



Blu-ray Disc™ Licensing Update

Bill Geary

Vice President, Business Development

Media-Tech Expo

Frankfurt

06 May 2008



Presentation Topics

- **Overview and Background of MPEG LA**
- **Process of License Development for Blu-ray Disc™**
- **Status of Blu-ray Disc™ License Development**
- **Other MPEG LA Licenses Applicable to Blu-ray Disc™ Products**

Overview

- **The MPEG LA Alternative Licensing Model:
What Problem Does It Solve?**
- **What Works and Why: Elements of the
Solution**

MPEG LA: Background

- **Started with core international digital video compression standard known as MPEG-2**
- **Single biggest challenge to MPEG-2's adoption was dealing with the essential intellectual property rights**
- **Many patents owned by many patent holders created potential for confusion, conflict and cost, if standard could be used at all given patent “bottleneck”**
- **MPEG LA provided an alternative as a solution**
- **That solution has become a template**

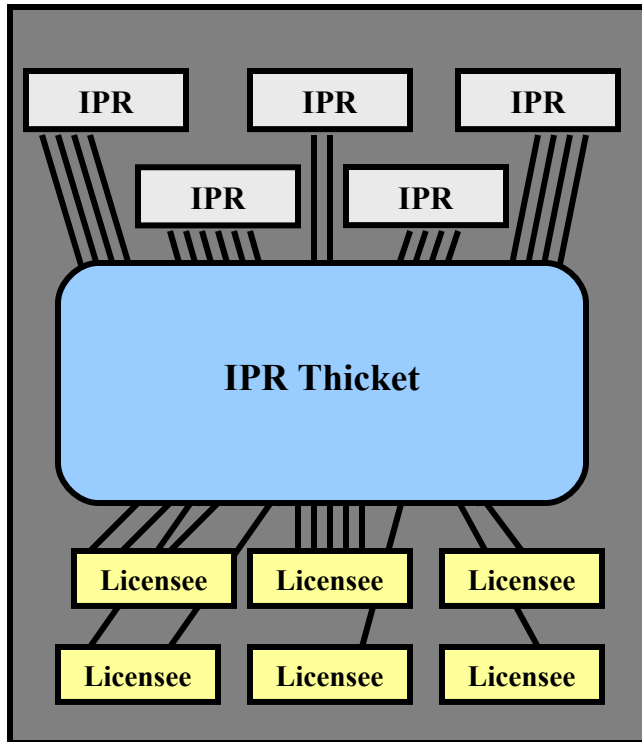
MPEG LA: What Problem Does It Solve?

- **Multiple transactions are burdensome**
- **Technological adoption, interoperability and use are impeded**
- **Freedom of movement is restricted**
- **Potential for conflict is increased**
- **One-on-one licensing arrangements fall short**

MPEG LA

How Does It Solve the Problem?

MPEG LA® “Many-to-Many” Licensing Model



The MPEG LA® Licensing Model enables *fair, reasonable, nondiscriminatory* access to essential IPR owned by multiple IPR owners in a single transaction as an alternative to separate licenses

MPEG LA is granted a nonexclusive sublicense from essential IPR owners, collects and distributes royalties for the benefit of the essential IPR owners, and is paid an administrative fee from royalties collected

MPEG LA: How Does It Solve the Problem?

- **Fair, reasonable, nondiscriminatory access to essential patents**
 - **Objective: to include as much essential IPR as appropriate and possible for the convenience of the market**
 - **Purpose is to open up technology to everyone**

MPEG LA: How Does it Solve the Problem?

- **Nonexclusive alternative license**
 - **License of convenience**
 - **Bilateral licensing options are always available to both Licensors and Licensees**

MPEG LA: How Does it Solve the Problem?

- **Professional Management**
 - **Organization, consensus-building and product development**
 - **Legal (including patent, anti-trust, contract drafting and administration, tax)**
 - **Market Knowledge**
 - **Licensing/Marketing of License**
 - **Secure website reporting and management**
 - **Transaction fulfillment - SAS 70 Reviewed**
 - **International tax mitigation and reconciliation**
 - **Financially sound, able to finance facilitation process, bridge for patent evaluations and other matters**

MPEG LA: How Does it Solve the Problem?

