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Today's News

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FEDERAL ROLE IN CYBERSECURITY is urged by Microsoft CEO Ballmer, so long as it's specifically confined. (P. 4)

NDS FORGES CONTENT PROTECTION ALLIANCE WITH THOMSON: News Corp.'s NDS Technologies has forged an alliance with Thomson to combine its Secure Video Processor (SVP) digital content protection with Thomson's SmartRight digital rights management and renewable encryption system, the companies announced Wed.

The agreement gives NDS a high-profile, credible supporter for SVP, while breathing life into SmartRight, which Thomson proposed 3 years ago to provide an additional layer of protection for the 5C Group's Digital Transmission Content Protection standard. The companies will create a "common approach" to content protection that relies on SVP and SmartRight interoperability. On the common platform content will be scrambled at transmission to a CE device, the companies said. NDS, which also has the backing of chip supplier STMicroelectronics, has positioned SVP as a more comprehensive solution than 5C and DFAST in that it provides an end-to-end solution for controlling content rights, rather than solely transferring content over "specific media." SVP and SmartRight will be capable of being embedded in a "wide range" of standard chips that can be used in digital TVs, set-top boxes, PVRs and portable players.

It wasn't clear at our deadline which products will first use the combined technologies, but NDS Vp-Business Development Carmi Bogot has told us his company believed set-top boxes with PVR functionality would likely become the lead application (CED April 6 p3). In wake of the announcement with Thomson, Bogot told us through a spokeswoman that it's "certainly possible" the first such products could be introduced this year. Responding to our question, he said "it's a fair assumption" Thomson could be first to introduce, but that NDS also would work hard to convince other CE makers to follow Thomson into the SVP alliance.

As originally proposed, SmartRight was designed to keep content scrambled in transmission among devices in the home. It also restricted redistribution of that content outside the consumer's "personal network"

XBOX SALES UP SIGNIFICANTLY as result of \$30 price cut, analyst report says. (P. 4)

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of products. Descrambling was done by a removable security module or “smart card” that attached to the presentation device. SmartRight evolved from Extended Condition Access technology, which Thomson co-developed with Zenith as an alternative to 5C. XCA, introduced in 1998, proposed using a renewable smart card in a TV set to permit playback of an encrypted signals from digital sources, including authorized first-generation digital recordings. The SVP-SmartRight joint development pact also signals a deepening of ties between NDS and Thomson. NDS last fall acquired Thomson’s MediaHighway middleware platform, which is expected to be combined with its own software.

Jean-Charles Hourcade, exec. vp of Thomson’s technology group, hailed combining SVP and SmartRight as a “major achievement.” It will provide the entertainment and media industries with “the optimal solution” for content protection, while also bolstering consumers’ “entertainment options,” Hourcade said. NDS Pres.-CEO Abe Peled said Thomson’s endorsement will help drive adoption of the SVP standard and “make it an optimal choice for content protection.”

FUJITSU FILES COUNTERCLAIMS IN SAMSUNG SUIT ON PLASMA PATENTS: Samsung’s SDI subsidiary has infringed Fujitsu patents on plasma display panel (PDP) technology, Fujitsu said in counterclaims filed Tues., heightening the legal battle between the companies.

Fujitsu’s counterclaims were its response to a Samsung suit filed earlier this year in U.S. Dist. Court, L.A., that sought to have Fujitsu’s patents declared invalid. The suit followed a breakdown in negotiations between the companies. Fujitsu based the counterclaims on 10 patents issued between July 1996 and March 2004 that described methods for driving and controlling PDPs. Fujitsu also filed claims in a Tokyo district court that focused on patents dealing with PDP brightness. The message behind Fujitsu’s counterclaims is that “Japan will fight to protect its position in the flat-panel display TV market...and will not easily allow technologies to flow to Asian producers,” Deutsche Securities analyst Fumiaki Sato said in a note to clients.

