

A Message to Legal Personnel

Pursuant to the Sarbanes-Oxley Act of 2002, the SEC adopted Part 205, an extensive set of rules that impose new obligations on attorneys (both in-house attorneys and outside counsel) who work with public companies, especially the chief legal officers of those companies. Effective August 5, 2003, the SEC placed upon attorneys who become aware of "evidence of a material violation" an obligation to report the evidence "up the ladder" to the chief legal officer and (under certain circumstances) the board of directors or its Qualified Legal Compliance Committee.

For chief legal officers who receive a report of a potential material violation, Part 205 imposes an obligation to investigate and take steps reasonably intended to cause the company to take timely and appropriate action. The chief legal officer must also report back to the reporting attorney or the Board level committees. Part 205 also requires supervisory attorneys to ensure that subordinate attorneys comply with the law. Accordingly, as a public company, Digimarc has adopted these procedures for the implementation of Part 205.

These Standards of Professional Conduct for Legal Personnel are intended to help you understand and comply with the standards of conduct that are expected of all individuals who manage and perform legal services for or on behalf of Digimarc Corporation. Read these standards and keep them handy for future reference.

The standards of conduct that are implemented herein are expressed in various company policies and directives. Printed copies of any of the policies and directives are available from your Human Resources Manager or any Digimarc attorney.

I appreciate the competence and professionalism of our legal team, and the strong dedication to the tradition of compliance and ethical conduct that our legal team represents. Thank you for supporting this policy and our continuing success.

Bruce Davis
Chairman and Chief Executive Officer
Digimarc Corporation

STANDARDS OF PROFESSIONAL CONDUCT FOR LEGAL PERSONNEL

The Board of Directors' primary responsibility is to provide effective governance over the affairs of Digimarc Corporation ("Digimarc", "Corporation" or "Company"). In furtherance of this responsibility, the Board has adopted the following Standards of Professional Conduct for Legal Personnel (the "Standards of Conduct") for all legal employees of Digimarc. These Standards and their policies apply worldwide to all operations and employees of the Company. The "Company" includes Digimarc Corporation and its domestic and foreign subsidiaries; "employee" includes every lawyer who manages or performs legal services for or on behalf of Digimarc.

I. INTRODUCTION

These Standards of Conduct provides the framework for the conduct of all legal personnel who perform work for Digimarc. It is the personal responsibility of each employee of the Company to adhere to the standards and restrictions, whether imposed by law or these Standards, applicable to his or her assigned duties and responsibilities, and to conduct himself or herself accordingly. Such standards and restrictions require each employee to avoid any activities that would involve the Company in any practice that is not in compliance with these Standards. Any employee who does not adhere to these standards and restrictions is acting outside the scope of his or her employment or agency.

II. UP THE LADDER REPORTING

The SEC has adopted final rules that require attorneys to report evidence of a material violation of law "up the corporate ladder" until the attorney receives an appropriate response.

Material Violations of Law Required. Under the rules, an attorney in the representation of a public company must report to specified officers and directors at the Company any evidence that the Company or any of its directors, officers, employees or agents has committed, is committing, or is about to commit a material violation of federal or state securities laws, a material breach of fiduciary duty under federal or state law, or a similar material violation of federal or state law. Nonmaterial breaches and violations do not trigger reporting obligations.

Credible Evidence Triggers Reporting. The attorney must make the report if he or she becomes aware of credible evidence, based upon which it would be unreasonable, under the circumstances, for a prudent and competent attorney not to conclude that it is reasonably likely that a material violation has occurred, is occurring, or is about to occur. To be "reasonably likely," a violation must be more than a mere possibility, but need not be "more likely than not." As a result, an attorney may need to report evidence of a material violation even if he or she doubts that a violation has actually occurred. However, an attorney need not report based on gossip, hearsay or innuendo.

Two Options for Reporting. The law provides two avenues for a lawyer to report evidence of a material violation. First, the attorney can report up the corporate ladder under Section III. Alternatively, the lawyer can report directly to the Qualified Legal Compliance Committee ("QLCC") under Section IV.

