

NEWS RELEASE

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MPEG LA Announces Plan for Joint Patent License for DRM Technology

DRM Reference Model and Call for Essential DRM Patents Represent First Step

(Denver, Colorado, USA, 2 October 2003) MPEG LA, LLC, world leader in one-stop technology platform patent licensing, today issued a call for patents that are essential to digital rights management technology (DRM) as described in DRM Reference Model v 1.0. DRM refers to technologies for managing the authorized use of digital content. The purpose of the DRM Reference Model is to begin a process of evaluating and determining patents that are essential for DRM in order to provide users with convenient, fair, reasonable, nondiscriminatory access to a portfolio of essential worldwide patent rights under a single license. DRM products and services are emerging. By providing the foundation for a patent portfolio license, the DRM Model will offer the marketplace the ability to make available these new and innovative products and services whose development and deployment might otherwise be inhibited. A patent portfolio license will accelerate market development by providing ready access to the essential technology; it also will be of assistance to DRM standards initiatives. A summary of the MPEG LA plan is in Attachment 1.

"This represents a milestone in technology innovation," said MPEG LA CEO Baryn S. Futa. "With DRM's ability to make myriad new products available to the digital information marketplace one consumer at a time, this is good for consumers and industry alike. Addressing the marketplace's need to deal efficiently with essential patent rights is critical. Starting this effort at the earliest stages of DRM implementation signals a strong interest in providing users with fair, reasonable, nondiscriminatory access to the essential intellectual property so they can plan for the use of this important new technology now and in the future. MPEG LA is pleased to be a part of this forward-looking effort."

The DRM Reference Model does not detail how to build an actual DRM process or system suitable for commercial deployment and does not require, or describe how to achieve, interoperability between DRM devices, systems or methods. Neither is it based upon, or intended to describe, a particular DRM system or field of use. Rather, the DRM Reference Model is intended to support the formation of a single license containing as many essential patents as possible that an industry participant may need and thereby encourage the implementation and use of DRM and the rapid availability of DRM products. A patent portfolio license provides users with a convenient alternative to negotiating licenses directly with individual patent owners.

Therefore, the DRM Reference Model represents the first phase in a continuing three-step process (Phase II is a call for patents to be evaluated for their essentiality with respect to the DRM Reference Model, and Phase III will be the convening of an initial patent holder group in order to decide the terms of a joint patent license) and is designed to proceed on two parallel tracks:

(1) Version 1.0 of the Model will serve as a tool for the initial call for patents and an evaluation of their essentiality by independent patent experts resulting in the prompt formation of an initial patent holder group to decide terms of license.

(2) In order to meet users' needs now and in the future, a process is contemplated under which the DRM Reference Model will be expanded and enhanced, thereby reflecting the dynamic, emerging nature of DRM technology and increasing the body of patents eligible for inclusion in a joint patent license for the convenience of the market. For this purpose, it is expected that an advisory council will be formed to undertake a continuing and inclusive process for further revisions to meet future DRM marketplace needs.

Any party that believes it has patents that are essential with respect to DRM Reference Model v 1.0 and wishes to join

the patent portfolio upon successful evaluation is invited to submit such patents for an evaluation of essentiality by independent patent experts. Initial submissions are requested by November 15, 2003. Those who are interested may request a copy of DRM Reference Model v 1.0 and the terms and procedures governing patent submissions at www.mpegla.com.

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 access to these essential patents on a worldwide basis under a single license. MPEG LA is not related to any standards agency. 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. For more information, please refer to <http://www.mpegla.com>, <http://www.1394la.com> and <http://www.dvbla.com>.

Attachment 1

Following is a summary of the MPEG LA plan for licensing of essential DRM Patents:

1. Objective

Evaluation of intellectual property for essentiality with respect to DRM Reference Model v 1.0 in order to establish a portfolio of essential worldwide patents providing DRM users with fair, reasonable, nondiscriminatory access to this technology under one license

2. Licensed patents

To be essential, a patent must be found to have one or more claims whose scope encompasses part of DRM Reference Model v 1.0.