A Samsung spokesman said that there was “some question” as to whether Fujitsu’s patent claims were enforceable and that the company, which is 20% owned by Samsung Electronics, will “wait for the court rulings.” Samsung SDI is the world’s 2nd largest PDP manufacturer, trailing Fujitsu Hitachi Plasma Display in which Fujitsu has a 50% stake.

Fujitsu said it held many of the basic patents on PDPs and that it had already reached licensing agreements with Pioneer and Matsushita. It also said it was in negotiations with Samsung’s Korean rival LG Electronics on a license agreement. Central to Fujitsu’s PDPs has been its “alternate lighting of surfaces” (ALiS) technology introduced in 1998 as a means for displaying HD content. The ALiS technology, which enabled panels to deliver 1,024x1,024 resolution, improved on the 3-electrode surface discharge method used previously by making it possible to control 2 scanning lines with a pair of display electrodes.

Fujitsu’s joint venture with Hitachi has developed 32W, 42W, 50W and 55W PDPs, while Samsung has focused on many of the same sizes but has added a 63W panel. Fujitsu markets a 63W panel that it sources from Samsung, having replaced a 61W last fall that it purchased from NEC.

Meanwhile, in a development unrelated to the legal action with Samsung, Fujitsu dropped prices on the 55W to \$11,999 from \$15,999 and 50W to \$8,999 from \$11,999, said the company’s senior vp, Tedd Rozylowicz. The price moves weren’t a response to competition but rather designed to coincide with the delivery of the PDPs at retail, he said. The 55W, which was introduced at the CEDIA Expo last fall, shipped about a month ago.

MUSIC SALES FELL 7.6% WORLDWIDE IN 2003, IFPI SAYS: P2P file-sharing and physical piracy, combined with competition from other entertainment products, contributed to a 7.6% decline in the value of music sales worldwide last year, the International Federation of the Phonographic Industry (IFPI) said. The group’s annual report said 2003 was the 4th consecutive year of falling music sales, though the drop was cushioned by a stronger 2nd half in the U.S. and “resilient” U.K. sales. Separately, the IFPI took issue with a recent report that claimed

music file-sharing had no negative impact on sales (CED March 31 p2), saying the report was based on a study conducted with methodology that was questionable.

The sales decline affected virtually all major markets, with Western Europe showing particularly sharp falls compared to recent years, the IFPI said. Sales in Germany were down 19% in 2003 and by more than 30% in value since 1999. Belgium, Denmark, France, Greece, Ireland, Portugal, Sweden and Switzerland also experienced double digit declines, the group said. The industry has seen 20% global losses over the 3 years since 2000.

Meanwhile, positive signs included more robust U.S. album sales — partly owing to a strong year-end release schedule — and a global rise in music DVD sales, the IFPI said. DVD music video accounts for 5.7% of global retail revenue, compared with 3.1% in 2002. Those factors helped soften a global downturn in CD sales, which at midyear were down 10.9% in value. Although online downloading sales weren't included in the 2003 tally, the IFPI claimed "significant progress" in creating an online music business. U.S.-based services alone recorded 19.2 million downloads the 2nd half of 2003, the group said. Online sales of physical CDs continued an upward trend, with an increase in the U.S. to 5% from 3.4% in volume.

Worldwide, the music market, including music video, was worth \$32 billion on 2.7 billion shipments, the IFPI said. Music on audio formats fell 9.9% in value. A bit of the loss was offset by a 46.6% increase in music video sales. Sales of CD albums worldwide dropped 9.1% in value, and of singles 18.7%.

The U.S. and U.K. ranked first and 3rd among the world's music markets, accounting for 37% and 10% of sales respectively, the IFPI said. Germany dropped to 5th from 4th. No Latin American market made the top 10; sales in Brazil and Mexico have been sharply hit by economic downturn and rampant CD piracy in recent years, the IFPI said. Of the top 10 markets, only Australia (5.9%) and the U.K. (0.1%) saw growth last year.

