

NEWS RELEASE

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Final Terms of MPEG-4 Visual and Systems Patent Portfolio Licenses Decided License Agreements to Issue in September

(Denver, Colorado, US – 15 July 2002) – MPEG LA and patent holders to the MPEG-4 Visual Patent Portfolio License, MPEG-4 Systems (without MPEG-J) Patent Portfolio License and MPEG-J Patent Portfolio License reached agreement on final licensing terms following their meetings in San Francisco on June 25 – 26, 2002. In the interest of one-stop convenience, users will be offered the opportunity to sign up for a license under patents that are essential for any or all of these standards. The official licenses are scheduled to issue in September.

The MPEG-4 Visual Patent Portfolio License includes essential patents owned by Canon Inc.; France Télécom; Fujitsu Limited; GE Technology Development, Inc.; General Instrument Corp.; Hitachi, Ltd.; Hyundai Curitel, Inc.; KDDI Corporation; Matsushita Electric Industrial Co., Ltd.; Microsoft Corporation; Mitsubishi Electric Corporation; Oki Electric Industry Co., Ltd.; Philips Electronics; Samsung Electronics Co., Ltd.; Sanyo Electric Co., Ltd.; Sharp Kabushiki Kaisha; Sony Corporation; Telenor AS; Toshiba Corporation; and Victor Company of Japan, Limited. The MPEG-4 Systems Patent Portfolio License (without MPEG-J) includes essential patents owned by Apple Computer, Inc.; Electronics and Telecommunications Research Institute (ETRI); France Télécom; Mitsubishi Electric Corporation; Philips Electronics; and Samsung Electronics Corporation. The MPEG-J Patent Portfolio License includes essential intellectual property owned by Sun Microsystems, Inc.

The licensing terms take into consideration views, interests and concerns of prospective licensees made known to MPEG LA and patent holders. Therefore, not only will the MPEG-4 Visual Patent Portfolio License Agreement cover the Simple and Core profiles of the Visual standard (as previously announced), but it also will cover without additional royalties all other current MPEG-4 Visual standard profiles to the extent covered by Portfolio patents. In addition, a video plane with short header MPEG-4 Visual Simple profile signal is compliant with the H.263 baseline standard.

MPEG LA Chief Executive Officer Baryn S. Futa said, “MPEG LA is pleased to be able to offer innovative one-stop licenses for the MPEG-4 Visual and Systems standards that encourage wide use of these important new technologies by making them accessible across all business models and to all users, large and small. By affording access to patents that are essential not only to the Simple and Core profiles but also to additional MPEG-4 Visual profiles without additional royalties, the MPEG-4 Visual Patent Portfolio License provides convenience to the marketplace and adapts seamlessly to marketplace change. It tells users they are welcome here for the long haul as the technology develops and applications migrate to other MPEG-4 Visual profiles.”

MPEG-4 Visual Patent Portfolio License

The license terms tie royalties for use only to MPEG-4 Visual products or services for which the content or service provider receives remuneration, and are consistent with the expected flow of MPEG-4 Visual transactions. To enhance the widespread use of MPEG-4 Visual technology across various business models, the patent holders have adopted (a) reasonable annual limitations on certain royalties in order to provide more cost predictability, (b) licensing models with royalty options that require no royalty reports, (c) threshold levels below which certain use-based royalties would not be charged in order to minimize their impact on lower volume users and encourage early-stage users to adopt MPEG-4 Visual technology, and (d) alternative royalty options to assure that license options fit the business models licensees might adopt. In addition, parties who sign the license agreement during the first six months after the agreement is offered will not be required to pay royalties on licensed products sold from January 1, 2000 (the effective date of the license) through December 31, 2003.

The proposed MPEG-4 Visual Patent Portfolio License will apply three models to three separate business environments:

1. In the case of current cable television, direct satellite television and over-the-air broadcast that one day may allow a broadcaster to address its broadcast to a specific viewer or subscriber (but not for environments which involve the Internet or are principally intended to be mobile), the manufacturer will pay a royalty of US \$0.25 for the right to manufacture and sell each decoder and encoder (subject to annual caps per legal entity for the manufacture and sale of decoders and encoders in #2 below) and the party having the unique relationship of providing content service to the subscriber (e.g., cable television system or direct satellite provider) will pay a royalty of US \$1.25 for the paid-up right to use a decoder to decode and use encoded MPEG-4 Visual information.
2. In the case of Internet (wired and wireless) or mobile, annual royalties with annual limitations and thresholds will apply: (a) for the manufacture and sale of decoders and/or encoders: US \$0.25 per activated decoder and/or encoder subject to an annual cap per legal entity of \$1,000,000 for decoders and \$1,000,000 for encoders (to be paid by the manufacturer that offers functioning product for sale or distribution, either directly or through a chain of distribution, to the end user), but there is no royalty for the first 50,000 decoders and first 50,000 encoders in a calendar year sold or distributed by a legal entity (applies to no more than one legal entity in an affiliated group); (b) for the use of decoders and encoders to decode or encode MPEG-4 video (to be paid by the party that is the apparent source of such video to the consumer), a licensee may choose to pay US \$0.25 per subscriber per year or US \$0.000333 per minute of MPEG-4 video used, each subject to an annual cap of \$1,000,000 per legal entity, or a \$1,000,000 annual paid-up fee (with no royalty reporting obligation), but no royalty is payable on the first 50,000 subscribers during a calendar year (applies to no more than one legal entity in an affiliated group). Subscriber refers to each unique viewer for any part of a year, but where the content provider's remuneration is not directly from subscriptions (e.g., advertiser-supported services), MPEG LA will work directly with Licensees to come up with a consistent method of counting subscribers that works with their business models.
3. In the case of Stored Video (packaged media and video transmitted and stored for viewing for which a transactional fee is paid), the replicator or content provider will pay (a) US \$0.01 per 30 minutes or part to a maximum of US \$0.04 per movie; (b) US \$0.005 per 30 minutes or part thereof to a maximum of US \$0.02 per movie where the content of the Stored Video is 5 years or older (after it was copyrighted or subject to be copyrighted), and (c) US \$0.002 for a Stored Video of 12 minutes or less.

