



AVC Patent Portfolio License Briefing

**TF-Media Task Force meeting
Athens, Greece
19 March 2010**

**Presentation is for information purposes only. Actual License agreements
provide the only definitive and reliable statement of License terms.**

Background

- **The MPEG LA Alternative Licensing Model**
 - What Problem Does It Solve?
 - What Works and Why?

Background

- Began with core international digital video compression standard known as MPEG-2
- Single biggest challenge to MPEG-2's adoption was dealing with the essential intellectual property rights
- Many patents owned by many patent holders created potential for confusion, conflict and cost, if standard could be used at all given patent "bottleneck"
- MPEG LA provided an alternative as a solution

Background

- **As a convenience to the market MPEG LA offers alternative Licenses**
 - Enable users the opportunity to obtain fair, reasonable, nondiscriminatory access to essential patents owned by multiple patent owners in a single transaction as an alternative to separate licenses
 - Patent owners include all of their patents essential to the respective technology Standard

Background

- **MPEG LA is granted a nonexclusive sublicense from patent owners, collects and distributes royalties for the benefit of patent owners, and receives an administrative fee as a percentage of royalties collected**
 - **All Licensees (including Licensors) sign the same License and are subject to the same terms**
 - **All users (including Licensees) retain the right to negotiate bilateral licenses with individual patent holders if they prefer**

Background

- **The Patent Portfolio License model employed for MPEG-2 has become a template**
 - MPEG-2 Video & Systems
 - ATSC
 - AVC/H.264 (MPEG-4 Part 10)
 - MPEG-4 Visual (Part 2)
 - VC-1
 - MPEG-4 Systems
 - IEEE 1394
 - MPEG-2 Systems
- **Adopting the model in other industries**

AVC Patent Portfolio License

- Objective is to offer an alternative license for the convenience of users enabling them to acquire patent rights necessary for the AVC/H.264 standard from multiple patent holders in a single transaction rather than negotiating licenses with each of them individually
- Patent owners sought to align the AVC License with AVC product value chain
- Enhance use of AVC across different business models
 - Caps to provide cost predictability
 - Threshold levels to encourage early-stage adoption and minimize impact on lower volume users

Coverage

- **The AVC Patent Portfolio License provides coverage for use of AVC Standard defined in ISO/IEC IS 14496-10**
 - **Profiles covered by Portfolio patents include Baseline, Main, Extended, High, High 10, High 4:2:2, High 4:4:4 Predictive, High 10 Intra, High 4:2:2 Intra, High 4:4:4 Intra, CAVLC 4:4:4 Intra, Scalable Baseline, Scalable High and Scalable High Intra**

Coverage

- **Each patent is essential for use of the AVC Standard**
 - Specific implementations for which there are competitive alternatives not included
- **Patent holders submit patents for evaluation of their essentiality by independent patent experts**
- **Worldwide coverage (including essential counterparts)**
- **Licensors include all essential patents**

Coverage

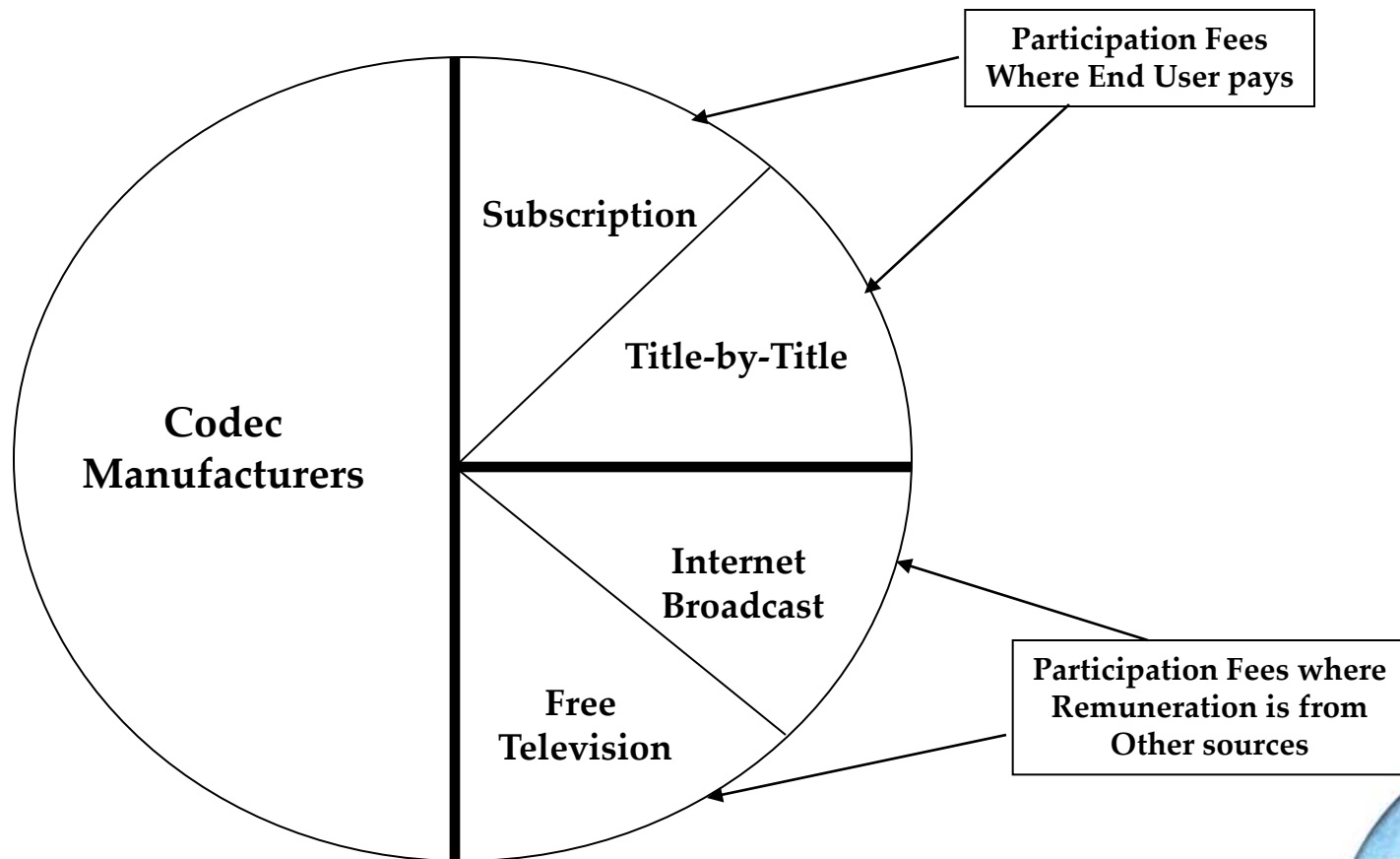
- Over 1,000 patents currently included and more patents are in the evaluation pipeline
- Attachment 1 patent list to the License is updated regularly
 - See www.mpegla.com
- New Licensors and essential patents may be added at no additional royalty during the current Term; coverage for entire Term