Music video sales continued to rise, helping offset drops in audio formats, the group said. Overall music video sales in 2003 were worth \$2 billion, with DVD music video valued at \$1.8 billion. The music video sector as a whole rose 46.6% with DVD sales seeing a global 67% increase, the IFPI said. Spurred by DVD's popularity, the music video share of overall music sales has doubled over 3 years to 6.3% of the total. DVD music sales represent a small but growing fraction of the overall DVD market — 7.1%, up from 6.3% in 2002 — the group said. In the top 10 DVD markets, growth ranged from 39% in Japan to 294% in Italy (No. 10) with Australia, Canada, France, Germany, France, the Netherlands and the U.K. all seeing about growth of at least roughly 100%.

The U.S. saw full-year music sales drop 6% in 2003 — better than the 12% first-half drop, the IFPI said. Canada, the world's 6th largest music market, was down 2.9% in value and 4.2% in shipments. Sales were virtually flat (up 0.1%) in No. 3 U.K., but there was continuing strength in CD albums, bolstered by a strong release schedule, bonus packages and a vibrant retail environment, the IFPI said. CD album growth was offset, though, by "intense downward price pressure" in the U.K., where singles shipments fell 31%.

Around the rest of Europe sales continued a downward trend, with the major markets of Western Europe seeing sharp falls. Germany, heavily affected by file sharing and CD burning, saw a 19% drop — the 6th consecutive down year, the IFPI said. France showed a 14.4% drop. That market fell back to 2000 levels after 2 years of growth, driven largely by local repertoire, the group said. In Scandinavia, despite strong local repertoire, Sweden and Denmark saw steep declines of 14.7% and 12.5%, respectively. Belgium, Greece, Ireland, Portugal and Switzerland also saw double digit percentage declines.

Across Asia sales fell 9.8% in value and 7.5% in shipments, the IFPI said. The trend was led by a 5th consecutive year of shrinking sales in Japan, the world's 2nd largest music market; it fell 9.2% in value and 5.2% in shipments. China, "despite endemic physical piracy," showed a 3rd consecutive year of growth in legitimate music sales. Value there rose 21.7%, fueled by the country's large young population and increased disposable income, the group said. Latin America "continued to suffer from piracy in both physical and online forms" as well as difficult economic conditions, the IFPI said. Sales were down across the region the 3rd year in a row, with a 2003 drop of 14.4% in value.

The music industry has shrunk, causing labels to downsize, retail stores to close, and the reduction of certification awards in many markets, the IFPI said. It took issue with the findings and methodology of the study released last week by the Harvard Business School and U. of N.C. (CED March 31 p2). The group said all other major surveys — such as by Enders, Forrester and Impact in 2002-2003 — showed that file-sharing has an “enormous” impact on sales. The IFPI also claimed the new study’s results were skewed because it used the 4th quarter of 2002 as a basis for some findings, and that quarter is the busiest with about 40% of annual sales. “Naturally any study trying to show the relationship between file-sharing and sales needs to take a longer term view,” the IFPI said. “Research by our own national groups in five major markets (Australia, Canada, Germany, Japan and U.S.) shows that downloaders are twice as likely to buy less music than they are to buy more.”

MICROSOFT CEO BALLMER SEES LIMITED FEDERAL CYBERSECURITY ROLE: The federal govt. can help the private sector improve cybersecurity, Microsoft CEO Steve Ballmer said Wed. — but he appeared to limit that role to research, law enforcement and education. On the heels of another batch of private-sector reports calling for Washington to be mostly hands-off, Ballmer echoed his host, Center for Strategic and International Studies (CSIS) Pres. John Hamre, who said that while public-private partnership was essential to cybersecurity, “in many ways the private sector has to lead.”

“We’ve seen a dramatic rise in the frequency, the boldness and sophistication of criminal cyberattacks, coming from far-flung and by-and-large anonymous hackers around the world,” Ballmer said, acknowledging his company’s operating system frequently is a target of hackers. Asked whether Microsoft’s overwhelming dominance in operating systems wasn’t part of the problem, he denied it. Linux “gets attacked all the time,” Ballmer said, adding that any operating system big enough to support commercial software development was bound to be a target.