3. Organization

The patent portfolio may require at least the following functions:

First, as Evaluation Facilitator, MPEG LA will make a call described in this announcement for the submission of patents for an evaluation of their essentiality by independent patent experts and inclusion in a joint license if determined to be essential. MPEG LA also will facilitate the evaluation process and convene the initial group of essential patent holders as described below.

Second, an Evaluator (identified below) who is an independent patent expert will evaluate patents for essentiality with respect to the DRM Reference Model v 1.0. Any party that believes it has essential patents is invited to submit them for evaluation and inclusion in accordance with the standard terms and procedures governing submissions (see below). For each patent submitted, an evaluation fee will be paid to MPEG LA, LLC to cover the cost of the patent expert's evaluation.

Third, an initial group of essential patent holders who have agreed to the terms governing the submission of patents and been found by the independent patent experts to have essential patents will be convened to prepare details of licensing terms. Evaluations will continue throughout the course of the license in order to include as much essential intellectual property as possible, but the initial group of essential patent holders/framers from among those who submit patents for evaluation by the initial deadline of November 15, 2003 will be determined and convened for the purpose of commencing the DRM Patent Portfolio License.

Fourth, a licensing administrator will be chosen by the initial group of patent holders. The licensing administrator will be granted non-exclusive sublicensing rights from the essential patent owners under licensed patents in order to sublicense those patents to DRM users and will actively promote the licensing program and distribute collected royalties to the patent owners.

Fifth, an administrative committee consisting of representatives of the essential patent owners will monitor certain activities of a licensing administrator.

Sixth, in order to meet users' needs now and in the future, a process is contemplated under which the DRM Reference Model will be expanded and enhanced in order to provide guidance to essential patent owners. For this purpose, it is expected that an advisory council will be formed to undertake a continuing and inclusive process for further revisions to meet future DRM marketplace needs.

4. Licensing details

To be determined by the essential patent owners.

5. Schedule (Initial Plan)

Initial patent submissions: by November 15, 2003 (although patent submissions may continue to be submitted after that date, owners of essential patents in the initial group of patents submitted by the November 15 date will form the initial group of licensors that will select a licensing administrator and determine the terms of license).

Evaluation: At least one patent submitted by each submitting party will be evaluated for its essentiality by December 31, 2003.

MPEG LA will convene a meeting of the initial patent holder group shortly thereafter.

Accordingly, MPEG LA hereby announces that any party that believes it has patents that are essential with respect to DRM Reference Model v 1.0 and wishes to join the patent portfolio upon successful evaluation, is invited to submit such patents for evaluation, together with a statement confirming its agreement with the objectives and intention to abide by terms and procedures (including participation fees to be paid by submitting parties who are determined to have essential patents) governing the patent submission process (initial patents to form initial licensor group to be submitted by November 15, 2003), which may be obtained from www.mpegla.com. Patent evaluations will be conducted by Dr. Kenneth Rubenstein and his worldwide team of independent patent experts, PROSKAUER ROSE LLP (1585 Broadway, New York, NY 10036-8299, Tel. 212-969-3000, Fax 212-969-2900, krubenstein@proskauer.com).

Attachment 2

Questions and Answers

Q1: What is the purpose of the DRM Reference Model?

A1: Its purpose is to provide a basis for the submission and evaluation of patents for their essentiality to DRM technology as described in the Reference Model in order to provide DRM users with fair, reasonable, nondiscriminatory access to the essential patent rights under a single license.

Q2: Why has it been created?

A2: There is great market demand for DRM technology. With the potential to make myriad new products available to the digital information marketplace one consumer at a time, it is good for consumers and industry alike. But, the matter of how to deal efficiently with many essential patents owned by many patent holders is one matter that, if not addressed, could impede implementation of this important new technology. Providing fair, reasonable, nondiscriminatory access to

the essential patents under a single license will help address that.

Q3: Did others participate in the drafting of the DRM Reference Model?

A3: MPEG LA consulted with other companies in the process of developing the DRM Reference Model. It is MPEG LA's current policy, however, not to disclose the names of those parties.

Q4: How does the DRM Reference Model relate to DRM standards activities such as MPEG-21?

