

# Portable Features Registration Agreements

**Portable Features Team**

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May 29, 2015

# Overview

- Two Agreements available, giving your company a choice best suited for your business situation
  - Blended Rate Agreement
  - Discrete Rate Agreement
- Neither Agreement is a “license” in the traditional sense. The Registration Agreements define the relevant products, royalty rates, reporting and payment, and other relevant terms. It defines the process by which your company applies to Philips for a legal release for the use of relevant Philips patents on the prior calendar quarter’s sales of touch-enabled devices, on a rolling basis. In short, once your company reports and pays for the sales of relevant products in the Territory in a calendar quarter, Philips will grant a release for those products that are fully reported and paid for.
- This structure gives Philips a better opportunity to achieve a level playing field by enforcing against products that not reported and/or not paid for by (sometimes) unscrupulous competitors and retailers.

# Overview

- In addition to rights under Philips touch-enabled device patents, your company may require licenses for mobile phones, tablets, laptops and all-in-one PC's under technically essential patents of Philips covering various technical standards including, but not limited to, AAC, UMTS/LTE, MPEG-2; H.264; H.265.

# Features Common to Both Agreements

- Products addressed by both Agreements:
  - Touch-enabled Mobile Phone;
  - Touch-enabled Tablet Computer;
  - Touch-enabled Laptop Computer; and/or
  - Touch-enabled All-In-One PC.
- Entry Fee:
  - 25,000 USD
  - Credited first towards past use and then to royalties for subsequent reporting periods.
- Past Use:
  - Reporting is necessary concerning past use
  - Past Use Period: 6 years prior to Effective Date
  - Past Use Amount: relevant products sold in the Territory during the past use period.

# Features Common to Both Agreements

- Quarterly reporting and payment
  - “Reporting Term” shall mean 30 days after the end of each calendar quarter (i.e. April 30 for the first calendar quarter, July 30 for the second calendar quarter, October 30 for the third calendar quarter and Jan 30 for the fourth calendar quarter).
  - “Payment Term” shall mean 45 days after the end of each calendar quarter (i.e. May 15 for the first calendar quarter, August 14 for the second calendar quarter, November 14 for the third calendar quarter and February 14 for the fourth calendar quarter).
- Interest on late payments
- Defensive termination provision
- 5 year term without running out rights
- Audits

# Features Unique to Discrete Rate Agreement

- In the Discrete Rate Agreement, products that fall under the agreement are agreed on a product-by-product basis, before the agreement is executed, and also as your company introduces new products or modifies existing ones. Each product is analyzed to determine if it uses at least one patent, either in the country of manufacture or in the country of sale, in each of the following “Feature Sets”.

Feature Set	Name	Price (U.S.)
A	AMR	\$0.10
B	WMA/FLAC	\$0.10
C	Audio Interfacing	\$0.10
D	Authentication/DRM	\$0.25
E	Backlighting	\$0.25
F	Chipset & Accelerometer Design	\$0.25
G	Compiler/Software Architecture	\$0.25
H	DLNA/Connectivity	\$0.25
I	Graphical User Interfaces	\$0.40
J	Streaming & Services	\$0.25
K	Touch Screen Interfaces	\$0.40