Ballmer spent a great deal of time in his speech, arranged by CSIS and the Business Software Alliance, outlining steps Microsoft was taking to improve cybersecurity. Programmers have been better at incorporating security into the initial release code, he said. The next service packet for Windows XP will have the user’s firewall active by default — a change from the current arrangement, where a consumer must turn it on. The next Internet Explorer browser will block malicious software downloads, he said, and “active protection technologies” will watch for program operations that “don’t smell right” and will query the user whether to proceed. He said Microsoft had no plans to charge customers for security patches. The company also doesn’t intend to include anti-virus software with its operating systems, although he said that could change if consumers demanded it, Ballmer said.

“Government also has a vital role to play,” he said, specifying: (1) Research. Ballmer said the federal govt. should work with business and academia on basic cybersecurity R&D. (2) Law enforcement. “Governments need to implement the criminal justice system that will deter hackers.” (3) Education. “We look to government to help us drive cybersecurity awareness among consumers.” Many audience members were senior Hill staff or federal agency officials. Others included corporate lobbyists, trade association executives and think tank fellows. Extra seats had to be brought in to accommodate an overflow crowd.

The cybersecurity threat goes beyond computers, Ballmer said. “One need only imagine the impact of a truly concerted assault on the IT architecture of the operations of our nation’s critical infrastructure,” he said. Ballmer said vulnerabilities in new technology shouldn’t impede its use. He cited Wi-Fi. “Authentication is super-important for wireless computing but it’s hard to achieve because anyone can gain access to a wireless signal,” he said, noting a stroll past a Starbucks or through a hotel lobby with a laptop discloses all the Wi-Fi networks around. He said Microsoft wanted its corporate campuses to be wireless and “we knew it needed to be as safe if not safer than wired technology.” Ballmer said Microsoft worked with other companies to develop “an authentication solution that has advanced features that makes it much harder to crack if you’re a hacker.” “We shouldn’t retreat on the freedom that technology provides,” he said.

XBOX CONSOLE SALES GET BOOST FROM PRICE CUT: The \$30 price cut that Microsoft made on its Xbox console last week (CED March 30 p4) has already caused “a significant pickup” in hardware sales, Southwest

Securities analyst Arvind Bhatia said in a research note Wed. Based on “channel checks,” Bhatia said he believed Xbox hardware sales “were more than double the weekly sales before the price cut.”

Bhatia said the hardware sales boost “appears to be similar to the first-week increase seen last year” following a \$20 Xbox price cut at the mid-May 2003 E3 Expo, which reduced the system’s price to \$179.99 from \$199.99 (CED May 15/03 p6). Last week’s cut reduced the price to \$149.99. But at least one retail chain advertised Xbox cheaper: Trans World Entertainment’s Coconuts chain offered the system for only \$119.99 — after a \$30 mail-in rebate — in last weekend’s ad circulars (CED April 6 p4).

The latest Xbox price cut should drive sales even more than last year’s drop “given this year’s higher price reduction... and because \$149.99 is a more mass market price point compared to \$179,” Bhatia predicted. But he warned some customers “might be waiting for” the Xbox bundle shipping April 14, which will include a limited-edition console version with hit game *Halo* at \$169. Because *Halo* now sells for about \$30, Bhatia said at least some consumers would see the bundle offering another \$10 off.

Unclear at our deadline was whether the Xbox price cut was hurting sales of Nintendo and Sony Computer Entertainment (SCE) consoles. The latter’s PS2, in particular, stood to be affected because it sells for \$179. GameCube has been selling for only \$99.99 since its price dropped late last year (CED Sept 25/03 p3). SCE America (SCEA), Electronics Boutique and GameStop didn’t respond to requests for comment by our deadline. Amazon.com and Circuit City declined to comment. But a Canadian retail source said at least certain stores in his country were selling PS2 at a lower price since the Xbox cut last week. Those retailers were taking a loss on each unit sold, to drive business, he indicated.

