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MPEG LA Announces Revisions to License for MPEG-4 (Part 2) Visual

Alternative License to Issue

(Denver, Colorado, US – 29 April 2004) – MPEG LA, LLC announced today that patent holders to the MPEG-4 Visual (Part 2) Patent Portfolio License (“License”) have agreed on changes to the License to meet emerging market conditions. The MPEG-4 Visual Patent Portfolio License, which issued in November 2002, now has more than 115 Licensees representing a wide spectrum of users (see <http://www.mpegla.com> for a list of Licensees in good standing). Current Licensees will be given the option to retain their current License or elect the revised License. While retaining many of the same terms as the current License, the revised License, which is expected to issue this summer, will simplify application of the License for both manufacturers and video providers.

Under the revised License:

(a) Sublicenses granting manufacturers the right to make and sell MPEG-4 Visual decoders and encoders will be consolidated from multiple categories representing different market sectors into one sublicense applying to all sectors. Royalties to be paid by decoder and encoder manufacturers will remain the same as under the current license for each decoder and each encoder: \$0.25 per unit (\$0.24 when a licensee elects not to report country of manufacture and sale) beginning after the first 50,000 decoders and 50,000 encoders each year (thresholds applicable to one legal entity in an affiliated group) and subject to

an annual cap of \$1,000,000 for decoders and \$1,000,000 for encoders per legal entity. These sublicenses cover decoders and encoders sold to end users directly or through a chain of distribution and fully functioning decoders and encoders for PCs. In addition to the right to manufacture and sell, they also include the right of End Users to use the decoders and encoders for their own personal use but not for the uses in category (b) below.

(b) Sublicenses for Video Providers will be consolidated into two subcategories – one in which an End User pays directly for video services and another in which the video services are paid for by sources other than an end user:

Where an End User pays directly for video services on a Subscription-basis (not ordered or limited title-by-title), the applicable royalties per legal entity payable by the service or content provider will be: 100,000 or fewer subscribers in a year = no royalty; greater than 100,000 to 250,000 subscribers per year = \$25,000; greater than 250,000 to 500,000 subscribers per year = \$50,000; greater than 500,000 to 1,000,000 subscribers per year = \$75,000; greater than 1,000,000 to 5,000,000 subscribers per year = \$100,000; greater than 5,000,000 to 25,000,000 subscribers = \$200,000; greater than 25,000,000 subscribers = \$300,000. Where an End User pays on a Title-by-Title basis (e.g., where viewer determines titles to be viewed or number of viewable titles are otherwise limited), applicable royalties are the lower of 2% of the price paid to the Licensee (on first arms length sale of the video) or \$0.02 per title for video greater than 12 minutes (there is no royalty for a title 12 minutes or less).

Where the MPEG-4 video services are paid for by sources other than an End User, the license includes two categories – “Free Television” (referring to MPEG-4 video that is television broadcasting sent to an End User and/or a Consumer by an over-the-air, satellite and/or cable Transmission, and which is not paid for by an End User) and “Internet Broadcast” (not Subscription or Title-by-Title, but delivered via the Worldwide Internet for which the End User does not pay remuneration for the right to receive or view it). In the case of Free Television, the broadcaster will pay a one-time royalty of \$2,500 for each encoder used in Free Television transmission. In the case of Internet Broadcast, there will be no royalty during the first term of the License (ending December 31, 2008).

(c) The maximum annual royalties payable by an Enterprise (commonly controlled legal entities) will be reduced to \$3M for the sublicenses granting manufacturers the right to make and sell MPEG-4 Visual decoders and encoders (category (a) above) and \$3M for the use of decoders and encoders in providing video (category (b) above).

The terms outlined above are for informational purposes only. They are not an offer to license and may not be relied upon for any purpose. The revised license expected to be available this summer will provide the actual terms of license on which users may rely.

Patent holders to the MPEG-4 Visual Patent Portfolio License currently include Canon, Inc.; Competitive Technologies; Curitel Communications, Inc.; France Télécom, société anonyme; Fujitsu Limited; GE Technology Development, Inc.; General Instrument Corporation; Hitachi, Ltd.; KDDI Corporation; Koninklijke Philips Electronics, N.V.; LG Electronics, Inc.; Matsushita Electric Industrial Co., Ltd.; Microsoft Corporation; Mitsubishi Electric Corporation; Oki Electric Industry Co.; Robert Bosch GmbH; Samsung Electronics Co., Ltd.; SANYO Electric Co., Ltd.; Sharp Kabushiki Kaisha; Sony Corporation; Telenor ASA; Toshiba Corporation; and Victor Company of Japan, Ltd.

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MPEG LA, LLC

MPEG LA successfully pioneered one-stop technology platform licensing with a portfolio of essential patents for the international digital video compression standard known as MPEG-2. One-stop technology platform licensing enables widespread technological implementation, interoperability and use of fundamental broad-based technologies covered by many patents owned by many patent holders. MPEG LA provides users with fair, reasonable, nondiscriminatory worldwide access to essential patents from multiple patent holders in a single transaction as a non-exclusive alternative to entering into separate license agreements with individual patent holders. MPEG LA is not related to any standards agency and is not an affiliate of any patent holder. In addition to MPEG-2, MPEG LA licenses portfolios of essential patents for the IEEE 1394 Standard, the DVB-T Standard, the MPEG-4 Visual Standard and the MPEG-4 Systems Standard. MPEG LA also is facilitating the establishment of licenses for the AVC/H.264 Standard, DRM Reference Model v 1.0 and the VC-9 Specification. For more information, please refer to <http://www.mpegla.com>, <http://www.1394la.com> and <http://www.dvbla.com>.