

ISMA Feedback: AVC Licensing Discussion

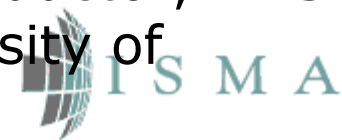
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Our Membership

- Sponsors:
 - Apple, Cisco, IBM, Kasenna, Philips, Sun Microsystems
- Participants:
 - Analog Devices, AOL Time Warner, Coding Technologies, Content Guard, Dolby Laboratories, Envivo, France Telecom, Fraunhofer Institute for Integrated Circuits, Hitachi, iVast, Matsushita Electric Industrial, NagraVision, Neomagic, NetNtv, Network Appliance, Nextreaming, Oki Electric Industry, Optibase, Sharp Laboratories of America, Sony Corporation, Telecom Italia, Thomson, Vbrick Systems, Volera
- Adopters:
 - Bitband Technologies, National Semiconductor, NDS Technologies, On2 Technologies, University of Washington
- Content Advisory Board:



Mission

- To accelerate the adoption and deployment of open standards for streaming rich media content (video, audio, and associated data) over Internet Protocols (IP)



Alliance Goals...

- Promote the adoption of open standards
 - Enable multi-vendor, multi-platform interoperability
- Develop *implementation* Specification(s)
 - Build upon existing (or ones in development) standards, for video, audio, graphics, data and Internet Protocols (IP) and integrate them into a system specification
- Accelerate the demand for streaming media products and services
 - ...that comply with ISMA specifications via coordinated marketing programs aimed at developers, adopters and users
 - ...in response to customer/market demands



What a wild couple years ?

Patent licensing - good news, bad news

- Jan 2002 MPEG-4 Visual Patent License terms announced
 - mostly negative market feedback
- March 2002
 - MPEG-4 AAC Licensing announced – mostly well received
 - ISMA sends letters to Senior Executives of every MPEG-4 Visual Patent Holder Group company
- July 2002 MPEG-4 Visual Patent Licensing terms announced – many issues clarified
- Jan 2003 MSFT, a MPEG-4 Visual Patent holder, announces codec licensing terms, claiming it is cheaper vs. MPEG-4
- March 2003, MPEG-4 Audio CELP licensing terms made public



What is our feedback on MPEG-4 streaming including AVC?

Questions to consider?

- QUESTION: What is the competition for AVC in the video streaming market ?
- ANSWER: Microsoft Windows Media and Real Networks
- QUESTION: How do standards based licensed solutions compete against proprietary, subsidized technology [eg. Windows Media] that looks “license free” to service providers?
- ANSWER: Any thoughts?



