

HEVC ADVANCE SOFTWARE POLICY **AS OF DECEMBER 1, 2016**

INTRODUCTION: NEW SOFTWARE POLICY STATEMENT SUMMARY

HEVC Advance will not seek a license or royalties on HEVC functionality implemented in *application layer software* downloaded to mobile devices or personal computers after the initial sale of the device, where the HEVC encoding or decoding is fully executed in software on a general purpose CPU. Examples of the types of software within the policy include browsers, media players and various software applications.

SECTION I: POLICY INTENT – DEVICES/SOFTWARE

An important HEVC Advance program goal is to encourage widespread adoption of HEVC technology in consumer devices. That goal is best met when the HEVC technology is implemented in specialized hardware circuitry so that it can execute most efficiently, ensuring the best user experience. HEVC Advance would receive a single royalty for such hardware implementation from the consumer device manufacturer.

But we recognize that there are millions of existing mobile devices¹ and desktop personal computers already in consumers' hands or still being sold today that do not and will not have HEVC hardware implementations.

This software policy is intended to allow all consumers who own mobile devices² and desktop personal computers the ability to enjoy HEVC capability today, by allowing software providers and content distributors to provide HEVC capability in software with the assurance that HEVC Advance will not seek a license, nor a corresponding royalty payment, for such HEVC software codec, in accordance with the new policy.

SECTION II: CURRENT PROGRAM REQUIREMENTS

Under the HEVC Advance Patent Portfolio License (PPL), a royalty must be paid for HEVC decoders and/or encoders³ included in (i) *consumer devices* and (ii) *software products*, as well as certain updates/upgrades to such software products (hereinafter “device royalty”). These software products may include, for example, browsers, media players, operating systems and various software applications.

However, the PPL waives device royalties on HEVC software products⁴ **if** these software products

¹ Mobile device means a portable device and includes laptop computers.

² Mobile device means a portable device and includes laptop computers.

³ The device royalty is due even if the HEVC functionality has been encrypted, disabled or otherwise rendered unusable, or requires additional hardware and/or software to enable it.

⁴ Other than certain stand-alone software, as described in IV.D. below.

are installed on a consumer device for which the applicable PPL device royalty has been (or will be) paid.

In addition, under the PPL **only one device royalty** is due for a consumer device that includes one or more HEVC decoders or encoders at the initial sale of the consumer device to the end-user. Therefore, any number of HEVC software products may be included in a consumer device at initial sale without incurring additional royalties, if the applicable device royalty has been (or will be) paid by the consumer device manufacturer.⁵

SECTION III: ‘NEW SOFTWARE POLICY’ - HEVC SOFTWARE PRODUCTS FOR WHICH HEVC ADVANCE WILL NOT SEEK A LICENSE

HEVC Advance will not seek a license on a software product that performs HEVC decoding, encoding and related functions⁶ for a software product that is:

- (i) application layer software, or software encoding or decoding libraries used by application layer software, where the encoding or decoding is fully executed in software (i.e. without specialized hardware support) on a general purpose CPU; and is
- (ii) downloaded to a mobile device or desktop personal computer after the initial sale of such product; and is
- (iii) intended for personal, and not commercial, use by the user of such product; and is
- (iv) not excluded under Section IV below.

Examples of such software products may include web browsers, personal video conferencing software and video players provided by various internet streaming video distributors or software application providers.

This software policy seeks to accomplish several important objectives, including.

- **Allow HEVC software product providers and streaming content distributors to download to all types of mobile devices and desktop personal computers HEVC decoding and encoding capability in software (of the type allowed under this policy).**
- **Facilitate enabling the millions of existing mobile devices and desktop personal computers that do not or will not have HEVC capability in a hardware implementation.**
- **Encourage adoption of HEVC by mobile device and desktop personal computer manufacturers to enable HEVC capability in hardware on their devices, thus providing consumers the best and most efficient video experience possible.**

⁵ Subject to certain exclusions related to stand-alone software.

