

HEVC ADVANCE SOFTWARE POLICY
AS OF SEPTEMBER 20, 2017
(Originally Issued December 1, 2016)

INTRODUCTION: 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 desktop 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, subject to certain exceptions as set forth below (specifically including Section V). Examples of the types of software benefitting from the policy include browsers, media players and various software applications, as explained in greater detail below.

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.

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 seeks to accomplish several important objectives, including:

- Allowing certain HEVC software product providers and streaming content distributors to download HEVC decoding and encoding capability in software (of the type allowed under this policy) to all types of mobile devices and desktop personal computers, with the assurance that HEVC Advance will not seek a license, nor a corresponding royalty payment, for such HEVC software codecs, in accordance with the policy;
- Facilitating the independent enablement of millions of existing mobile devices and desktop personal computers that do not or will not have HEVC capability in a hardware implementation; and
- Encouraging the 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.

¹ “Mobile device” means a mobile phone or other portable devices, such as, for example, a tablet, laptop computer, eBook reader or portable game player.

SECTION II: CURRENT LICENSE REQUIREMENTS

Under the HEVC Advance Patent Portfolio License (PPL), a royalty must be paid for HEVC decoders and/or encoders² included in (i) *consumer devices*³ 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, under the PPL, **only one royalty** is due for all HEVC decoders or encoders included in a consumer device at the time of initial sale to the end user.⁴ 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.

In addition, and separate from this policy and under an executed PPL, HEVC Advance may agree to waive royalties on certain HEVC software products **if** those software products are installed on a consumer device after the initial sale of such device and the applicable PPL device royalty has already been paid.

SECTION III: 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 functions⁵ where that software product 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
- (ii) downloaded to a mobile device or desktop personal computer after the initial sale of such device; and
- (iii) intended for personal, and not commercial, use by the user of such device; and
- (iv) not excluded from this software policy under Section IV below; and

² The device royalty is due even if the HEVC functionality has been encrypted, disabled or otherwise rendered unusable, or requires or works in conjunction with additional hardware and/or software to enable or complete such functionality.

³ A HEVC decoder or encoder is considered “included in” a device at the time of first sale of such device if it is subsequently downloaded to the device automatically, upon prompt to the end user or otherwise by or on behalf of, or with the acknowledgement or cooperation of, the device manufacturer.

⁴ This does not apply to certain preloaded software for which payment is or may be due from the end user for use or continued use of such preloaded software.

⁵ “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.

- (v) not offered by an entity to which this software policy does not apply under Section V 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.

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

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

- A. Operating systems.
- 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.
- 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 of such device, which software or updates/upgrades:
 - (i) add or enable 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, and for which *no device royalty was paid*, and
 - (iii) are downloaded to such mobile device or desktop personal computer either:
 - (a) automatically, upon prompt to the end user, or otherwise by or on behalf of, or with the acknowledgement or cooperation of, the mobile device or desktop personal computer manufacturer, or
 - (b) by or on behalf of, or with the acknowledgement or cooperation of, the manufacturer of another device, to provide HEVC encoding or decoding functionality on the mobile device or desktop personal computer for use with video or other digital content captured or received through such other device.
- D. Application layer software that is sold as a stand-alone software product⁶ marketed as providing advanced HEVC video functions, where such software product is offered for sale

⁶ Stand-alone software is generally sold as a stand-alone product, and marketed as providing advanced capabilities for playing, editing, enhancing, analyzing and converting (encoding or transcoding) HEVC and other video files, such as a multimedia software suite collection, but excluding any software included in a web browser or operating system.

with a published or suggested retail price of \$45.00 or more, or on a subscription basis for \$3.75 per month or more.⁷

SECTION V: CONDITIONS AND LIMITATIONS

This policy replaces all prior Policy Statements (original issued 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/.
- B. HEVC Advance reserves the right to (a) modify this policy at any time; (b) require a legal entity to execute a PPL to enjoy the benefits of this policy, and (c) limit the application of the policy to a legal entity solely to that period after execution of a PPL. Specifically, this policy does NOT apply to (i) operating system, browser, and other major software providers, or (ii) commercial content distributors, unless specifically included as an addendum to an executed PPL.
- C. HEVC Advance has endeavored to define the software classifications in this policy clearly. In the event of an ambiguity, HEVC Advance reserves the right to classify any software in relation to this policy.
- D. 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).
- E. 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.

⁷ Specific examples of such software products that are excluded under this paragraph and for which royalties would be due from the software product supplier are Nero Platinum, CyberLink PowerDVD and Pegasys Video Mastering Works. Basic media players and other similar software, as described in Section III above, are not excluded.

- (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.