SCEA has consistently said the past month that it didn’t have immediate plans to cut PS2’s price. But analysts, publishers and retailers believe PS2’s price will drop again this year — if not by E3 next month, certainly by the holiday season. Bhatia said in his note that he believed “Sony will likely announce a hardware price cut for its PS2 within the next few weeks.” He said “the 2 hardware price cuts, combined with E3... will likely prove to be near-term catalysts to stocks in the industry.” But some industry observers don’t believe \$30 is a large enough cut to really drive industry sales this year and are hoping that the PS2 and Xbox prices tumble to \$129 or less by the holiday season. The “magic” price for a console is generally considered \$99.

Digital TV

The Advanced TV Systems Committee (ATSC) has approved an enhanced version of Dolby AC-3 for next-generation digital TV, a Dolby Labs spokesman confirmed. The system, called “Dolby Digital Plus,” was approved by the ATSC as a “candidate standard,” the spokesman said.

Digital Radio

Against the backdrop of the N.Y. International Auto Show, Sirius continued its aggressive push to add subscribers from the automotive sector. A day after announcing an agreement with DaimlerChrysler to bundle one-year Sirius subscriptions in all 2005-model cars with factory-installed Sirius radios (CED April 7 p5), Sirius announced Wed. that beginning this month, one-year prepaid subscriptions will be included with a factory installation on BMW 7 Series sedans. The \$595 package price for the factory option includes 2 bonus months of free Sirius service and free activation, the service said, and BMW will offer Sirius as a dealer-installed accessory. Sirius also announced the new Jeep Grand Cherokee would feature Sirius as a factory-installed option, beginning the 2005 model year. Not to be outdone, rival XM used the Auto Show to announce that Honda would double production of vehicles factory-installed with XM radios for the 2005 model year to an estimated 400,000 vehicles. All XM-equipped Hondas will come with a 3-month free trial subscription, said the satellite radio company. XM also said it had teamed with digital map supplier Navteq to develop XM NavTraffic, the first satellite traffic information service in N. America for vehicle navigation systems. The service will debut this fall on the AcuraLink communication system, standard on 2005 models of the new Acura RL, XM said.

XM said it was offering institutional investors \$125 million principal amount of senior secured floating rate notes due 2009. XM Satellite Radio Holdings will guarantee the notes. XM said proceeds would reduce drawn balances of a \$100 million revolving credit facility with General Motors, repay other debts and replace “liquidity resources employed to repay the \$35 million loan outstanding to Boeing.”

Industry Notes

Yankee fans, sell your Model 88 Henry Kloss radios — Cambridge SoundWorks has been named “official sound partner” of the Boston Red Sox, it was announced Wed. Under the agreement, Cambridge products will be featured in “select” advertising at Fenway Park and in *Red Sox* magazine. Cambridge also will promote the partnership on its web site and through point-of-sale materials in its New England stores, the company said. Fenway luxury suite holders can outfit their suits with Cambridge home theater equipment, and the team will install a new “viewing center” at the stadium for fans to sample the latest audio and video technologies.

Alternate delivery systems (ADS) of TV programming reached a record high of 18.8% of U.S. TV homes in Feb., while cable fell to a 9-year low (from 68.6% year ago to 67.5%), according to an analysis of Nielsen figures by the TV Bureau of Advertising (TvB). DBS, the largest ADS component by far, reached 17.8% of U.S. TV homes in Feb., up from 15.6% in the same month 2003, the TvB said.