Subordinate Attorneys May Reports to Supervising Attorneys. A “subordinate” attorney may satisfy his or her reporting obligations under the rules by reporting evidence of a material violation to his or her supervising attorney. The supervisory attorney then must comply with the up-the-ladder reporting requirements described above. The rules define a supervisory attorney as an attorney actually supervising or directing a subordinate attorney (such as the Chief Legal Officer or divisional manager). The law places fewer obligations on an attorney who reports evidence of a material violation to a supervising attorney, rather than directly to the CLO.

III. PROCEDURES FOR UP THE LADDER REPORTING

The rules require an attorney to take the following steps to report evidence of a material violation:

1. First Reporting Step

Under the first option, an attorney must report evidence of a material violation to the Company’s Chief Legal Officer, or to both the Company’s Chief Legal Officer and Chief Executive Officer. This report shall be made promptly upon learning of the possible violation. The Chief Legal Officer shall promptly initiate a reasonable inquiry into the evidence, take all reasonable steps to cause the company to make an “appropriate response,” and advise the reporting attorney of the response. The process should be conducted diligently, and the CLO shall report back to the reporting attorney, the CEO and the QLCC within a reasonable time, based on all of the facts and circumstances.

For purposes of this option, an “appropriate response” is a response that would lead an attorney to reasonably believe that:

- there is no material violation;
- the Company has undertaken appropriate measures to stop, prevent or remedy any potential or actual material violation; or
- the Company has engaged an attorney, with the consent of the Board or a committee thereof, to review the evidence, and the Company has either substantially implemented any remedial recommendations made by the reviewing attorney or received advice that the Company may assert a colorable defense in an investigation or proceeding relating to the reported violation.

The third form of response identified above will be deemed “appropriate” only if carried out with the consent of the Board of Directors, a committee of independent directors or, as described below, a Qualified Legal Compliance Committee.

2. Second Reporting Step

If the reporting attorney does not receive an appropriate response within a reasonable period of time, he or she must report the evidence of a material violation “up the ladder” to the Audit Committee, the Governance and Nominating Committee or another committee of independent directors (if there is no longer an Audit Committee), or to the full Board of Directors (if there are no committees consisting solely of independent directors).

Moreover, in some cases, the rules require attorneys to reveal confidential client information to the SEC if reasonably necessary to prevent or rectify a material violation that is likely to cause substantial injury to the company or investors. An attorney should seek guidance prior to revealing confidential information.

IV. PROCEDURES FOR REPORTING TO THE QUALIFIED LEGAL COMPLIANCE PROCEDURES

As an alternative to the “up-the-ladder” reporting requirements, the lawyer can report directly to the Qualified Legal Compliance Committee, which is chartered to investigate evidence of material violations. Moreover, the Chief Legal Officer can refer any matter to the QLCC. The QLCC will periodically establish and publish written procedures for the treatment of reports of evidence of material violations, and set forth those procedures in Appendix A hereto.

An attorney may (but is not required to) report evidence of a material violation directly to the QLCC. After making a report to the QLCC, the attorney has no further obligation under the rules. In particular, the attorney need not assess the company’s response to the report. The Chief Legal Officer can also refer a material violation report to the QLCC instead of causing an inquiry into the report provided by an attorney under Section III above.

The QLCC has authority and responsibility to:

- determine whether an investigation of the report is necessary and, if so, to initiate an investigation by the Chief Legal Officer or outside counsel;
- recommend that the company implement appropriate remedial measures;
- inform the Chief Legal Officer, Chief Executive Officer, and the Board of Directors of the results of the investigation and the remedial measures required;
- notify the SEC if the company fails to implement the remedial measures, and
- exercise such other powers granted by law or set forth in the committee’s charter.

