



MPEG-4 Visual 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 MPEG-4 Visual (part 2) Standard from multiple patent holders in a single transaction rather than negotiating licenses with each of them individually
- Align with real-world flow of MPEG-4 commerce
- Apportion reasonable royalties throughout MPEG-4 value chain
- Enhance use of MPEG-4 across different business models
 - Caps to provide cost predictability
 - Threshold levels to encourage early-stage adoption and minimize impact on lower volume users
 - Alternative royalty payment options
 - Give new business models time to emerge and mature

Coverage

- **MPEG-4 Visual (Part 2) Standard profiles covered by Portfolio patents: Simple, core, main, simple scalable, N-bit, basic animated texture, scalable texture, simple FA, advanced real time simple, core scalable, advanced coding efficiency, advanced core, advanced scalable texture, simple FBA, hybrid, advanced simple, fine granularity scalable, simple studio and/or core studio profiles**
- **As defined in ISO/IEC 14496-2:2001 [Part 2 Visual dated 2001-12-01], 14496-2:2001/Amd.1:2002 [Studio profile dated 2002-02-01], or 14496-2:2001/Amd.2:2002 [Streaming video profile dated 2002-01-01]**

Coverage

- Each patent is essential to the MPEG-4 Visual (Part 2) 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

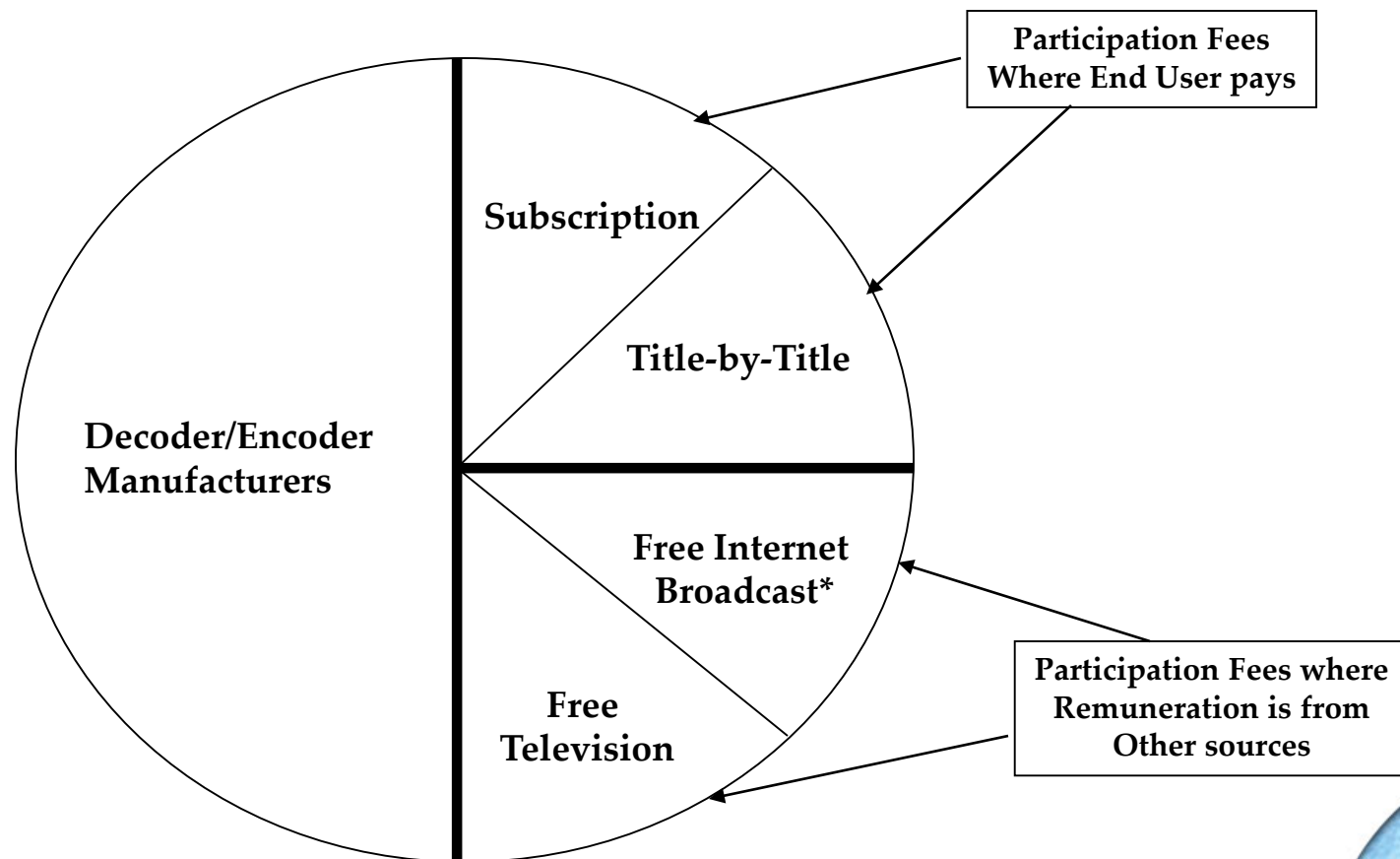
- Attachment 1 to the License is updated regularly
 - See www.mpegla.com (Current Pools, MPEG-4 Visual, Patent List)
- New Licensors and essential patents may be added at no additional royalty during the current term; coverage for entire term