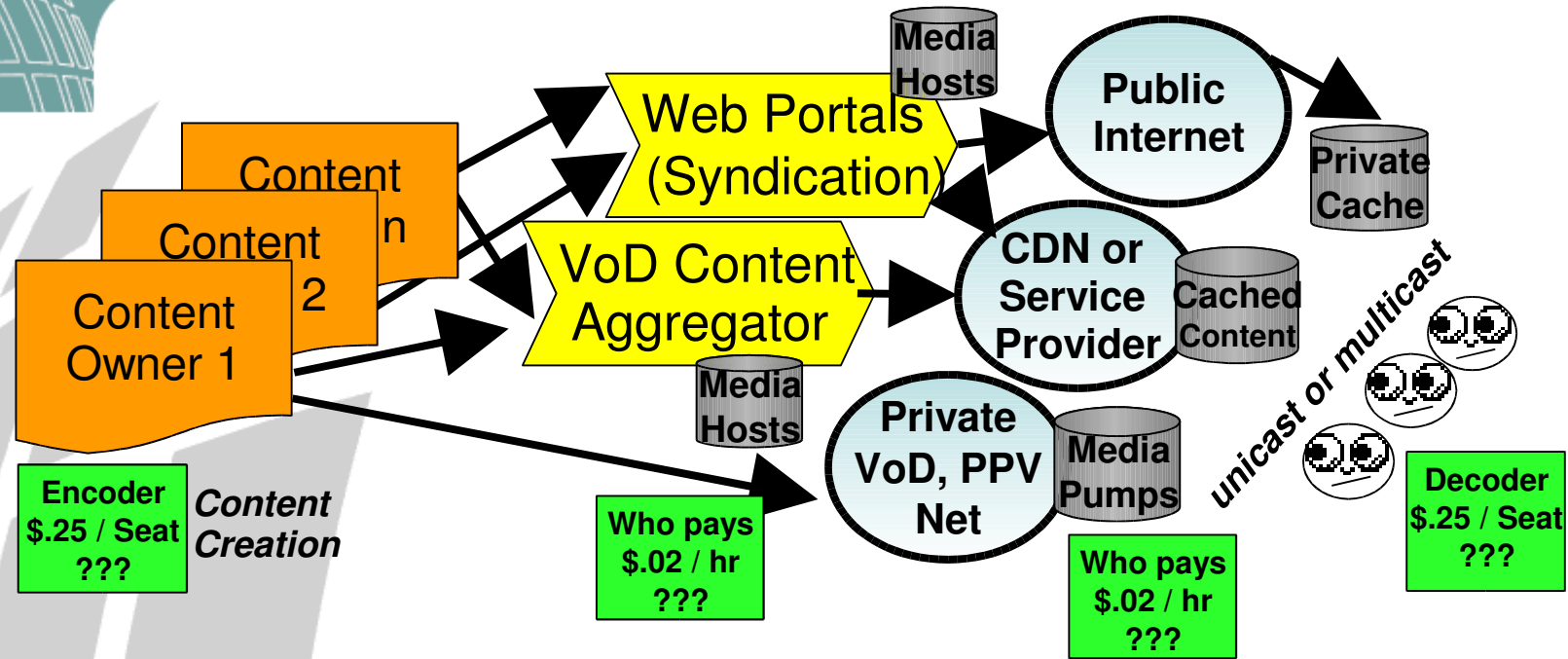
Main Feedback Points

A key MPEG-4 attribute is ubiquitous applicability!

- MPEG-4 is useful for video and audio delivery across very low bit-rate as well as high bit-rate, broadband and enterprise networks. Therefore ...
- When a license fee structure inhibits the adoption of MPEG-4 in one or more of the popular applications/scenarios, this in turn lowers the likelihood of MPEG-4 adoption in all the usage scenarios due to the lack of ubiquitous use of MPEG-4. This jeopardizes ability to meet the goal of encouraging the widest possible use of MPEG-4.



Main Feedback Points (cont.)



- Licensing terms from (all sources) have been slow to be published and have been susceptible to many, inconsistent interpretations. This is particularly true when there are multiple entities aggregating and/or collecting revenue in the creation and distribution of video content!

Main Feedback Points (cont.)

A key trend in VoD services is to charge a (recurring) fee for period-limited access to a body of stream-able content where the user may consume content at-will during the subscription period. Therefore...

- Any usage-based, license fee results in higher licensing costs for network hosted VoD distribution vs packed media when the subscriber watches the same content multiple times. If a household watches the same streamed content multiple times (e.g. for each family member), the usage fee is charged for each time it is streamed. If a household watches the same content on packed media, the usage fee is collected only once. This jeopardizes a necessary goal of "non-discriminatory treatment across all market segments." MPEG-2, which has no usage fee, is currently still more attractive for VoD.



Main Feedback Points (cont.)

Internet streaming and Enterprise streaming applications today commonly offer free client players (decoder). Therefore...

- Significant license fees per s/w (decoder) player is only marginally competitive compared to alternatives.
- The ability to continue offering free players will likely be accomplished by larger distributors of streaming players given the high annual costs caps for each legal entity.

Recommendations

To improve adoption chances for AVC...

- Simplify or reduce any accounting/billing burden
- Make it clear which single entity in a content value chain is responsible for any license fees
- Avoid time-based usage fees; short of that, add a competitive, low-cost, yearly cap per entity
- Explore shifting license costs to encode side from decode for software implementations
- Consider the approach used for MPEG-4 AAC



Feedback Summary

- If AVC licensing looks like MPEG-4 Visual licensing terms, the adoption of AVC will likely be inhibited in more than one application scenarios (esp, streaming)
- Licensing terms have been susceptible to many, inconsistent interpretations.
- AVC video licensing costs for VoD streaming shouldn't be higher vs packaged media and/or MPEG-2; inhibiting adoption
- Use fees that put an onerous accounting burden on service providers will inhibit adoption
- License fees per s/w decoder/player will be only marginally competitive compared to alternatives

**Thank you for considering
ISMA's feedback.**

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