- **Independence**
 - **MPEG LA is neither Licensor nor Licensee**
 - **Fair, impartial administration**
 - **Each licensing program separately administered**

MPEG-2 Experience

- **MPEG-2 licensing began 1997 after DOJ Business Review (EC Comfort letter Dec 1998)**
 - **Began with 8 Licensors, grew to 25 (see next slide)**
 - **Began with 25 patent families, now 159 (more than 850 patents in 57 countries)**
 - **During this dramatic growth in value, not only have MPEG-2 royalty rates not increased, they have been reduced four times (1 Sept 01, 1 Jan 02, 1 March 03, 1 Jan 07)**
 - **1300+ Licensees and affiliates accounting for most MPEG-2 products in the current world market**

MPEG-2 Experience

Owners of MPEG-2 Portfolio Patents

- Alcatel Lucent
- British Telecommunications plc
- Canon Inc.
- CIF Licensing, LLC
- Columbia University
- France Télécom R&D*
- Fujitsu
- GE Technology Development, Inc.
- General Instrument Corp.*
- Hitachi, Ltd.
- KDDI Corporation
- LG Electronics Inc.
- Matsushita
- Mitsubishi
- Nippon Telegraph and Telephone Corporation (NTT)
- Philips
- Robert Bosch GmbH*
- Samsung Electronics Co., Ltd.
- SANYO Electric Co., Ltd.
- Scientific Atlanta
- Sharp Corporation
- Sony
- Thomson Licensing
- Toshiba Corporation
- Victor Company of Japan, Limited (JVC)

*Up to and through date of last patent expiration



MPEG LA

Licenses Under Administration

- **Licenses under administration**
 - **MPEG-2 Video and Systems**
 - **ATSC**
 - **AVC/H.264**
 - **VC-1**
 - **MPEG-4 Visual**
 - **IEEE 1394 (and IEC 61883)**
 - **DVB-T**

Blu-ray Disc™

Process of License Development

- **STEP 1 – Determine what the market needs**
- **STEP 2 – Define “essentiality”/set parameters**
- **STEP 3 – Identify evaluation administrator**
- **STEP 4 – Call for patent submissions**
- **STEP 5 – Initial patent evaluations**
- **STEP 6 – Identify essential patents and notify essential patent owners**

Blu-ray Disc™

Process of License Development

- **STEP 7 – Convene initial group of essential patent owners**
- **STEP 8 – Meetings and working groups of essential patent holders**
- **STEP 9 – Design the license**
 - **Work with the essential patent owners and liaison with the marketplace including prospective users**
- **STEP 10 – Issue the License**
 - **Announce license terms, complete the agreements, and issue the license**

Blu-ray Disc™

Status of License Development

- **STEPS 1-4 – Select Evaluation Administrator and Call for Patents**
 - **9 November 2005 call for Blu-ray Disc™ patent submissions based on Blu-ray Disc™ Standard**
 - **5 April 2006 expanded call for patents to include**
 - **System Description: Blu-ray Disc Read-Only Format - Part 3 Audio Visual Basic Specifications Version 1.0 (January 2006)**
 - **27 July 2006 expanded call for patents to include**
 - **Blu-ray Disc, Hybrid Format, Part 1: Basic Format Specifications, version 1.01 December 2005**
 - **DVB-GEM pertinent to BD-J referenced in Blu-ray Disc Read-Only Format, Part 3**
 - **6 December 2006 expanded call for patents to include**
 - **System Description Blu-ray Disc Rewritable Part 3: Audio Visual Basic Specifications, V3.0, Sep. 2006**



Blu-ray Disc™

Status of License Development

- **STEPS 5-6 - Initial Blu-ray Disc™ patent evaluations**
 - Evaluation by Ken Rubenstein and his team of experts in the US, Europe (Cohausz and Florack of Dusseldorf), Japan, and Korea
- **STEPS 7-8 - Convene initial group of Blu-ray Disc™ essential patent holders**
 - A number of meetings held since 2006 and more are scheduled
- **STEP 9 – Design the License**
 - Work continuing in this area
- **STEP 10 – Issue the License**
 - Not completed



Blu-ray Disc™ Essential Patent Owners

Currently there are 19 Blu-ray Disc™ essential patent owners discussing a joint license, including:

CyberLink Corp.	Samsung Electronics Co., Ltd.
Dell Inc.	SANYO Electric Co., Ltd.
Hewlett-Packard Company	Sharp Corporation
Hitachi, Inc.	Sonic Solutions
K. Philips Electronics, N.V.	Sony Corporation
LG Electronics, Inc.	TDK Corporation
Panasonic/Matsushita Electric	The Walt Disney Company
Mitsubishi Electric Corp.	Victor Company of Japan (JVC)
Pioneer Corporation	Warner Bros. Home Entertainment

