



# **AVC Patent Portfolio License Briefing\***

\*This presentation is for information purposes only.

Actual license agreements will provide the only definitive and reliable statement of license terms.



# Objectives

- **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**
- **Align 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

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

# Coverage

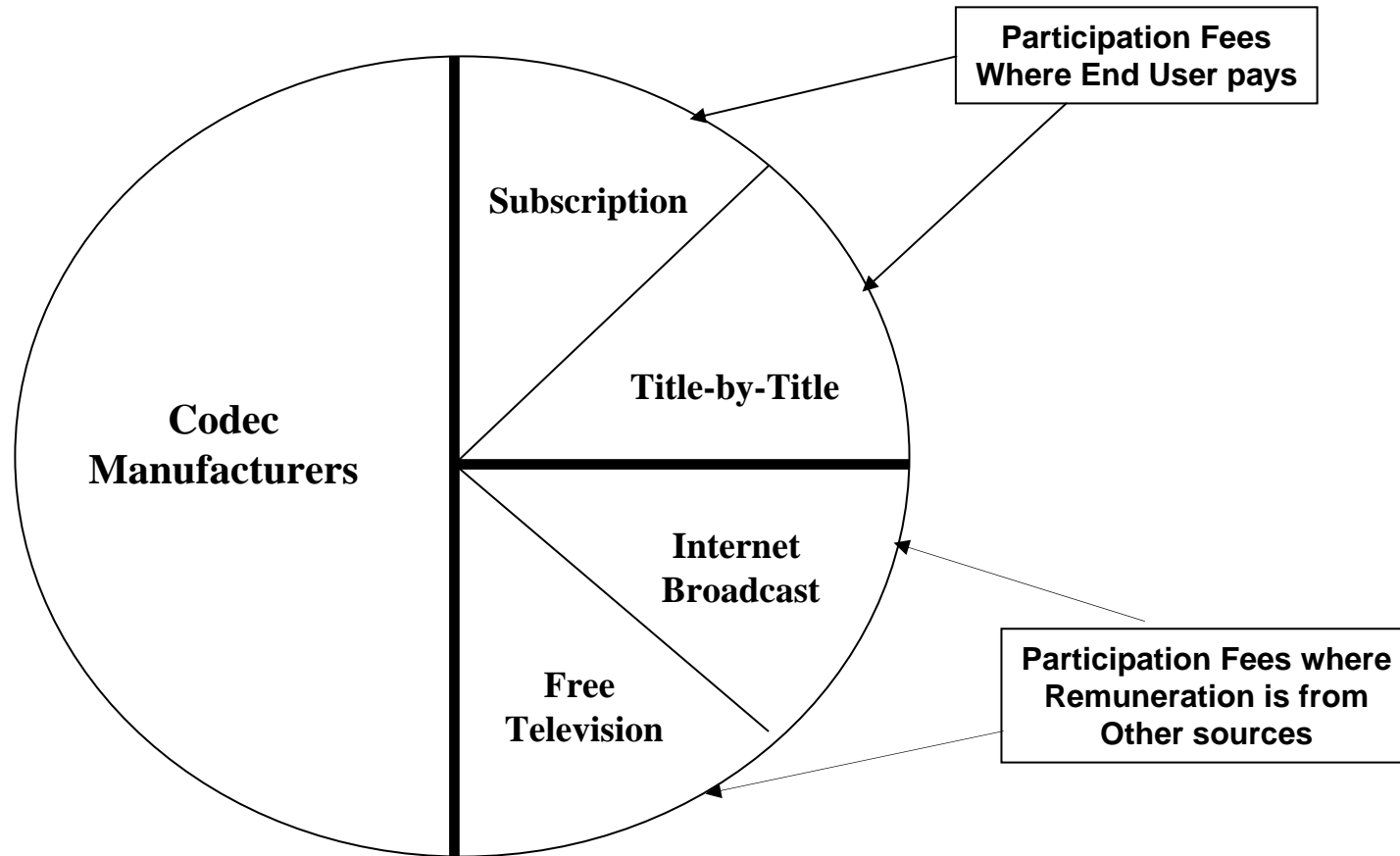
- **More patents in the evaluation pipeline**
- **Attachment 1 to the License is updated regularly**
  - See <http://www.mpegla.com>, “AVC,”  
“The Patent List”
- **New Licensors and essential patents may be added at no additional royalty during the current term; coverage for entire term**

# Current Patent Owners

**Essential Patent Holders currently include:**

- **Columbia Innovation Enterprises**
- **Electronics and Telecommunications Research Institute (ETRI)**
- **France Télécom S.A.**
- **Fujitsu Limited**
- **Matsushita Electric Industrial Co., Ltd.**
- **Microsoft Corporation**
- **Mitsubishi Electric Corporation**
- **Koninklijke Philips Electronics N.V.**
- **Robert Bosch GmbH**
- **Samsung Electronics Co., Ltd.**
- **Sharp Kabushiki Kaisha**
- **Sony Corporation**
- **Toshiba Corporation**
- **Victor Company of Japan (JVC)**

# AVC/H.264 License



# AVC/H.264 License Terms: Codec Manufacturers

- **Products sold to end users and OEM for PC but not part of OS (decoder, encoder or product consisting of one decoder and one encoder = “unit”)**
  - 0 - 100,000 units/year = no royalty (available to one legal entity in an affiliated group)
  - US \$0.20 per unit after first 100,000 units/year.
  - Above 5 million units/year, royalty = US \$0.10 per unit
  - Enterprise cap: \$3.5 M/year 2005-2006, \$4.25 M/year 2007-08, \$5 million per year 2009-10
- **An Enterprise selling branded OEM for PC OS may pay for its customer**
  - 0 - 100,000 units/year = no royalty (available to one legal entity in an affiliated group)
  - US \$0.20 per unit after first 100,000 units/year
  - Above 5 million units/year, royalty = US \$0.10 per unit.
  - Enterprise cap: \$3.5 M/year 2005-2006, \$4.25 M/year 2007-08, \$5 million per year 2009-10
- **Includes make, sell and limited right of consumer use by or between end users (e.g., in connection with a video teleconference or mobile messaging)**
- **Royalties begin January 1, 2005**



# AVC/H.264 License Terms: Participation Fees

- **Where End User pays for AVC Video**
  - Title-by-Title - 12 minutes or less = no royalty; >12 minutes in length = lower of (a) 2% or (b) \$0.02 per title.
  - Subscription (not limited by title) – 100,000 or fewer subscribers/yr = no royalty; > 100,000 to 250,000 subscribers/yr = \$25,000; >250,000 to 500,000 subscribers/yr = \$50,000; >500,000 to 1M subscribers/yr = \$75,000; >1M subscribers/yr = \$100,000
- **Where remuneration is from other sources**
  - Free Television - (a) one-time \$2,500 per transmission encoder or (b) annual fee starting at \$2,500 for > 100,000 HH rising to maximum \$10,000 for > 1,000,000 HH
  - Free Internet Broadcast (not title-by-title, not subscription) – no royalty during first term (through 2010; not greater than free television thereafter)
- **Enterprise cap: \$3.5M/yr 2006-07, \$4.25M/yr 2008-09, \$5M/yr 2010**
- **Royalties begin January 1, 2006**



# 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 (except for Internet Broadcast AVC\*) will not increase by more than 10% at renewals**

\*Section 3.1.5 of the AVC Patent Portfolio License

# Other Important Provisions

- **Most Favorable royalty rates clause**
- **Licensee data is protected as confidential**
- **Grant-back on essential patents similar in scope to license grants**
- **No marking requirements**