Companies

Rockford Corp. is seeking a waiver from Bank One after violating covenants of its senior credit facility, it said in its annual 10-K report filed at the SEC. Bank One told the company in March that it was in violation of a capital lease agreement as of Dec. 31. About \$1.4 million was due on the lease as of Dec. 31, including \$600,000 that was scheduled to be paid after 2004, Rockford said. The \$600,000 was reclassified as current because of the covenant violations, it said. If it doesn’t get a waiver, Rockford said it will seek a new capital lease facility. Rockford entered a 3-year, \$45 million asset-based credit facility in late March with Congress Financial Corp. and Wachovia Bank. That facility replaced a \$30 million revolving credit agreement with Bank of America and Bank One of Ariz. It also entered a one-year, \$4 million term loan with Hilco Capital. Meanwhile, Wal-Mart expanded its assortment of Rockford Corp’s Lightning Audio car amplifiers and speakers it carries to 13 SKUs from 8, Rockford said. Wal-Mart started carrying Lightning Audio products last year and sales of the line were “very impressive,” Rockford said. Best Buy, which started with a limited selection of Rockford products in 1999, remains the company’s top customer, having accounted for 25.9% of \$172 million in net sales in 2003, up from 21.1% a year earlier. Overall, Rockford generated more than 94% of its business from the sale of mobile audio products in 2003 vs. 97% a year earlier. Sales of NHT brand speakers, which were acquired from Recoton in late 2002, accounted for the difference, Rockford said. Rockford said its 2003 share of the car amplifier and speaker markets grew to 21% and 12%, respectively, from 17% and 11% a year earlier.

EchoStar said it had completed purchase of some assets from Gemstar-TV Guide. The purchase was part of a \$190 million settlement the companies announced in March. The assets include the Superstar/Netlink Group and UVTV distribution. EchoStar said deal completion makes patent licensing, program carriage and litigation settlement agreements effective.

Matsushita is expanding its program to raise employee awareness of harmful household carbon dioxide emissions by promoting energy conservation among 950 of its workers in Ill. and N.J., Nikkei reported. The company has begun distributing English versions of its “environmental household account book,” which explains everything anyone would want to know about common household emissions. Matsushita distributed the Japanese version to employees in Japan since 1998, Nikkei said.

LeapFrog Enterprises shareholder Knowledge Universe has distributed to its owners 8 million shares of the company’s Class B stock. Knowledge, which is controlled by former junk bond trader Michael Milken, said the stock was distributed for financial planning purposes. An entity controlled by Milken received 4.1 million shares, while a firm owned by Oracle CEO Lawrence Ellison got 3.7 million. Milken was given another 128,172 shares

directly, while his brother, Lowell, was granted 15,725. Neither the Milkens, nor Ellison, have any present intention to sell the stock, LeapFrog said. Knowledge continues to hold 606,821 shares.

PalmOne's 3rd-quarter net loss would have doubled if it had expensed the cost of stock options, it said in a filing with the SEC. PalmOne's loss for the quarter ended Feb. 28 would have been \$17.8 million if it expensed options, rather than the \$9.3 million reported. For the 9-month period, the loss per share would have been \$1.48, rather than 94¢. On March 31, the U.S. accounting industry's rulemaking body recommended that regulators require companies to expense the cost of stock options.

Computing

Skype said it had launched a version of its free software allowing customers to make free voice calls using Wi-Fi enabled Microsoft Pocket PC-based handheld computers from any Wi-Fi hot spot. It said the software, called PocketSkype, was a "thin version of Skype," developed specifically for PDA services. It said mobile Skype would offer the same core features as the regular one, including free Skype-to-Skype worldwide calling, free conference calling, instant messaging, online presence and contact lists.

mmWire/Videogames

Researchers have discovered that doctors who spend at least 3 hours per week playing videogames made about 27% fewer mistakes in laparoscopic surgery and performed the surgery 27% quicker than surgeons who didn't play games, Reuters reported. It said Dr. James Rosser demonstrated his findings Tues. at Beth Israel Medical Center in N.Y.C. Rosser said he used "the same hand-eye coordination to play videogames" that he did to perform surgery. Doctors performing laparoscopic surgery use a small camera and instruments controlled by joysticks. The study was conducted by researchers with Beth Israel and the National Institute on Media and the Family at Ia. State U.

The Art Institute of Cal.-San Francisco said it was making scholarships available for students pursuing degrees in Game Art & Design, Visual & Game Programming, Graphic Design and Media Arts & Animation. It said awards — including partial scholarships and 9 full-tuition grants up to \$70,000 each — would be based on the quality of projects high school seniors submitted through April 30. The school is accepting applications for summer and fall admission.

