



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**
- **Patent holders submitted patents for evaluation of their essentiality by independent patent experts**
- **Worldwide coverage including essential counterparts**
- **Licensors and their Affiliates include all essential patents**

Coverage

- Attachment 1 to the License is updated regularly
 - 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

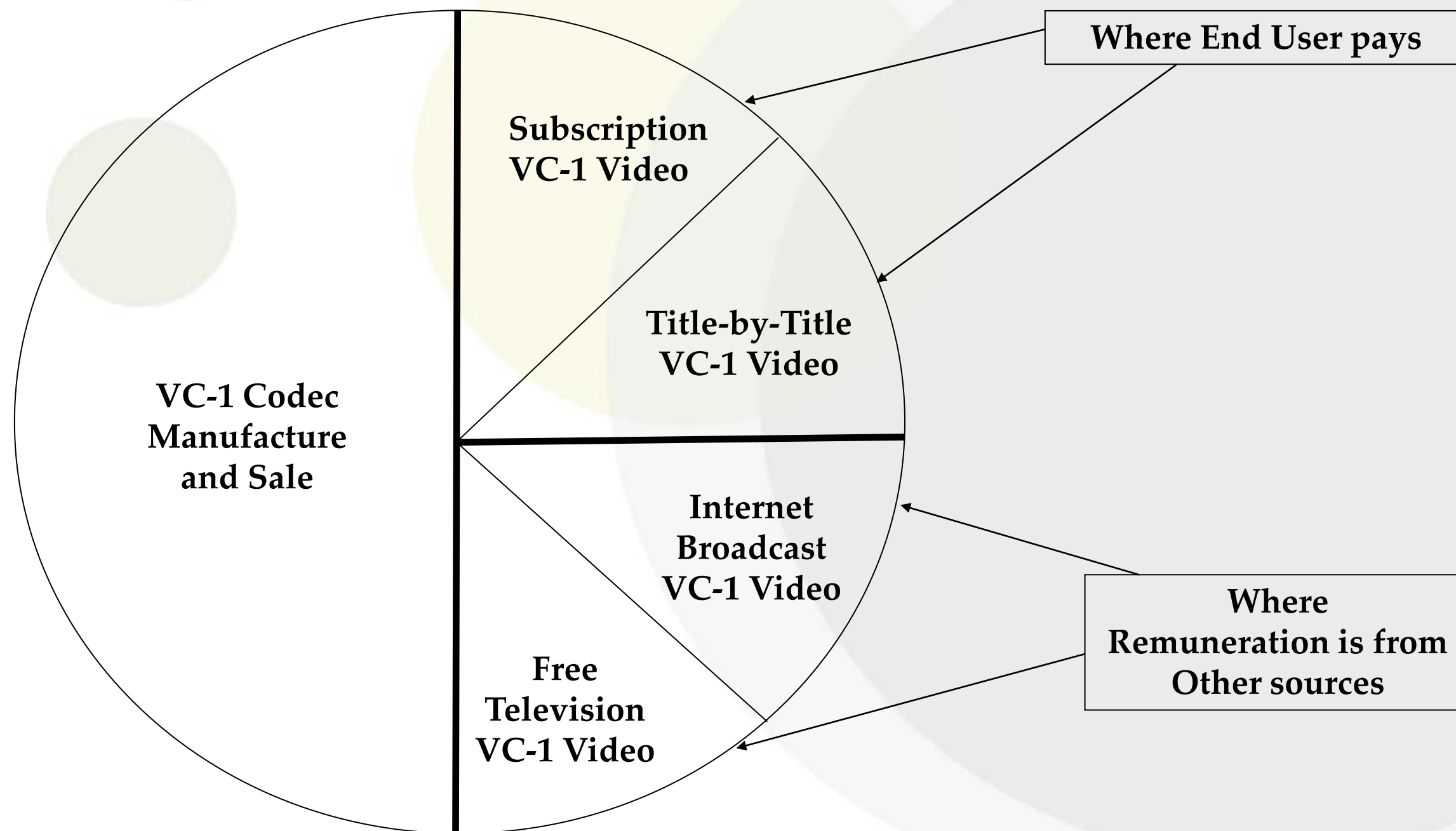


Patent Owners



- See <https://www.mpegla.com/programs/vc-1/licensors/>

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 from 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 from September 1, 2006**

Term

- **Automatically renewable for successive 5-year periods on reasonable terms and conditions for the life of any Portfolio patent (current term through December 31, 2022)**
- **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**



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