Current Patent Owners

Essential Patent Holders currently include:

- Apple Inc.
- DAEWOO Electronics Corporation
- Dolby Laboratories Licensing Corporation
- Electronics and Telecommunication Research Institute (ETRI)
- France Télécom, société anonyme*
- Fraunhofer-Gesellschaft zur Foerderung der angewandten Forschung e.V.
- Fujitsu Limited
- Hitachi, Ltd.
- Koninklijke Philips Electronics N.V.
- LG Electronics Inc.
- Microsoft Corporation
- Mitsubishi Electric Corporation
- NTT DoCoMo, Inc.
- Nippon Telegraph and Telephone Corporation (NTT)
- Panasonic Corporation
- Robert Bosch GmbH*
- Samsung Electronics Co., Ltd.
- Scientific-Atlanta Vancouver Company
- Sedna Patent Services, LLC
- Sharp Corporation
- Siemens AG
- Sony Corporation
- Telefonaktiebolaget LM Ericsson
- The Trustees of Columbia University in the City of New York
- Toshiba Corporation
- Victor Company of Japan, Limited (JVC)*

AVC/H.264 License



AVC/H.264 License Terms

- **AVC Products sold to end users and OEM products for PC (but not part of OS)**
 - No royalty for the first 100,000 units per year (available to one legal entity in an affiliated group)
 - US \$0.20 per unit after first 100,000 units/year
 - US \$0.10 per unit above 5M units/year
 - Enterprise cap: \$5M per year 2009-10
 - A “unit” is an AVC decoder, AVC encoder or product consisting of one AVC decoder and one AVC encoder
- **Included in the royalty paid by the AVC Product supplier is the right of consumer use by or between end users (e.g., in connection with a video teleconference or mobile messaging)**

AVC/H.264 License Terms

- **Where End User pays for AVC Video**
 - **Subscription AVC Video (not limited by Title)**
 - No royalty for Subscription AVC Video with 100,000 or fewer subscribers per year
 - For services with more than 100,000 Subscribers, royalties begin at \$25,000 per year and rise to a maximum of \$100,000 per year for services with more than 1M Subscribers
 - **Title-by-Title AVC Video**
 - No royalty for Titles of 12 minutes or less
 - For titles greater than 12 minutes in the is the lower of 2% or \$0.02 per Title
 - **Enterprise cap: \$5M/yr 2010**

AVC/H.264 License Terms

- **Where remuneration is from other sources**
 - **Free Internet Broadcast AVC Video**
 - No royalty through 2015
 - **Free Television**
 - (a) one-time \$2,500 per transmission encoder or (b) annual fee based on size of broadcast market starting at \$2,500 for less than 100,000 Household and rising to maximum \$10,000 for great than 1M Households
 - Enterprise cap: \$5M in 2010

Term

- **First Term: August 1, 2002 – December 31, 2010**
- **Renewable for successive 5-year periods for the life of any Portfolio patent on reasonable terms and conditions**
- **Rate Protection on Renewal – royalty rates for specific license grants will not increase by more than 10% at renewals**

Questions?

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