Current Patent Owners

Essential Patent Holders currently include:

- British Telecommunications plc*
- CableTelevision Laboratories, Inc.*
- Calmare Therapeutics Incorporated*
- Canon, Inc.*
- CIF Licensing, LLC*
- Dolby International AB*
- Dolby Laboratories Licensing Corporation
- Fujitsu Limited*
- GE Technology Development, Inc.*
- Google LLC*
- Hitachi, Ltd.*
- JVC KENWOOD Corporation*
(formerly Victor Company of Japan, Limited)
- KDDI Corporation*
- Koninklijke Philips N.V.
- LG Electronics Inc.
- Microsoft Corporation*
- Mitsubishi Electric Corporation
- Nippon Telegraph and Telephone Corporation (NTT)*
- Oki Electric Industry Co., Ltd.*
- Orange SA*
- Panasonic Corporation
- Pantech Inc.*
- Robert Bosch GmbH*
- SANYO Electric Co., Ltd.*
- Sharp Corporation*
- Siemens AG
- Sony Corporation
- Sun Patent Trust
- Telenor ASA*
- Toshiba Corporation
- ZTE Corporation*

MPEG-4 Visual License



MPEG-4 Visual License Terms: Decoders and Encoders

- **Decoders sold to end users and/or as Fully Functioning for PCs**
 - 0 - 50,000 decoders/year = no royalty (available to one legal entity in an affiliated group)
 - US \$0.25* per decoder after first 50,000 decoders/year
 - Annual cap per Legal Entity: \$1M per year prior to 2009; \$1.1M in 2009; \$1.2M in 2010; \$1.25M after 2010
- **Encoders sold to end users and/or as Fully Functioning for PCs**
 - 0 - 50,000 encoders/year = no royalty (available to one legal entity in an affiliated group)
 - US \$0.25* per encoder after first 50,000 encoders/year
 - Annual cap per Legal Entity: \$1M per year prior to 2009; \$1.1M in 2009; \$1.2M in 2010; \$1.25M after 2010
- **Enterprise cap - \$3M per year prior to 2009; \$3.3M in 2009; \$3.6M in 2010; \$3.75M after 2010**
- **Includes make, sell and limited right of personal consumer use (e.g., in connection with a video teleconference or mobile messaging)**
- **Royalties payable on products from January 1, 2004**

*A licensee may elect to pay US \$0.24 for every product whether or not manufactured or sold in a patent country without reporting country of manufacture and country of sale

MPEG-4 Visual License Terms: Participation Fees

- **Where End User pays for MPEG-4 Video**
 - **Title-by-Title - 12 minutes or less = no royalty; >12 minutes in length = lower of (a) 2% of first Arm's-Length Sale or (b) \$0.02 per title. Licensees are (a) replicators of physical media and (b) direct sellers of other media.**
 - **Subscription (not Title-by-Title): 0-100,000 subs/year = no royalty; >100,000-250,000 subs/year = \$25,000; >250,000 – 500,000 subs/year = \$50,000; >500,000-1M subs/year = \$75,000; >1M – 5M subs/year = \$100,000; >5M – 25M subs/year = \$200,000; >25M subs = \$300,000**
- **Where remuneration is from other sources**
 - **Free Television (not Title-by-Title, Subscription or Free Internet Broadcast) - one-time fee of \$2,500 per transmission encoder**
 - **Free Internet Broadcast (not Title-by-Title or Subscription) – no royalty through December 31, 2023**
- **Enterprise cap - \$3M per year prior to 2009; \$3.3M in 2009; \$3.6M in 2010; \$3.75M after 2010**
- **Royalties payable on products from January 1, 2004**

Term

- **Next Term ends December 31, 2023**
- **Renewable on reasonable terms and conditions for successive 5-year periods for the useful life of any Portfolio patent**
- **Rate Protection on Renewal – royalty rates will not increase by more than 25% for similar license grants (except for Free Internet Broadcast*)**

*See Sections 3.1.6 and 6.1 of the MPEG-4 Visual 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**