⁶ “HEVC decoding, encoding and related functions” include *e.g.* playback, recording and other related customary functions such as HEVC video editing, video conferencing and transcoding.

SECTION IV: HEVC SOFTWARE PRODUCTS THAT DO NOT FALL UNDER THE 'NEW SOFTWARE POLICY'

HEVC Software to which this policy does not apply includes the following:

- A. Operating systems; and
- B. Drivers, libraries, firmware or other software that enables hardware on a device, which hardware is specifically designed, in whole or in part, to decode and/or encode HEVC content, in whole or in part; and
- C. Software, and updates/upgrades to software that was loaded on or bundled with a mobile device or desktop personal computer at the time of initial sale, which software or updates/upgrades:
 - (i) add HEVC encoding or decoding functionality in software, and
 - (ii) are downloaded to a mobile device or desktop personal computer that was sold on or after December 1, 2016 for which *no device royalty was paid*, and
 - (iii) are offered by, on behalf of, or with the acknowledgement or cooperation of the device manufacturer.
- D. Application layer software that is sold as a *stand-alone software* product marketed as providing advanced HEVC video functions where such software is offered for sale with a published or suggested retail price of \$45.00 or more, or on a subscription basis for \$3.75 per month or more.

Note: (1) The manufacturer of the mobile device or desktop personal computer would be expected to pay a device royalty for the software products described in C above in conjunction with either the initial sale of the device or (subject to certain conditions) when HEVC capability is added to the device. Providing such royalty is paid by the mobile device or desktop personal computer manufacturer, *then no additional royalty would be due for additional software products downloaded to the device*. But, if the mobile device or desktop personal computer manufacturer did not pay the applicable royalty for these devices, then HEVC Advance would seek royalties from the mobile device or desktop personal computer manufacturer and/or the software provider.

(2) The software described in D above is generally sold as a stand-alone product with the primary purpose of offering more advanced capabilities for playing, editing, enhancing, analyzing and converting (encoding or transcoding) HEVC and other video files, such as a multimedia software suite collection. Specific examples of such software products which are excluded from this software policy and for which royalties would be due from the software product supplier are Nero Platinum, CyberLink PowerDVD and Pegasys Video Mastering Works.

SECTION V: CONDITIONS AND LIMITATIONS

This policy is effective December 1, 2016 and will continue through the initial five-year term of the HEVC Advance PPL ending on December 31, 2020. HEVC Advance intends to extend this policy indefinitely thereafter if it is achieving the objective of driving adoption of HEVC hardware in mobile device and desktop personal computers at initial sale.

This policy is subject to the following conditions and limitations:

- A. The description of current program requirements of the PPL is provided for informational purposes only. The actual terms of the PPL take precedence. A copy of the PPL may be requested at: www.hevcadvance.com/request-a-license/. HEVC Advance reserves the right to require a PPL be executed to enjoy the benefits of this policy.
- B. We strived to define the software classifications in this policy clearly. In the event of an ambiguity, we reserve the right to classify any software in relation to this policy.
- C. This policy does not impact HEVC Advance's royalty structure related to content distribution (*i.e.*, royalties are due on content distribution for which the user is charged a fee even if software falling under this policy is utilized to decode and/or encode such distributed content).
- D. If this policy is exploited to circumvent its intent or used to challenge the HEVC Advance licensing program, then this policy may be revised or terminated at HEVC Advance's discretion at any time, in whole or in part, or for one or more companies or product categories. Examples of such scenarios include:
 - (i) Manufacturers not making HEVC functionality available at initial sale and/or avoiding paying royalties on sales of their devices that end-users ultimately use with HEVC content.
 - (ii) This policy being used to challenge the licensing structure of HEVC Advance's program.
 - (iii) A company asserting a HEVC standard essential patent against a HEVC Advance Licensor or relying on this policy in a litigation against a HEVC Advance Licensor or HEVC Advance.

ANY QUESTIONS CONCERNING THIS POLICY OR THE CATEGORY OF YOUR SOFTWARE PRODUCT, PLEASE CONTACT LICENSING@HEVCADVANCE.COM