



VC-1 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 convenient access to essential VC-1 patent rights owned by multiple patent holders in a single license as an alternative to negotiating separate licenses
- Align with VC-1 product value chain
- Enhance use of VC-1 across different business models
 - Caps to provide cost predictability
 - Threshold levels to encourage early-stage adoption and minimize impact on lower volume users

Coverage

- **VC-1 Standard as defined in SMPTE 421M-2006, VC-1 Compressed Video Bitstream Format and Decoding Process**
- **Each patent is essential to the VC-1 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/VC1/Pages/PatentList.aspx>
- New Licensors and essential patents may be added at no additional royalty during the current term; coverage for entire term

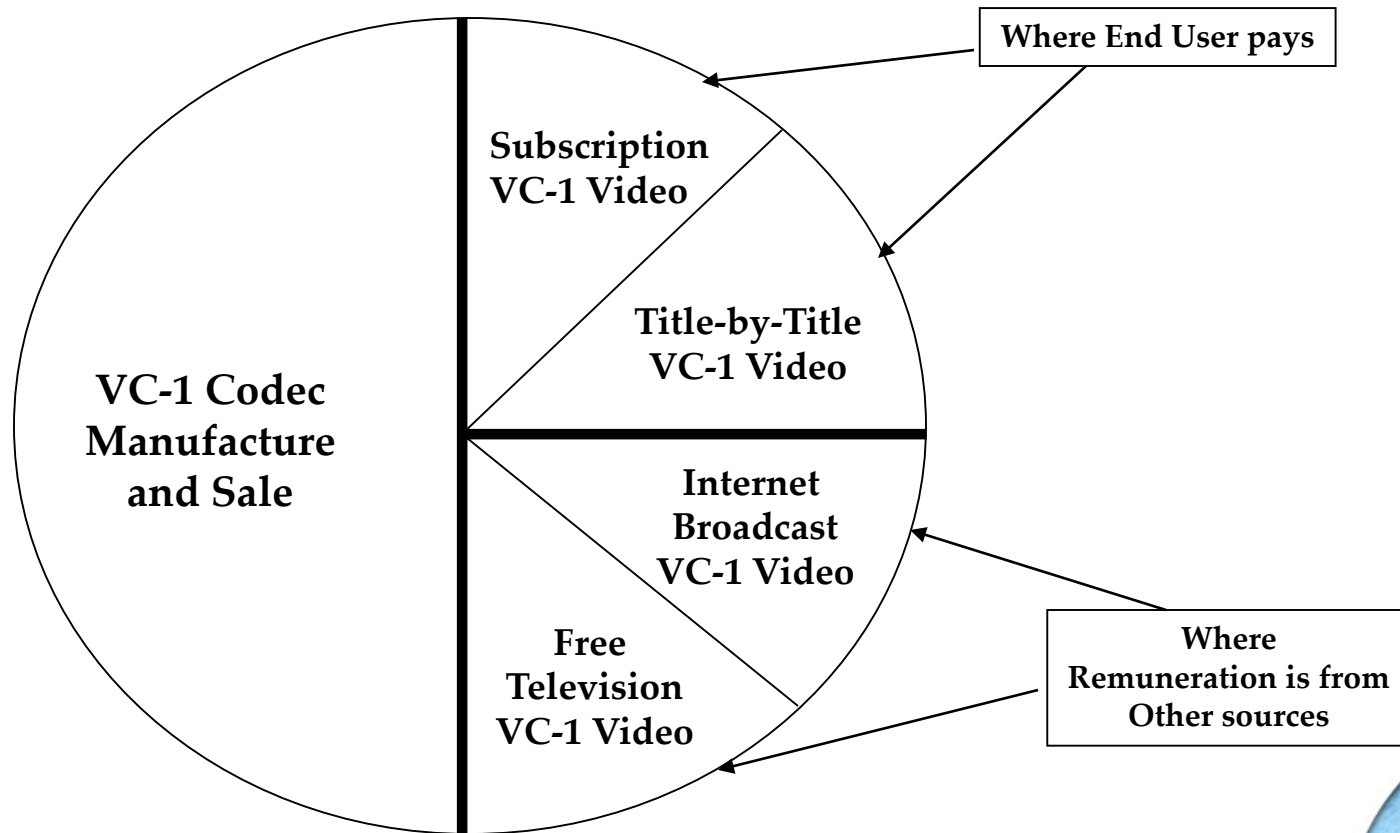
Current Patent Owners

Essential Patent Holders currently include:

- AT&T Intellectual Property II, L.P.
- Dolby International AB
- Dolby Laboratories Licensing Corporation
- Fujitsu Limited
- Hitachi, Ltd.*
- JVC KENWOOD Corporation
- Koninklijke Philips N.V.*
- LG Electronics Inc.
- Microsoft Corporation
- Mitsubishi Electric Corporation
- Nippon Telegraph and Telephone Corporation (NTT)*
- Orange SA*
- Panasonic Corporation
- Pantech Inc.*
- Samsung Electronics Co., Ltd.
- Sharp Corporation
- Siemens AG
- Sony Corporation
- Sun Patent Trust
- Telenor ASA*
- Toshiba Corporation*
- ZTE Corporation*

*Up to and through date of patent expiration

VC-1 License Sublicense Categories



VC-1 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: US \$0.10 per unit
 - Enterprise cap: \$5 million/year 2006-2012 and \$5.5 million/year 2013-2022
- **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: US \$0.10 per unit
 - Enterprise cap: \$8 million/year 2006-2012 and \$8.8 million/year 2013-2022
- **Includes right to make and sell VC-1 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, 2006**

VC-1 License Terms

Participation Fees

- Where End User pays for VC-1 Video

- Subscription (not limited by title):

<u>Subscribers/Year</u>	<u>Royalty payable per calendar year</u>
0 to 100,000	\$ 0.00
100,001 to 250,000	\$ 25,000
250,001 to 500,000	\$ 50,000
500,000 to 1,000,000	\$ 75,000
>1,000,000	\$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

VC-1 License Terms

Participation Fees

- Where remuneration is from other sources
 - Free Internet Broadcast (not Title-by-Title, not Subscription)
 - No royalty for life of the VC-1 Patent Portfolio License
 - Free Television
 - One-time \$2,500 per transmission encoder or
 - Annual fee depending on the number of households (“HH”) of

0 – 100,000 HH	\$0/Year
100,000 – 499,999 HH	\$2,500/Year
500,000 – 999,999 HH	\$5,000/Year
>1,000,000 HH	\$10,000/Year
- Enterprise cap: \$4.25 M/year 2006-08, \$5M/year 2009-2012, \$5.5M/year 2013-2022
- Royalties begin September 1, 2006

Term

- **Automatically renewable for successive 5-year periods on reasonable terms and conditions for the life of any Portfolio patent upon notice by MPEG LA**
- **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**