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
  o See https://www.mpegla.com/programs/vc-1/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:

- AT&T Intellectual Property II, L.P.
- Dolby International AB
- Dolby Laboratories Licensing Corporation
- Fujitsu Limited
- Hitachi, Ltd.
- JVCKENWOOD 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
VC-1 License Sublicense Categories

- VC-1 Codec Manufacture and Sale
  - Subscription VC-1 Video
    - Title-by-Title VC-1 Video
    - Internet Broadcast VC-1 Video
    - Free Television VC-1 Video

Where End User pays

Where Remuneration is from Other sources
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

  o Subscription (not limited by title):
    | Subscribers/Year | Royalty payable per calendar year |
    |------------------|-----------------------------------|
    | 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                        |

  o 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
  o Free Internet Broadcast (not Title-by-Title, not Subscription)
    • No royalty for life of the VC-1 Patent Portfolio License
  o 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