

Q. What were the main issues in DVD CCA's trial against Kaleidescape?

A. There were two main issues in the case. First, DVD CCA sued Kaleidescape, Inc., a CSS licensee, for breach of the CSS License. DVD CCA argued that a home entertainment system manufactured by Kaleidescape breached certain provisions of the CSS License (contained in a document called the "CSS General Specifications") that require the physical DVD disc to be present in the device during playback of a movie. DVD CCA asked the Court to issue an order that would have required Kaleidescape to comply with these specifications. Second, Kaleidescape countersued DVD CCA, claiming that DVD CCA did not comply with the dispute resolution procedure specified in the CSS License and the DVD CCA's Bylaws. Kaleidescape asked the Court to award it damages in excess of \$14 million.

Q. What did the Court decide in the Kaleidescape case?

A. As to DVD CCA's claim against Kaleidescape, the court found against DVD CCA based on its conclusion that the CSS General Specifications were not a part of the CSS License. (The CSS General Specifications is the CSS document that requires the physical DVD disc to be present in the device during playback.) The court also determined that DVD CCA did not satisfy certain legal requirements for obtaining a remedy requiring Kaleidescape to change its product design. As to Kaleidescape's claim against DVD CCA, the court rejected this claim, finding that Kaleidescape could not present any admissible evidence to support it.

Q. Does the DVD CCA disagree with the Court's decision?

A. DVD CCA strongly disagrees with the trial court's decision on DVD CCA's claim against Kaleidescape. DVD CCA believes the decision on DVD CCA's claim was based on numerous legal and factual errors, and is contradicted by admissions from multiple Kaleidescape witnesses that the CSS General Specifications are in fact a part of the CSS License. DVD CCA also believes that the Court made factual and legal errors about whether it would be appropriate to require Kaleidescape to change the home

entertainment system at issue and bring it into compliance with the CSS License.

Q. Did the Court rule that copying movies from CSS protected DVDs onto a Kaleidescape system is a "fair use" of copyrighted content?

A. No. The court specifically noted that questions of copyright law had no bearing on the case. Moreover, the California State Court that heard the case has no authority to make any rulings about fair use, which is strictly a matter of federal copyright law.

Q. Has DVD CCA appealed the Court's ruling?

A. Yes, DVD CCA filed its Notice of Appeal on June 5, 2007.

Q. How long will the appeal process take?

A. It is hard to predict, but most appeals are completed within 12-18 months of the date the Notice of Appeal is filed.

Q. Does DVD CCA want to put Kaleidescape out of business?

A. No. DVD CCA wants Kaleidescape and all licensees of the Content Scramble System to comply with the requirements of the CSS License.

Q. Can the CSS Specifications be amended?

A. Yes. The DVD CCA Bylaws state the rules and procedures for proposing and approving amendments to the CSS Specifications.

Q. Are CSS Licensees aware that the CSS Specifications are subject to amendment?

A. Every CSS Licensee who signs the CSS License specifically acknowledges and agrees the CSS Specifications "may be amended from time to time in accordance with the DVD CCA Bylaws." In addition, every CSS Licensee agrees it will be bound by such amendments and it must comply with such amendments within the

time limits set forth in the CSS License.

Q. Who can propose an amendment to the CSS Specifications?

A. The Bylaws provide for a number of ways in which amendments may be proposed (depending on their nature), including by Participating Members.

Q. Has the DVD CCA adopted amendments to the CSS Specifications in the past?

A. Yes. Numerous proposed amendments have been adopted by the DVD CCA – all in accordance with the rules and procedures set forth in the DVD CCA Bylaws.

Q. What is the nature of the proposed amendment about which Kaleidescape is now complaining?

A. The proposed amendment, which allows DVD playback only when the physical disc is present in the player and prohibits persistent digital copies, is consistent with the requirements DVD CCA believed and argued in the trial court were already in the CSS License Agreement and violated by Kaleidescape. This amendment addresses the issues the Judge perceived regarding the CSS License Agreement. Thus, the proposed amendment, if passed, does not represent a substantive change to the obligations of CSS Licensees.

Contact: Greg Larsen (916) 491 4094