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

Suit Alleges Under-Reporting and Failure to Comply With Audit

(Denver, Colorado, US – 29 January 2004) – MPEG LA, LLC today announced that it 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. The lawsuit alleges that Apex Digital has breached the Contract by (1) failing to report fully its use of MPEG-2 patents; (2) failing to pay the royalty payments due for the use of those patents; and (3) failing to provide an auditor with all of the documents required by the Contract for a complete audit to independently determine Apex Digital’s compliance with the Contract. The suit notes that Apex Digital’s reports of product sales to MPEG LA are not consistent with public reports of Apex Digital’s sales of those products.

MPEG LA Chief Executive Officer Baryn S. Futa said, “We are disappointed that this lawsuit has become necessary as a result of Apex Digital’s continued refusal to meet its contractual obligations, but Apex Digital must be held accountable not only to the marketplace but also to the vast majority of its competitors and others throughout the world who are meeting theirs.”

The lawsuit brought in US District Court in Colorado seeks monetary damages including interest, an accounting of all Apex Digital products on which royalties are payable, an audit of Apex Digital’s books and records, and an injunction prohibiting Apex Digital from using MPEG-2 patents in its products until Apex Digital pays all royalties that it owes to MPEG LA.

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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 635 MPEG-2 essential patents in 56 countries owned by Alcatel, Canon, Inc., Columbia University, France Télécom R&D, Fujitsu, GE Technology Development, Inc., General Instrument Corporation, Hitachi, Ltd., KDDI Corporation, LG Electronics, 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 660 licensees accounting for most MPEG-2 products in the current world market. For more information, see <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.