



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.

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 as an alternative to 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

- Pursuant to Section 1.13 of the AVC Patent Portfolio License, “AVC Standard” shall mean the video standard defined in:
 - I. ISO/IEC 14496-10:2008, 4th Edition (2008-09-15) for all profiles specified therein,
 - II. ISO/IEC 14496-10:2010, 6th Edition (2010-12-15) for all profiles specified therein,
 - III. ISO/IEC 14496-10:2014, 8th Edition (2014-09-01) for all profiles specified therein,
 - IV. Recommendation ITU-T H.264, 12.0 Edition (2017-04-13) for all profiles specified therein,
 - V. Recommendation ITU-T H.264, 13.0 Edition (2019-06-13) for all profiles specified therein; and
 - VI. Recommendation Rec. ITU-T H.264, 14.0 Edition (2021-08-22) for all profiles specified therein.



Coverage



- **Each patent is essential to the AVC 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/avc-h-264/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/avc-h-264/licensors/>

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: \$3.5M per year 2005-2006, \$4.25M per year 2007-08, \$5M per year 2009-10, \$6.5M per year 2011-2015; \$8.125M in 2016 and \$9.75M per year in 2017 through 2025
- **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: \$3.5M per year 2005-2006, \$4.25M per year 2007-08, \$5M per year 2009-10, \$6.5M per year 2011-2015; \$8.125M in 2016 and \$9.75M per year in 2017 through 2025
- **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**
 - 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
 - Internet Broadcast AVC Video (not title-by-title, not subscription) – no royalty for life of the AVC Patent Portfolio License
- **Enterprise cap: \$3.5M per year 2006-07, \$4.25M per year 2008-09, \$5M per year 2010, \$6.5M per year 2011-2015; \$8.125M in 2016 and \$9.75M per year in 2017 through 2025**
- **Royalties begin January 1, 2006**

Term

- **Renewable for successive 5-year periods for the life of any Portfolio patent on reasonable terms and conditions (current term through December 31, 2025)**
- **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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