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NEWS RELEASE

For Immediate Release

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MPEG LA Announces Final AVC/H.264 License Terms

Final License Agreement to Issue in June

(Denver, Colorado, US – 18 May 2004) – MPEG LA, LLC today announced that AVC essential patent holders have agreed on final terms of license to be included in the AVC Patent Portfolio License (“License”) scheduled to issue in June. While many of the terms will be the same as those announced in a November 17 press release (http://www.mpegla.com/news/n_03-11-17_avc.html), there are some changes. A summary of the final terms is attached.

In order to assure the worldwide applicability of the License, a principal change involves the sublicense for “Free Television AVC Video” (http://www.mpegla.com/news/n_04-03-24_avc.html). Formerly limited only to over-the-air broadcasting, “Free Television AVC Video” now refers to AVC Video that constitutes television broadcasting which is sent by an over-the-air, satellite and/or cable Transmission, is not paid for by an End User and does not constitute Title-by-Title AVC Video, Subscription AVC Video or Internet Broadcast AVC Video (covered by other sections of the License). The party (e.g., a broadcaster) which is identified as providing Free Television AVC Video service is the Licensee and assumes responsibility for the applicable royalties.

The License now provides two royalty options for Licensees of Free Television AVC Video. Added since the November 17 press release is a one-time fee option of \$2,500 per AVC transmission encoder (applies to each AVC encoder which is used by or on behalf of a Licensee in transmitting AVC video to

the End User). These one-time fees will be offered as an alternative to annual fees (which have been modified since the November 17 press release) starting at \$2,500 per Calendar Year for each Broadcast Market which includes at least 100,000 but no more than 499,999 Households, \$5,000 per Calendar Year for each Broadcast Market which includes at least 500,000 but no more than 999,999 Households, and \$10,000 per Calendar Year for each Broadcast Market which includes 1,000,000 or more Households. "Broadcast Market" refers to the geographic area within which an End User could use an AVC Decoder to view Free Television AVC Video sent by a single transmitter or transmitter simultaneously with repeaters by a single Legal Entity.

It is recognized that broadcasters in developing countries may have different circumstances to be considered. It is also recognized that there may be AVC Video services that qualify as Free Television AVC Video rather than Subscription AVC Video or Title-by-Title AVC Video where a nominal (but no other) payment is required or where other relevant circumstances taking into account the nature of the video service may apply.

The first term of the License runs through 2010, but it will be renewable for additional 5-year terms for the life of any Portfolio patent; and royalties will not increase by more than 10% at each renewal.

Owners of essential patents that expect to participate in the AVC Patent Portfolio License include Columbia Innovation Enterprises; Electronics and Telecommunications Research Institute; France Télécom, S.A.; Fujitsu Limited; General Instrument Corporation, d/b/a Motorola's Broadband Communications Sector; Matsushita Electric Industrial Co., Ltd.; Microsoft Corporation; Mitsubishi Electric Corporation; Koninklijke Philips Electronics, N.V.; Robert Bosch GmbH; Samsung Electronics Co., Ltd.; Sharp Kabushiki Kaisha; Sony Corporation; Toshiba Corporation; and Victor Company of Japan, Limited. In addition, the following companies with essential patent applications that participated in the deliberations concerning these license terms also expect to participate in the License if they are determined to have an essential patent: LG Electronics, Inc., LSI Logic Corporation and Polycom, Inc.

MPEG LA continues to welcome the submission of issued patents for an evaluation of their essentiality to the AVC Standard in order to include as much essential intellectual property as possible under one license for the benefit of the marketplace. See "Programs in Development" at <http://www.mpegla.com>. For each patent submitted, an evaluation fee of US \$8,500.00 to cover the outside cost of the patent expert's evaluation is paid to MPEG LA. Additional fees may be required to cover additional outside costs in the event of reevaluation by patent experts. Submitting parties must confirm their agreement with the terms and procedures governing the patent submission process which may be obtained from Jane Tannenbaum, Director, Contract Administration (jtannenbaum@mpegla.com).

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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 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>.

Attachment

The licensing terms outlined below are for informational purposes only. They are not an offer to license and may not be relied upon for any purpose. The AVC Patent Portfolio License scheduled to be available at the beginning of this summer will provide the actual terms of license on which users may rely.

1. Decoder-Encoder Manufacturer Sublicenses

- AVC products sold by a legal entity to end users and as branded OEM for PC but not sold as part of a PC Operating System (decoder, encoder or product consisting of one decoder and one encoder = “unit”)
 - 0 - 100,000 units/year = no royalty (available to one legal entity in an affiliated group)
 - US \$0.20 per unit after first 100,000 units each year
 - Above 5 million units/year, royalty = US \$0.10 per unit
 - Maximum annual royalty (“cap”) for Enterprise (commonly controlled legal entities): \$3.5M per year 2005-2006, \$4.25M per year 2007-08, \$5M per year 2009-10
- Legal entity selling branded AVC products OEM for PC OS may pay for its customers as follows:
 - 0 - 100,000 units/year = no royalty (available to one legal entity in an affiliated group)
 - US \$0.20 per unit after first 100,000 units/year
 - Above 5 million units/year, royalty = US \$0.10 per unit
 - Enterprise cap: \$3.5M per year 2005-2006, \$4.25M per year 2007-08, \$5M per year 2009-10
- Includes right to make, sell and personal use by or between end users such as in connection with a video teleconference or mobile messaging (but not uses covered by #2 below)
- Royalties begin January 1, 2005

2. Participation Fees

- Where End User pays directly for AVC Video
 - Title-by-Title (e.g., where viewer determines titles to be viewed or number of viewable titles are otherwise limited) – 12 minutes of AVC Video or less = no royalty; >12 minutes in length, royalty payable is the lower of (a) 2% of price paid to licensee on first arms length sale of the video or (b) \$0.02 per title. Categories of licensees include legal entities that are (i) replicators of physical media, and (ii) service/content providers (e.g., cable, satellite, video DSL, internet and mobile) of VOD, PPV and electronic downloads to end users.
 - Subscription (not limited by title) per legal entity (e.g., service or content provider) that sells AVC video to the end user for remuneration – 100,000 or fewer subscribers per year = no royalty; >100,000 to 250,000 subscribers per year = \$25,000; >250,000 to 500,000 subscribers per year = \$50,000; >500,000 to 1M subscribers per year = \$75,000; >1M subscribers per year = \$100,000.

CORRECTED May 20, 2004

- Where remuneration is from other sources
 - Free Television AVC Video – (a) one-time \$2,500 per transmission encoder or (b) annual fee per broadcast market starting at \$2,500 per Calendar Year per Broadcast Markets of at least 100,000 but no more than 499,999 Households, \$5,000 per Calendar Year per Broadcast Market which includes at least 500,000 but no more than 999,999 Households, and \$10,000 per Calendar Year per Broadcast Market which includes 1,000,000 or more Households.
 - Free Internet Broadcast (not title-by-title, not subscription) – no royalty during first term (through 2010), and royalty thereafter shall not exceed the Free Television AVC Video fees for the period after 2010.
- Enterprise cap: \$3.5M per year 2006-07, \$4.25M per year 2008-09, \$5M per year 2010
- Royalties begin January 1, 2006

3. General Terms

- First term through 2010
- Renewable for additional 5-year terms for life of patents
 - Rate protected – royalties will not increase by more than 10% at each renewal