

MPEG LA Sues Apex Digital, Inc. for Breach of MPEG-2 License Agreement

Apex Fails to Pay Millions in Royalties; Suit Seeks Damages and Injunction

(Denver, Colorado, US – 08 August 2002) – MPEG LA, LLC, which licenses a portfolio of patents that are essential to use of the MPEG-2 digital video compression standard, has sued Apex Digital, Inc. (“Apex Digital”), a manufacturer and supplier of DVD players, for breach of its contractual obligations under the MPEG-2 Patent Portfolio License (“Contract”) that Apex Digital entered into with MPEG LA. Apex Digital has failed to pay millions of dollars in royalties for its products as required by the Contract. The lawsuit brought in US District Court in Colorado seeks monetary damages including interest, an accounting of all Apex products on which royalties are payable, and an audit of Apex Digital’s books and records. In addition to Apex Digital’s failure to pay royalties on MPEG-2 products that it has reported to MPEG LA, Apex’s royalty reports are not consistent with published reports regarding its product sales. The lawsuit seeks an injunction against Apex Digital from using MPEG-2 patents in its products until Apex Digital pays all royalties that it owes to MPEG LA. An MPEG-2 decoder is necessary for DVD playback; therefore any product with DVD playback capability includes an MPEG-2 decoder and is required to be licensed under patents in the MPEG-2 Patent Portfolio License.

MPEG LA Chief Executive Officer Baryn S. Futa said, “Apex’s disregard for its contractual obligations is unfair to MPEG LA’s other licensees, accounting for most of the DVD player sales in today’s world market, who are meeting their licensing obligations and paying their rightful share of reasonable royalties. Apex apparently believes it is not subject to the same rules. Apex has chosen instead to sign the license agreement but not meet its obligations to pay for use of the technology provided, thereby exposing unsuspecting customers to liability for Apex’s unlicensed products. But, Apex must be held to its contractual obligations. It must either compete fairly or stop using the technology. Others who pursue the path of unfair competition should understand that MPEG LA will not stand idly by while companies flaunt their failure to meet contractual obligations. In bringing this lawsuit, MPEG LA stands by its customers who are meeting theirs.”

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MPEG LA, LLC

MPEG LA successfully pioneered one-stop technology standards licensing 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 worldwide access to the essential patents under a single license. The MPEG-2 Patent Portfolio License includes more than 525 MPEG-2 essential patents in 54 countries owned by Canon, Inc., Columbia University, France Telecom R&D, Fujitsu, GE Technology Development, Inc., General Instrument Corporation, Hitachi, Ltd., KDDI Corporation, Matsushita, Mitsubishi, Nippon Telegraph and Telephone Corporation (NTT), Koninklijke Philips Electronics N.V., Robert Bosch GmbH, Samsung Electronics Co., Ltd., Sanyo Electronic Co., Ltd., Scientific Atlanta, Sharp Kabushiki Kaisha, Sony, Thomson Licensing S.A., Toshiba Corporation, US Philips, and Victor Company of Japan, Limited (JVC). The License now has more than 445 licensees accounting for most of the MPEG-2 products in the current world market. MPEG LA, which is based in Denver, Colorado, USA and has offices in Chevy Chase, Maryland, USA and London UK, also provides one-stop licensing for other technologies. For more information: <http://www.mpegla.com>, <http://www.1394la.com> and <http://www.dvbla.com>.

MPEG-2

MPEG-2 refers to a fundamental technology underlying the efficient transmission, storage and display of digitized moving images and sound tracks on which high definition television (HDTV), Digital Video Broadcasting (DVB), direct broadcast by satellite (DBS), digital cable television systems, multichannel-multipoint distribution services (MMDS), personal computer video, digital versatile discs (DVD), interactive media and other forms of digital video delivery, storage, transport and display are based. MPEG-2 is an open technology, giving users a wide interoperable range of cost and quality options within the computation that compresses data to produce an MPEG-2 video stream. The MPEG-2 standard does not set hardware requirements; it is flexible within a broad functional range, thereby assuring the interoperability of myriad applications.