A4: This work will proceed in parallel and will not conflict with the work of standards bodies. The DRM Reference Model does not define a standard for the purpose of achieving conventional standards-setting goals such as interoperability or defining particular commercial products. It represents an independent effort with no need for formal standard setting whose sole use will be to form a joint patent license for the convenience of the marketplace. As such, it will be of assistance to DRM standards initiatives.

Q5: How will it be used in determining essential patents?

A5: Any party that believes it has patents that are essential to the DRM Reference Model and wishes to join upon successful evaluation is invited to submit such patents to an independent patent evaluator according to the terms and procedures governing the patent submission process. To be essential and therefore included in a DRM Patent Portfolio License, a submitted patent must be found to have one or more claims whose scope encompasses part of DRM Reference Model v 1.0.

Q6: Does the DRM Reference Model prescribe an interoperability standard?

A6: No, its purpose is not to prescribe specific implementations but rather to provide a basis for evaluating and making available essential DRM intellectual property on fair, reasonable nondiscriminatory terms under a single license.

Q7: Is anyone building systems or services that will be described by the DRM Reference Model?

A7: Again, the purpose of the DRM Reference Model is not to prescribe specific implementations. Nor is it limited to any company's specific DRM implementations. Similarly, it does not determine or dictate the many ways in which DRM technology may be used and was not designed to include or exclude particular patents. Rather, its purpose is to provide a basis for evaluating and making available as much essential intellectual property as possible on fair, reasonable, nondiscriminatory terms under a single license. As such, it is intended to describe DRM systems as they are generally used currently and will be in the future so as to provide actual users with substantial essential intellectual property rights, thereby facilitating myriad applications.

Q8: What will be the relationship between the DRM Reference Model and a joint patent license?

A8: The DRM Reference Model forms the basis for determining patents that may be included in a joint patent license. Creating the DRM Reference Model represents Phase I of the process. Version 1.0 will serve as a tool for the initial call for patents and an evaluation of their essentiality by independent patent experts (Phase II) resulting in the prompt formation of an initial patent holder group to decide terms of license (Phase III). And the process will continue (see below). As enhancements to the DRM Reference Model are identified that will meet emerging marketplace needs, they may be added to later versions of the DRM Reference Model (Phase I), additional patent submissions may be called for (Phase II), and new or expanded licenses may be offered (Phase III).

Q9: Did companies with whom MPEG LA consulted have the ability to include their own intellectual property?

A9: No. Inclusion or exclusion of intellectual property was not discussed or considered. To be included, intellectual property must be submitted by its owner and found essential with respect to the DRM Reference Model by MPEG LA's independent patent experts.

Q10: What are the terms of license?

A10: That has not yet been determined. It can be determined only by essential patent holders. Once an initial group of essential patent holders is determined in Phase II, MPEG LA will convene that initial group to begin the process of deciding the terms of a joint license (Phase III).

Q11: Will essential patent holders be added following the convening of the initial group?

A11: Yes, to the extent that patents are submitted for inclusion and determined by the independent patent experts to be essential, the owners of those patents will be added. The objective of a joint license will be to include as much essential intellectual property as possible in one license for the benefit of the marketplace; therefore, submission of patents for an evaluation of their essentiality and inclusion is an ongoing process.

Q12: Will MPEG LA be the licensing administrator?

A12: That has not yet been determined. MPEG LA is currently facilitating this process, but whether MPEG LA will be the licensing administrator will be determined by essential patent holders.

Q13: When is a license expected to be available?

A13: This will depend on the deliberations of the essential patent holders determined through the patent evaluation submission and evaluation process. Following the issuance of the DRM Reference Document and call for initial patent submissions, we hope that initial evaluations can be completed by the end of 2003, that an initial group of essential patent holders can be convened in the beginning of 2004 and that a joint patent license can be made available to the market during 2004.

Q14: What provision will be made for expanding and enhancing the DRM Reference Model?

A14: In order to meet users' needs now and in the future, a process is contemplated under which the DRM Reference Model will be expanded and enhanced, thereby reflecting the dynamic, emerging nature of DRM technology and increasing the body of patents eligible for inclusion in a joint patent license for the convenience of the marketplace. For this purpose, it is expected that an advisory council will be formed to undertake a continuing and inclusive process for further revisions to meet future DRM marketplace needs.