# Features Unique to Discrete Rate Agreement

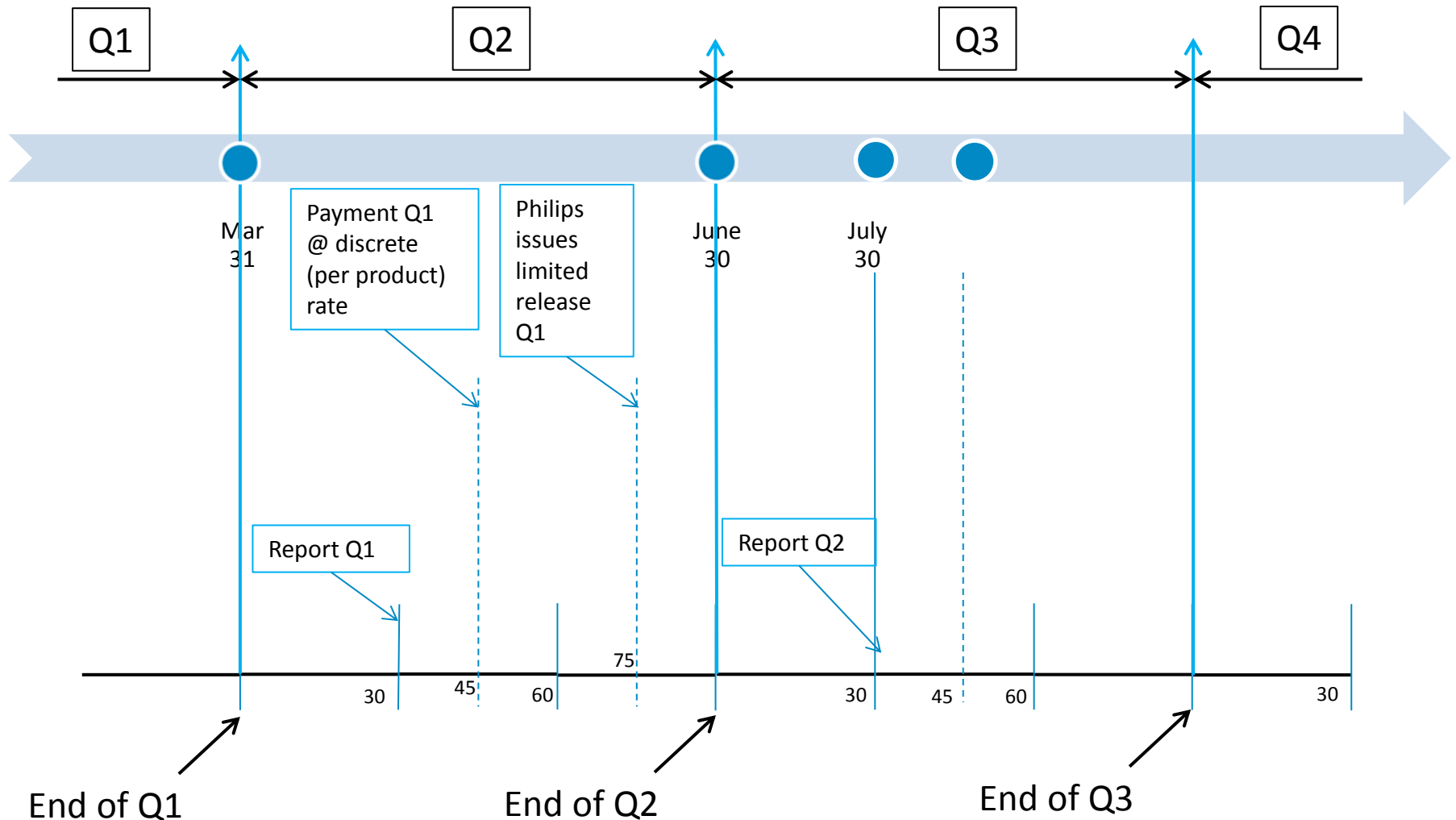
- Products for which we have agreed on the Feature Sets used are labelled as “Qualified Products” and placed on an attachment to the agreement.
- Products where there is no consensus on Feature Sets used remain outside the Discrete Rate Agreement, are not eligible for a release from Philips, and remain subject to Philips patent claims.
- Applicable royalty on a Qualified Product is calculated by:
  - (i) calculating the sum of the Royalty Rates (“Royalty Rate Sum”) corresponding to each unique Feature Set for which the relevant country of manufacture and/or country of Sale is a Royalty Bearing Patent Country; and
  - (ii) multiplying the Royalty Rate Sum by the relevant number of units of such Qualified Product.
- Above royalty calculation applies to both past use and sales after the start of the agreement. There is no option for a “compliance rate” as in the Blended Rate Agreement.

# Features Unique to Discrete Rate Agreement

- Under the Discrete Rate Agreement:
  - The royalty may be different for different products based on actual features used
  - The royalty may be different for the same product when sold in different countries.
  - The royalty may be different for the same product when manufactured in different countries.
  - Per product, the royalty may be higher or lower than under the Blended Rate Agreement.
- Will require more record-keeping and greater administrative effort in royalty reporting and (audits) than the Blended Rate Agreement. Will require interaction with Philips to disclose/discuss product features each time a new product is introduced or modified.
- For some companies, with products with more limited features, sold in certain countries with less patent coverage, the Discrete Rate Agreement may be the best option where lower royalties offset the higher administrative costs.



# Features Unique to Discrete Rate Agreement



# Features Unique to Blended Rate Agreement

- Products subject to the Blended Rate agreement are called “Scope Products” and are selected from the following product categories:
  - Touch-enabled Mobile Phone;
  - Touch-enabled Tablet Computer;
  - Touch-enabled Laptop Computer; and/or
  - Touch-enabled All-In-One PC.
- A royalty is due on each Scope Product sold in the agreed Territory (even if not patent used)
- The royalty is the same for each Scope Product. The royalty is also the same no matter where the Scope Product is manufactured, or which country it is sold in (in the agreed Territory).

# Features Unique to Blended Rate Agreement

- No need to determine on a product-by-product basis which Feature Sets are used, either before the agreement is executed or on an ongoing basis as new/modified products are introduced. Less record-keeping, less costly administration of quarterly reports.
- Past Use Rate: 0.99 USD
- Royalty Rate – **You Decide** between
  - Standard Rate: 0.99 USD
  - Compliance Rate : 0.75 USD (see conditions on next slide)
- Under the Blended Rate Agreement, your royalty obligation is more predictable. It is under your control. Compare your royalty investments under both agreements, weigh the value of lower administration costs, and then **You Decide**.

