, we will proceed with litigation with no further requests or notices.

You may contact any of the undersigned. To expedite matters, you can also contact us via electronic mail at (-) or (-).

Sincerely,

(-)

Plenipotentiary authorization form

I, the undersigned Andrzej Sapkowski, national ID (PESEL) no. (-) do hereby authorize

(-)

to whom correspondence should be addressed at:

(-)

to act as my plenipotentiary in all matters related to increasing my due compensation in association with contracts concluded with CD PROJEKT S.A. and its affiliates.

In order to avoid potential ambiguities, I hereby declare that the Plenipotentiary is authorized to perform any actions and issue any declarations, including declarations of will, in the context of the abovementioned matters.

(-)

Łódź, this the 8th day of August 2018.

Plenipotentiary authorization form

I, the undersigned Andrzej Sapkowski, national ID (PESEL) no. (-) do hereby authorize

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In order to avoid potential ambiguities, I hereby declare that the Plenipotentiary is authorized to perform any actions and issue any declarations, including declarations of will, in the context of the abovementioned matters, before the appropriate courts of law, public bodies and institutions, and also at the pre-litigation stage.

The Plenipotentiary may further delegate his authorization, and also empower trainee solicitors to act on his behalf.

(-)

Łódź, this the 8th day of August 2018.