MPEG LA and the patent holders are also willing to provide a license under fair and reasonable terms for products not currently identified in these three models when there is evidence that the MPEG-4 Visual standard may be used for such applications. The initial term of the license will run through Dec 31, 2008 and will be renewable on reasonable terms and conditions for the useful life of any Portfolio patent with rate protection for similar license grants and subject to MPEG LA's right to change terms to meet changing market conditions. In lieu of the royalty payments for 1 and 2 above, an enterprise (parent entity and its subsidiaries that are at least 50% owned) may elect to pay an annual royalty (with no royalty reporting obligations) of \$5 million per year in 2004 and 2005, \$7 million per year in 2006 and 2007 and \$10 million in 2008.

MPEG-4 Systems and MPEG-J Patent Portfolio Licenses

In addition to the MPEG-4 Visual Patent Portfolio License, MPEG LA will offer optional licenses under patents that are essential to the MPEG-4 Systems Standard (without MPEG-J) and to the MPEG-J part of the MPEG-4 Systems Standard. The royalties for the MPEG-4 Systems (without MPEG-J) License (whether with video or other products) will be (a) for a paid-up license including the right to use, US \$0.15 per activated decoder subject to an annual cap per legal entity of \$100,000 and US \$0.25 per activated encoder subject to an annual cap per legal entity of \$100,000 (to be paid by the manufacturer that offers functioning product for sale or distribution, either directly or through a chain of distribution, to the end user); and (b) for Stored Video (packaged media and video transmitted and stored for viewing for which a transactional fee is paid), (1) US \$0.001 per 30 minutes or part to a maximum of US \$0.004 per movie; (2) US \$0.0005 per 30 minutes or part thereof to a maximum of US \$0.002 per movie where the content of the Stored Video is 5 years or older (after it was copyrighted or subject to be copyrighted), and (3) US \$0.0002 for a Stored Video of 12 minutes or less (to be paid by the replicator or content provider). The license will be renewable on reasonable terms and conditions for the useful life of any Portfolio patent with rate protection for similar license grants and subject to MPEG LA's right to change terms to meet changing market conditions. For MPEG-J, a non-assert under applicable

patent claims will be available without the payment of royalties, in return for a mutual non-assert from the licensee under essential MPEG-J patents only. The initial term of both licenses will run through Dec 31, 2008.

MPEG LA's objective is to include as much essential intellectual property as possible in each one-stop license for the convenience of the marketplace. Therefore, any party that believes it has patents that are essential to the MPEG-4 Visual Standard (ISO/IEC 14496-2:2001 [Part2:Visual], 14496-2:2001/Amd.1:2002 [Studio profile], 14496-2:2001/Amd.2:2002 [Streaming video profile]) or the MPEG-4 Systems Standard (ISO/IEC 14496-1:2001 [Part 1:Systems], 14496-1:2001/Amd.1:2001 [Extended BIFS]) and wishes to join upon successful evaluation, is invited to submit such patents to the independent Patent Evaluator together with a statement confirming its agreement with the objectives and intention to abide by terms and procedures governing the patent submission process, which may be obtained from Jane Tannenbaum, Director, Contract Administration (jtannenbaum@mpegla.com) or Jill McLain, Contract Administrator, (jmclain@mpegla.com), MPEG LA, LLC.

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MPEG LA, LLC

MPEG LA successfully pioneered one-stop technology standards licensing, starting with a portfolio of essential patents for the international digital video compression standard known as MPEG-2, which it began licensing in 1997. One-stop technology standards 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. For more information, please refer to <http://www.mpegla.com>, <http://www.1394la.com> and <http://www.dvbla.com>.

Overview of the MPEG-4 Standard

MPEG-4 is an ISO/IEC multi-media representation standard developed by its Moving Picture Experts Group (MPEG). MPEG also developed MPEG-1, which makes possible interactive video on CD-ROM and is present on virtually every personal computer, and MPEG-2, the core compression technology underlying the efficient transmission, storage and display of digitized moving images and sound tracks on which high definition television, Digital Video Terrestrial Broadcasting (DVB-T), direct broadcast by satellite, digital cable television systems, multichannel-multipoint distribution services (MMDS), personal computer video, digital versatile discs (DVD), interactive media and other digital video systems are based.

MPEG-4 is the result of yet another international effort involving hundreds of researchers and engineers from all over the world. Building on the successes of MPEG's earlier standards, MPEG-4 enables integration of the production, distribution and content access features of digital television, interactive graphics applications and interactive multimedia across Internet protocol, wireless, low bitrate, broadcast, satellite, cable and mobile environments. With MPEG-4, all content elements can be maintained as discrete objects enabling richer interactivity and use across many different devices. More information about MPEG-4 can be found at the home page of the MPEG-4 Industry Forum <http://www.m4if.org>.