

# Proposed AVC License Terms, MPEG-LA Pool

Field	Internet	"Over-the-Air" Broadcast	Subscription Content	Packaged Media or Pay-per-view Content
Encoder and/or Decoder Product	<b>\$0.20</b> /product <b>\$0.10</b> /product above 5M units annually 100K Unit floor Paid by manufacturer of end-user product or PC operating system Caps: Total Enterprise/Entity: \$3.5-5M/yr			
Use	<b>Free</b> for free content  May be raised to local broadcast rate at license renewal	<b>\$2.5K</b> per encoder used (one-time fee)  – or –  Per Market fee: <b>Free</b> < 100K subs. <sup>1</sup> <b>\$2.5K</b> /year < 500K <b>\$5K</b> /year < 1M <b>\$10K</b> /year > 1M	<b>Free</b> <100K subs. <b>\$25K</b> /year < 250K <b>\$50K</b> /year < 500K <b>\$75K</b> /year < 1M <b>\$100K</b> /year > 1M	Lesser of <b>\$0.02</b> per title sold or 2% of first sale price  Free for short (<12min.) content  Paid by content replicator or service/content provider
Cap: Total Enterprise/Entity: \$3.5-5M/yr				

- License through 2010, grace period through 2004 (Encoding and Decoding) or 2005 (Use)

<sup>1</sup> In the U.S. this would exempt only the 40 smallest markets out of 210 Nielsen DMA's, the largest of these being Billings, MT or Dothan, AL.

# Proposed AVC License Terms, Via Pool

Field	Internet	"OTA Broadcast"	Subscription Content	Packaged Media or Pay-per-view Content
Encoder and/or Decoder Product	<p><b>\$0.25</b>/product</p> <p>\$0.0025/product for temporary decoder provided with content</p> <p>Exemption for free 30-day demos of PC software</p> <p>Paid by manufacturer of end-user product</p> <p>Caps: Total Enterprise/Entity: \$2.5M/yr except PC OEM (non-retail) software at \$4M/yr</p> <p>A PC software OEM can pay product royalties that cover the PC Hardware the software is shipped on.</p>			
Use	<b>Free</b>			<p>Per title sold (Free for free content)</p> <p><b>\$0.005</b> &lt;30 Min</p> <p><b>\$0.015</b> &lt;90 Min</p> <p><b>\$0.025</b> &gt;90 Min</p> <p><b>\$0.0025</b> for &lt; 30 days, 20 plays temporary content</p> <p>Paid by party that completes financial transaction and authorizes content delivery</p>
Overall Floor	Less than 50K Units and \$500K revenue – no fees or reporting			

- Initial Fee of \$15K at start of license, "hardship terms" for entities with <\$2M annual revenues
- License term 5 years, grace period through 2004

# Common Questions on AVC Licensing

- **Why are there two patent pools for AVC?**

One reason MPEG-4 part 2 has seen little commercial adoption is because content providers or system operators felt the per-minute royalties offered by MPEG-LA were unacceptable.

Apparently, some patent holders felt a new licensing agent was needed for AVC, leading to pools administered by Via Licensing and MPEG-LA.

These two pools are contending for patent holder members and for licensees. At present, although there is some overlap in their members, a license from either would not include essential patents from the firms that are not in both. As licenses are offered and accepted, one pool may become dominant through competition, or both may gain full membership. Alternatively, it may be necessary for a user to take a license from both pools, or to negotiate with outside patent holders individually.

# Common Questions on AVC Licensing

- I am using an Open Source implementation – why do I need a license?

Open source software implies that there is no charge for the implementation of ideas in the product. A patent license is needed to use the underlying ideas. Some other standards commonly implemented in open source exclude patented ideas or require them to be royalty-free. AVC only requires that they be licensed on “reasonable and non-discriminatory” terms. So, you will still need a license to the underlying AVC patents.

If you are contemplating a typical open-source project in the academic or non-commercial world, you should note that both licenses provide a “floor” beneath which the “end-product manufacturer” doesn’t have to pay royalties.

# Common Questions on AVC Licensing

- In my application, these terms are not reasonable, how can I complain?

“Reasonable and non-discriminatory” is a legal term. In identical circumstances, licensees are required to be charged the same royalties. It doesn’t mean that the royalties have to be acceptable in your industry, application, or volume of business. At the current stage of licensing, expressing your opinion to licensing agents [MPEG-LA](#) and [Via Licensing](#) may have some impact before the final licenses are issued.

- Where is the Royalty-Free Baseline?

The Joint Video Team that developed the AVC standard established a Baseline profile that tried to exclude known patented technology and that members pledged to not assert patents against. Both pools have ignored this and intend to charge for the baseline profile.

# Common Questions on AVC Licensing

- Why are the terms for WM9/VC9 from Microsoft so much better?

There are two reasons. First, digital media technology is key to Microsoft's penetration of new industries and they are willing to forgo revenue to gain market share. Second, Microsoft's terms do not provide a license to other parties' patents that may be infringed and their indemnification is limited to royalties paid. This indemnification does not include patents that are parts of industry standards (like H.264 or MPEG-4). In fact, the sample license from Microsoft requires you to license any applicable patents you have to Microsoft for a fraction of their royalties.

# Common Questions on AVC Licensing

- **What are the special terms for Personal Computers?**

Both pools include special terms for PCs to optionally allow an operating system supplier to pay the royalty for PCs instead of the hardware manufacturer who sells the PC with the OS already installed. In this case, the OS supplier such as Microsoft or Apple is subject to a higher cap. (\$4M annually with Via, \$3.5-5 M with MPEG-LA)

Application software that uses only routines supplied with the operating system to encode or decode AVC video is not subject to a royalty if the OS supplier has elected to pay under these special terms.

No OS supplier has indicated if they will take advantage of this special case, or if they plan on taking an AVC license.

# Common Questions on AVC Licensing

- **What is the use fee for free Internet streaming?**  
Via's terms do not charge for free Internet use. MPEG-LA's do not charge today, but indicate in 2010 they could decide to charge about \$10,000 per year to a large site. Content sold on a subscription or pay-per-view basis is subject to the fees for those cases in each license. Free content means the user did not have to pay for the content, though they may have paid for connectivity costs or had to view ads.



# Do not rely on this document

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- This information is based on preliminary announcements. The license terms and conditions, as well as interpretations by the licensing agents, could change in the future.
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