V. SANCTIONS; NO PRIVATE RIGHT OF ACTION

An attorney who violates the rules can be subjected to civil penalties and remedies under the Securities Exchange Act of 1934, including injunctive relief and cease-and-desist orders, and may also be subject to potential discipline under the SEC’s rules of practice, including censure or denial of appearing or practicing before the SEC. Violation of the rules does not create a private right of action against an attorney or the Company.

VI. COMPLIANCE WITH OTHER APPLICABLE LAWS

Attorneys must continue to comply with any more rigorous standards under state law. There are numerous other federal, state, local and international laws and regulations that affect specific lawyer duties and reporting obligations. Questions regarding these subjects or any other laws or regulations should be directed to the Chief Legal Officer.

VII. YOUR ROLE

You have a personal responsibility to observe both the letter and the spirit of Digimarc's Standards of Professional Conduct for Legal Personnel. Please keep this booklet handy as a ready reference to your obligations. If at any time you are uncertain what the standards of conduct require of you in a particular situation, seek guidance from your supervisor, the Chief Legal Officer, a company attorney, or call the Digimarc Hot Line (see telephone numbers below).

Your responsibility includes reporting observed or suspected violations of the standards of conduct or other misconduct up the ladder or to the Qualified Legal Compliance Committee. It is also important that you encourage other employees to perform their responsibilities under the standards of conduct. Full compliance by all employees is important to safeguard Digimarc's good reputation and continued economic viability.

VIII. RETALIATION PROHIBITED

The Company prohibits its employees from retaliating or taking adverse action in any manner against any person who in good faith raises or helps resolve a fraud, loyalty, ethics, legality or business conduct concern.

IX. ENFORCEMENT AND DISCIPLINARY ACTION

The Company shall consistently enforce these Standards of Professional Conduct for Legal Personnel through appropriate means of discipline. Pursuant to procedures adopted by the Board of Directors or the Governance and Nominating Committee thereof, it shall be determined whether violations of these Standards have occurred and, if so, what disciplinary measures will be taken against any employee of the Company who has so violated these Standards.

The disciplinary measures, which may be invoked at the discretion of the Board of Directors or the Governance and Nominating Committee thereof, include, but are not limited to, counseling, warnings, oral or written reprimands, probation, reductions in compensation or suspension without pay, demotions, suspension, termination of employment, and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as: (a) persons who fail to use reasonable care to detect a violation; (b) persons who, if requested to divulge information, withhold material information regarding a violation; (c) supervisors who approve or condone the violations or attempts to retaliate against employees for reporting violations or violators; and (d) persons who do not report a suspected or actual violation of these Standards in good faith.

X. PUBLICATION AND AMENDMENT

If required by law, Digimarc will publicly disclose these Standards of Professional Conduct for Legal Personnel. Moreover, Digimarc will publicly disclose whether it has made any changes to, or granted a waiver from, these Standards of Professional Conduct for Legal Personnel for all situations in which such disclosure is required by applicable law.

XII. CONDITION OF EMPLOYMENT OR SERVICE

Compliance with these Standards of Professional Conduct for Legal Personnel shall be a condition of employment and of continued employment with the Company, and conduct not in accordance with these Standards shall constitute grounds for disciplinary action, including termination for employment. These Standards are not an employment contract nor are they intended to be an all-encompassing policy statement on the part of the Company. The Company reserves the right to provide the final interpretation of the policies contained herein and to revise those policies as deemed necessary and appropriate.

XII. RECEIPT AND CERTIFICATION**RECEIPT AND ACKNOWLEDGEMENT**

I acknowledge that I have read these Standards of Professional Conduct for Legal Personnel, a copy of which has been supplied to me and which I will retain for future reference, and agree to comply in all respects with the terms and provisions thereof. I also acknowledge that these Standards of Professional Conduct for Legal Personnel may be modified or supplemented from time to time, and I agree to comply with these modification and supplements as well. I also acknowledge that compliance with these Standards of Professional Conduct for Legal Personnel shall be a condition of employment and of continued employment with the Company, and conduct not in accordance with these Standards of Professional Conduct for Legal Personnel shall constitute grounds for disciplinary action, including termination for employment.

