

NEWS RELEASE

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MPEG LA Announces Terms of Joint H.264/MPEG-4 AVC Patent License

(Denver, Colorado, USA - 17 November 2003) MPEG LA today announced that essential H.264/MPEG-4 AVC patent and patent application holders have reached agreement on the terms of a joint patent license for implementation and use of ITU-T H.264 and MPEG-4 Part 10 AVC ("AVC Standard").

"For essential intellectual property holders of such wide diversity to agree on the terms of a joint license in just a matter of months is a remarkable achievement, giving testimony to their support for the AVC standard and their desire to make this promising new technology widely available to the market in the fastest time possible," said MPEG LA CEO Baryn S. Futa. "MPEG LA congratulates each of them for their extraordinary diligence and cooperation, despite differences, in coming together for the benefit of the marketplace. We also thank potential users across all market sectors for their forthrightness in sharing with us their concern for licensing terms that are simple, reasonable and easy to administer. This helped immensely in the group's efforts to make the license terms responsive to marketplace needs."

Following is a brief summary of the licensing terms, which are yet to be incorporated into definitive license agreements and therefore, provided for information purposes only. These terms cover the entire AVC Standard regardless of which Profile(s) are used:

Decoder-Encoder Royalties

- Royalties to be paid by end product manufacturers for an encoder, a decoder or both ("unit") begin at US \$0.20 per unit after the first 100,000 units each year. There are no royalties on the first 100,000 units each year. Above 5 million units per year, the royalty is US \$0.10 per unit.
- The maximum royalty for these rights payable by an Enterprise (company and greater than 50% owned subsidiaries) is \$3.5 million per year in 2005-2006, \$4.25 million per year in 2007-08 and \$5 million per year in 2009-10.
- In addition, in recognition of existing distribution channels, under certain circumstances an Enterprise selling decoders or encoders both (i) as end products under its own brand name to end users for use in personal computers and (ii) for incorporation under its brand name into personal computers sold to end users by other licensees, also may pay royalties on behalf of the other licensees for the decoder and encoder products incorporated in (ii) limited to \$10.5 million per year in 2005-2006, \$11 million per year in 2007-2008 and \$11.5 million per year in 2009-2010.
- The initial term of the license is through December 31, 2010. To encourage early market adoption and start-up, the License will provide a grace period in which no royalties will be payable on decoders and encoders sold before January 1, 2005.

Participation Fees

- Title-by-Title – For AVC video (either on physical media or ordered and paid for on title-by-title basis, e.g., PPV, VOD, or digital download, where viewer determines titles to be viewed or number of viewable titles are otherwise limited), there are no royalties up to 12 minutes in length. For AVC video greater than 12 minutes in length, royalties are the lower of (a) 2% of the price paid to the licensee from licensee's first arms length sale or (b) \$0.02 per title. Categories of licensees include (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 – For AVC video provided on a subscription basis (not ordered title-by-title), no royalties are payable by a system (satellite, internet, local mobile or local cable franchise) consisting of 100,000 or fewer subscribers in a year. For systems with greater than 100,000 AVC video subscribers, the annual participation fee is \$25,000 per year up to 250,000 subscribers, \$50,000 per year for greater than 250,000 AVC video subscribers up to 500,000 subscribers, \$75,000 per year for greater than 500,000 AVC video subscribers up to 1,000,000 subscribers, and \$100,000 per year for greater than 1,000,000 AVC video subscribers.
- Over-the-air free broadcast – There are no royalties for over-the-air free broadcast AVC video to markets of 100,000 or fewer households. For over-the-air free broadcast AVC video to markets of greater than 100,000 households, royalties are \$10,000 per year per local market service (by a transmitter or transmitter simultaneously with repeaters, e.g., multiple transmitters serving one station).
- Internet broadcast (non-subscription, not title-by-title) – Since this market is still developing, no royalties will be payable for internet broadcast services (non-subscription, not title-by-title) during the initial term of the license (which runs through December 31, 2010) and then shall not exceed the over-the-air free broadcast TV encoding fee during the renewal term.
- The maximum royalty for Participation rights payable by an Enterprise (company and greater than 50% owned subsidiaries) is \$3.5 million per year in 2006-2007, \$4.25 million in 2008-09 and \$5 million in 2010.
- As noted above, the initial term of the license is through December 31, 2010. To encourage early marketplace adoption and start-up, the License will provide for a grace period in which no Participation Fees will be payable for products or services sold before January 1, 2006.

Owners of patents or patent applications determined by MPEG LA's patent experts to be essential to the AVC Standard and who have cooperated in the above terms include Columbia University, Electronics and Telecommunications Research Institute of Korea (ETRI), France Télécom, Fujitsu, LG Electronics, Matsushita, Mitsubishi, Microsoft, Motorola, Nokia, Philips, Robert Bosch GmbH, Samsung, Sharp, Sony, Toshiba, and Victor Company of Japan (JVC).

MPEG LA continues to welcome the submission of patents and patent applications 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 (only issued patents will be included in the License). For each patent or patent application 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 standards licensing with a portfolio of essential patents for the international digital video compression standard known as MPEG-2. 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. MPEG LA is an independent licensing administrator; it is not a patent holder and 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. MPEG LA also has initiated a license for digital rights management (DRM) technologies as described in DRM Reference Model v1.0. For more information, please refer to <http://www.mpegla.com>, <http://www.1394la.com> and <http://www.dvbla.com>.