New Games: Namco Hometek said Wed. it was creating a 3rd-person action-adventure game based on the character Nina Williams from its *Tekken* series. It said the game — *Death By Degrees* — was being developed by Namco Limited and will ship for PS2 "in late 2004." The company said sales of *Tekken* games "have far surpassed 20 million units worldwide"... Ubisoft plans to ship *Rocky Legends* for PS2 and Xbox this fall under an exclusive licensing deal with MGM Interactive. Financial terms weren't disclosed. The game is being developed by a Venom Games team including many developers who created Ubisoft's first game based on the Oscar-winning MGM film, Ubisoft said. Ubisoft also said *Tom Clancy's Rainbow Six 3: Black Arrow* — developed by Ubisoft Montreal — will ship for Xbox in Aug. The publisher said the title "will be one of the first games to deliver new Xbox Live features." It said the game's predecessor — *Tom Clancy's Rainbow Six 3* — was "the most successful Xbox live game of all time." The company also said it made 2 new multiplayer levels available online for the original game. Ubisoft also said its Montreal Studio was producing a version of its PC game *Far Cry* for select console systems. An Ubisoft spokesman said the new version will ship this fall for Xbox, and other consoles were yet to be determined.

Intellivision Productions said it had teamed with Classic Gaming Expo (CGE) to create a multimedia, interactive "museum" — "The History of Video Games" — for the L.A. Convention Center's Kentia Hall during E3 Expo, May 12-14. Intellivision said its original game programmers, the Blue Sky Rangers, would appear at the exhibition to talk about the videogame industry's early days and their role. The Blue Sky Rangers created games including *Astrosplash*, *Night Stalker* and *Space Armada*. Along with home game consoles, original arcade machines including *Donkey Kong* and *Ms. Pac-Man* will be available for attendees to play, the company said.

Taito plans to expand wireless distribution of its classic *Space Invaders* and other games, Nikkei reported, quoting company sources. The publisher is hoping to offer the games over mobile phone service in 100 countries by the year-end, the report said. Taito plans to kick off the service in Latin America and the Middle East, including Brazil and Iran, and boost the number of services offering its games in the U.S. and Europe. The report said Taito had already started offering the service in the U.S. over Sprint's PCS service.

Tiger Hill Entertainment said it had optioned the movie rights to Nintendo's popular *Metroid* game franchise, filmmaker John Woo — who started Tiger Hill — wanted to direct it. But the developer didn't say when it expected the film to be completed or released. Reuters reported that producers Warren Zide and Craig Perry optioned the *Metroid* film rights in Jan. 2003 but allowed them to expire without making a movie. The same report said Nintendo planned to unveil its 8th *Metroid* title — *Metroid Prime 2* — at E3 Expo next month in L.A. Nintendo of America didn't respond to a request for comment by our deadline.

As Infinium Labs continued to gear up for launch of its delayed Phantom Gaming System, the company has changed PR firms for the 3rd time in a year. The Bohle Co. replaces Bender/Helper Impact, which said it had completed an unspecified 2-month project for Infinium and no longer was on the account. Bender/Helper had replaced Zeitgeist Communications, the first PR agency tapped by Infinium, which didn't respond to a request for comment by our deadline. The company said last week that it signed a deal with Teague — financial terms not disclosed — to continue design and development of its Phantom console. Infinium said Teague was “designing and building 3rd-generation production prototypes and custom peripherals which Infinium plans to exhibit” at E3 Expo in L.A. next month. It said Teague “will work under the direction of Infinium Labs' Seattle-based product development team.” Infinium Vp-Product Development Ty Graham said his company had selected Teague “because of its extensive experience in designing consumer electronics.”

Consumer Electronics People

John Riccitiello resigns as Electronic Arts pres. and COO, his duties to be assumed by CEO **Larry Probst** until replacement is found... **Gary Kurfirst**, veteran entertainment producer, appointed to Infinium Labs advisory board... **Craig Owens**, ex-Peak Entertainment, named vp-business development at Cyop Systems, online videogame provider.



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