Blu-ray Disc™ Standards

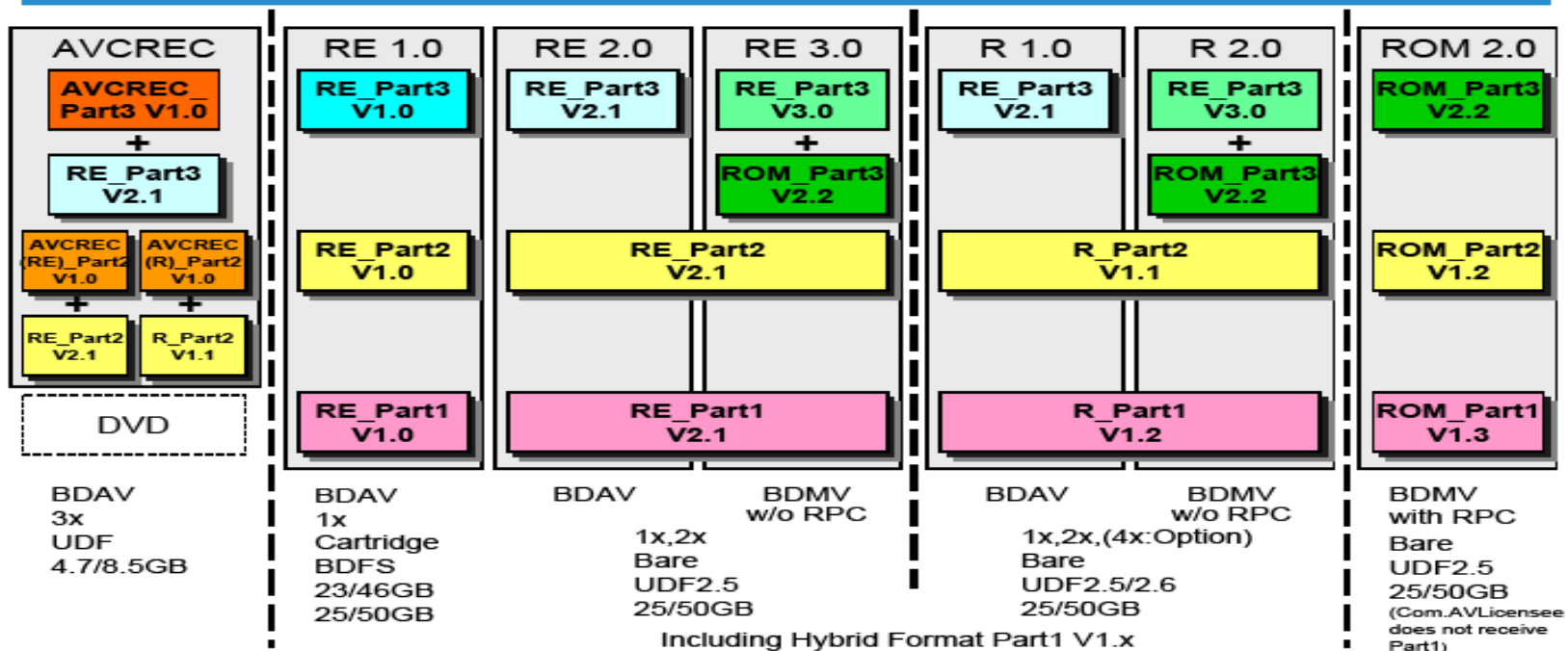
- **BD Specifications**
 - **BD Physical Format**
 - **BD-R, BD-RE and BD-RO Basic Format - optical, mechanical properties of the BD product**
 - **BD File System**
 - **BD-R, BD-RE and BD-RO File System - file management for video, audio and other data by the BD Product**
 - **BD Application Layer**
 - **BD-RE and BD-RO Audio Visual Basic Specifications—how to record and playback audio and video, including the organization and management of audio and video clips**

Blu-ray Disc™ Standards



All Books

As of Feb, 2008



Blu-ray Disc™

Likely License Coverage

The Blu-ray Disc™ license is still under development, but it is likely that licenses will be available for the following Blu-ray products:

- **Prerecorded discs**
- **Blank recordable discs**
- **Players and recorders (in various forms such as consumer products, PC products, and software)**

Video Codec Licenses For Blu-ray Disc™

The following Blu-ray Disc™ video codec licenses are available from MPEG LA

- **MPEG-2**
<http://www.mpegla.com/m2/>
- **AVC/H.264**
<http://www.mpegla.com/avc/>
- **VC-1**
<http://www.mpegla.com/vc1/>

Contact: Dean Skandalis
Vice President, Licensing
MPEG LA, LLC
4601 Willard Ave; Suite 200
Chevy Chase, MD 20815 USA
Tel +1-301-986-6660
Fax +1-301-986-8575
dskandalis@mpegla.com
www.mpegla.com