Signature: _____

Print Name: _____

Date: _____, 20__

APPENDIX A**PROCEDURES FOR REPORTING SUSPECTED MATERIAL VIOLATIONS
TO THE QUALIFIED LEGAL COMPLIANCE COMMITTEE
OF DIGIMARC CORPORATION****I. Reporting Suspected Material Violations**

As part of its commitment to ethical and legal conduct, the Company expects its lawyers to bring to the attention of their supervisor, the Chief Legal Officer (CLO) or the Qualified Legal Compliance Committee (QLCC) information about suspected material violations of any applicable laws by any employee or agent. Lawyers are required to come forward with any and all such information, without regard to the identity or position of the suspected offender.

Attorneys are free to use either the “Up the Ladder” reporting option, or to report directly to the QLCC. The CLO is authorized to bring any matter directly to the QLCC, whether discovered directly by him or referred or reported to him by another lawyer. If any attorney believes that a material violation has been committed by the Chief Executive Officer or the Chief Legal Officer, or if the attorney reasonably believes that reporting the violation to the CLO and CEO would be futile, then the attorney may bypass the CLO and CEO and report the suspected violation to the Audit Committee, the Governance and Nominating Committee or another committee of independent directors (if there is no longer an Audit Committee), or to the full Board of Directors (if there are no committees consisting solely of independent directors).

The Company will treat the information in a confidential manner (consistent with appropriate evaluation and investigation requirements) and will seek to ensure that no acts of retribution or retaliation will be taken against anyone for making a report in good faith.

Because failure to report criminal activity can itself be understood to condone the crime, we emphasize the importance of reporting. Willful failure to report knowledge of wrongdoing may result in disciplinary action against those who fail to report.

II. Complaint Procedure**A. Notification of Suspected Non-Compliance**

Information about known or suspected violations by any employee or agent should be reported promptly. Whenever practical, an attorney should either make the

initial report, or follow up on an oral report, in writing. The report should be in the form of a memorandum or similar communication.

Information reported should include the identification of the individual believed to have committed the suspected violation, a brief description of the suspected violation, the activities or circumstances upon which the report is made, and any evidence or communications known to the reporting individual.

The CLO shall prepare and file with the QLCC a brief record indicating that a report was filed and the response that was provided.

B. Investigation

Reports of suspected violations will be referred to the CLO or to an outside entity (such as legal counsel or professional consultants) for an investigation. The QLCC is authorized to conduct investigations directly, through outside entities, or through inside or outside counsel. The QLCC will direct the entity chosen to investigate the matter in a prompt, thorough and professional manner and report back to the Committee.

Employees are expected to cooperate in the investigation of reported violations. This may include answering questions, providing any evidence that may be in the employee's possession, or other assistance that may be requested.

C. Reporting

Attorneys who are retained or appointed to investigate a report of a material violation, in most instances, will not be required to report to any entity other than the QLCC. Retained outside counsel and in-house counsel alike have no reporting obligations when directed by the QLCC to investigate a material violation. Moreover, both outside and in-house counsel who are directed by the QLCC to defend the Company in an SEC investigation, administrative proceeding or lawsuit are not under any reporting obligation, so long as any defense that is asserted is colorable. This test requires a good faith belief that the asserted defense is viable.

D. Confidentiality

To the extent practical and appropriate under the circumstances, to protect the privacy of all persons involved, the identity of anyone who reports a suspected violation or who participates in the investigation will not be disclosed.

Employees should be aware that the individual or individuals conducting an investigation, and those assisting in the investigation, are obligated to act in the best

interests of the Company. They do not act as advisors, personal representatives or lawyers for affected employees.

E. Protection Against Retaliation

No retaliation in any form shall be taken against an individual who reports a violation of law in good faith, even if the report is mistaken, or against those who assists in the investigation of a reported violation. Any actual or attempted retaliation is itself a serious violation of this policy. Acts of retaliation should be reported immediately and will be disciplined appropriately.