



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.

V02/01/12

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

- AVC Standard as defined in ISO/IEC IS 14496-10: Information technology – Coding of audio-visual objects – Part 10: Advanced Video Coding and ITU-T Rec. H.264, March 2005: Series H: Audiovisual and Multimedia Systems: Infrastructure of audiovisual services – Coding of moving video: Advanced video coding for generic audiovisual services
- Coverage expanded to include AVC Fidelity range Extensions (FRExt/AVC) per 15 November 2005 news release (http://www.mpegla.com/Lists/MPEG%20LA%20News%20List/Attachments/167/n_05-11-15_avc.pdf)
- Coverage updated to conform with revisions to the AVC/H.264 Standard as defined in ISO/IEC 14496-10:2008, 4th Edition (2008-09-15) per 2 February 2009 press release (http://www.mpegla.com/Lists/MPEG%20LA%20News%20List/Attachments/209/n_09_02_02_avc.pdf)



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

- Attachment 1 to the License is updated regularly
 - See <http://www.mpegla.com/main/programs/AVC/Pages/PatentList.aspx>
- New Licensors and essential patents may be added at no additional royalty during the current term; coverage for entire term



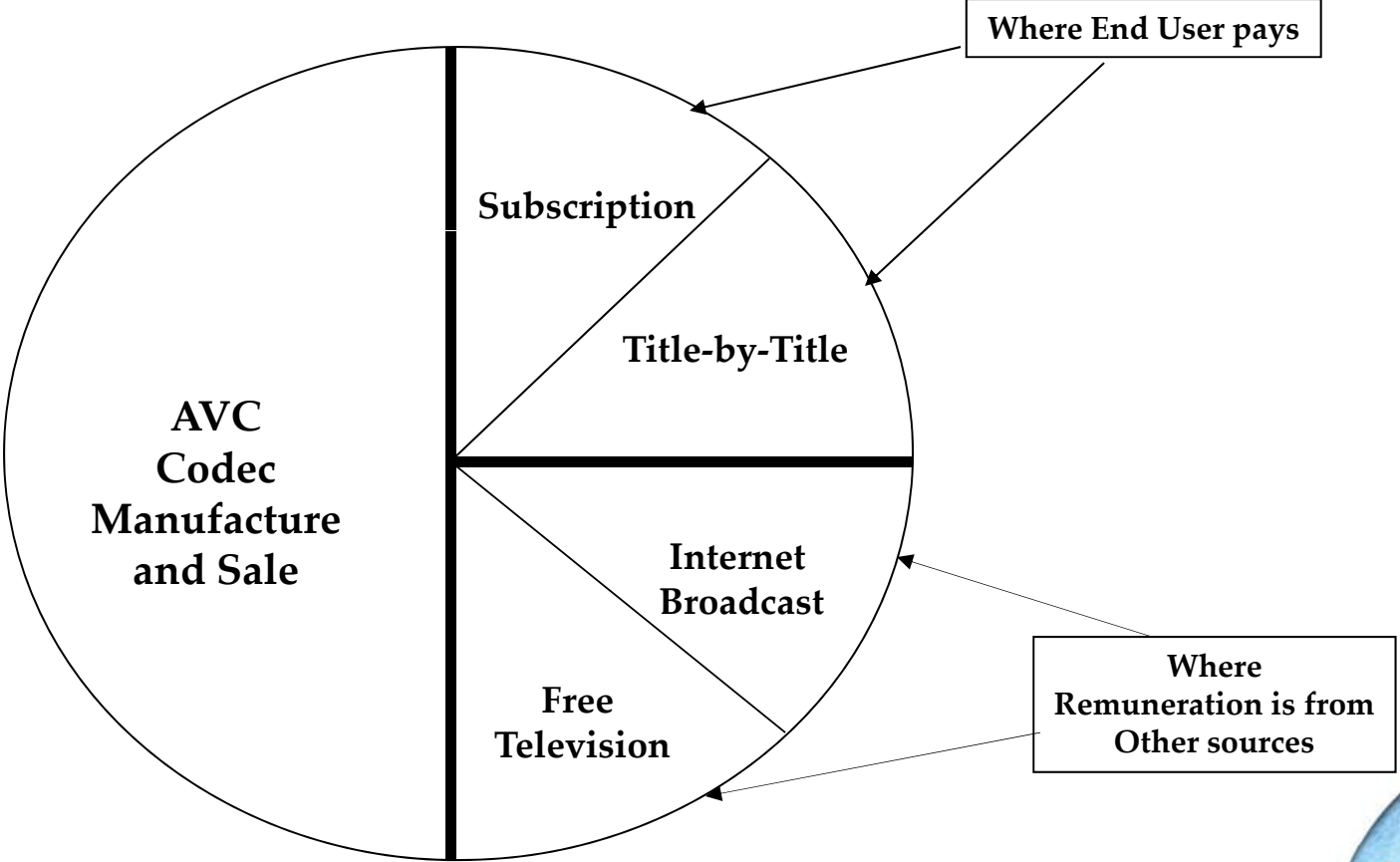
Current Patent Owners

Essential Patent Holders currently include:

- Apple Inc.
- Cisco Systems Canada IP Holdings Company
- Cisco Technology, Inc.
- DAEWOO Electronics Corporation
- Dolby Laboratories Licensing Corporation
- Electronics and Telecommunications Research Institute (ETRI)
- France Télécom, société anonyme*
- Fraunhofer-Gesellschaft zur Foerderung der angewandten Forschung e.V.
- Fujitsu Limited
- Hewlett-Packard Company
- Hitachi Consumer Electronics Co., Ltd.
- JVC KENWOOD Corporation*
- Koninklijke Philips Electronics N.V.
- LG Electronics Inc.
- Microsoft Corporation
- Mitsubishi Electric Corporation
- NTT DoCoMo, Inc.
- Nippon Telegraph and Telephone Corporation (NTT)
- Panasonic Corporation
- Polycom, Inc.
- Robert Bosch GmbH
- Samsung Electronics Co., Ltd.
- 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



AVC/H.264 License



AVC/H.264 License Terms

Codec Manufacture and Sale

- **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, \$6.5 million per year 2011-2105
- **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, \$6.5 million per year 2011-2015
- **Includes right to manufacture and sell AVC encoders and decoders with the right of End Users to use them for personal and consumer (including internal business) purposes without remuneration but not for other uses**
- **Royalties begin January 1, 2005**



AVC/H.264 License Terms

Participation Fees

- **Where End User pays for AVC Video**
 - 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
 - Title-by-Title - 12 minutes or less = no royalty; >12 minutes in length = lower of (a) 2% or (b) \$0.02 per title
- **Where remuneration is from other sources**
 - Internet Broadcast AVC Video (not title-by-title, not subscription) – no royalty for life of the AVC Patent Portfolio License
 - 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
- **Enterprise cap: \$3.5M/yr 2006-07, \$4.25M/yr 2008-09, \$5M/yr 2010, \$6.5 million per year 2011-2015**
- **Royalties begin January 1, 2006**



Term

- **First Term: August 1, 2002 – December 31, 2010**
- **Second Term: January 1, 2011 – December 31, 2015**
- **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***

* Annual royalty caps are not subject to the 10% limitation

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**