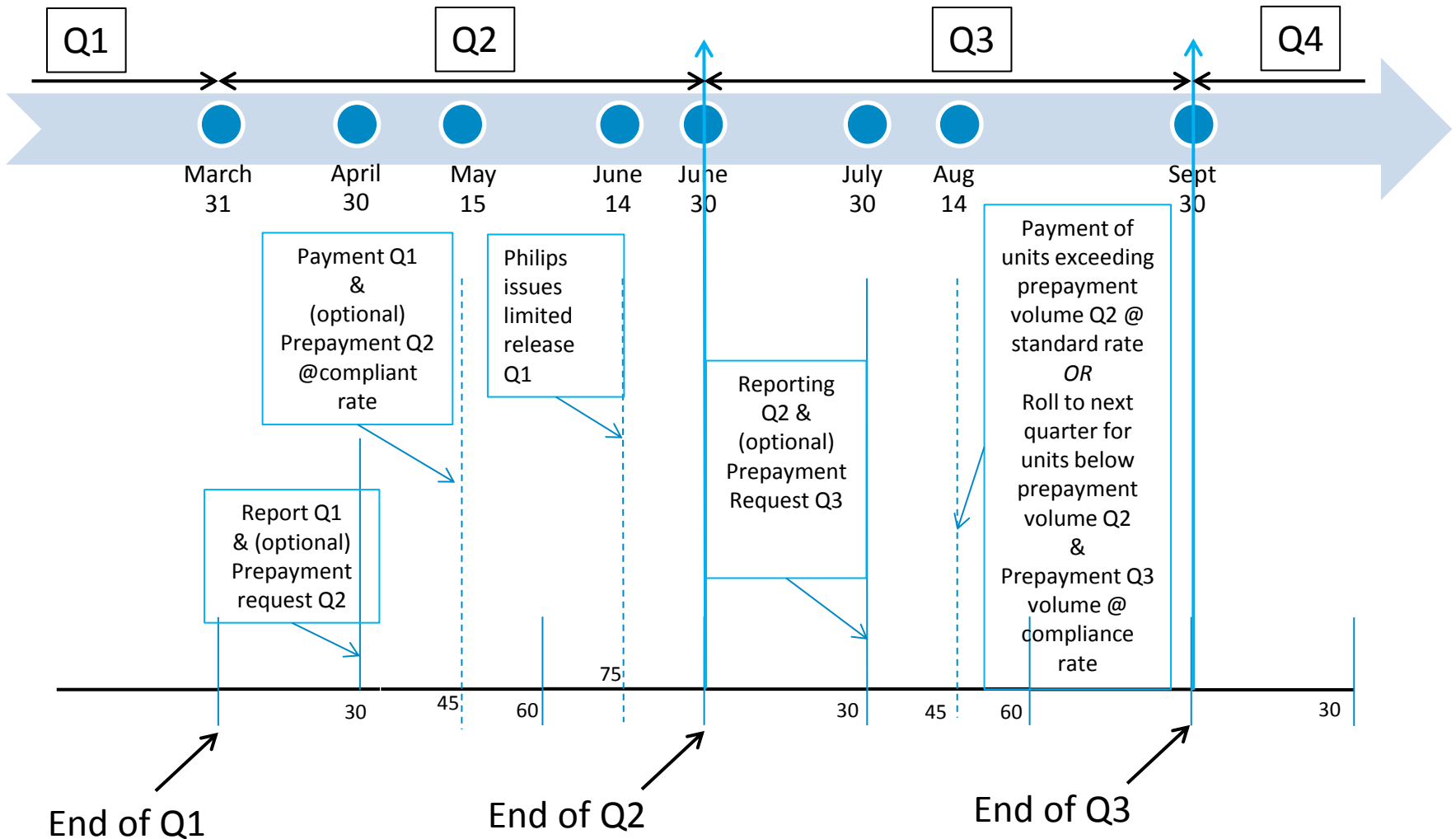
# Features Unique to Blended Rate Agreement

- Requirements for Compliance Rate:
- Registrant is only qualified to apply the Compliance Rate if Registrant:
  - (i) is in full compliance with all of its obligations under this Agreement;
  - (ii) specifies the quantity of Scope Products to be pre-paid for the current Reporting Period and the Pre-payment Amount on Page 2 (“Pre-payment Request”) of the Royalty Reporting Form;
  - (iii) timely submits the Royalty Reporting Form with such Pre-Payment Request before the end of the Reporting Term for the prior Reporting Period (i.e. no later than 30 days after the end of the prior calendar quarter); and
  - (iv) pays the Pre-payment Amount to Philips before the end of the Pre-payment Term of the current Reporting Period (i.e. no later than 45 days after the beginning of the current calendar quarter).

# Features Unique to Blended Rate Agreement

- “Reporting Period” shall mean each calendar quarter.
- “Reporting Term” shall mean 30 days after the end of each calendar quarter (i.e. April 30 for the first calendar quarter, July 30 for the second calendar quarter, October 30 for the third calendar quarter and January 30 for the fourth calendar quarter).
- “Pre-payment Term” shall mean 45 days after the beginning of each calendar quarter (i.e. February 14 for the first calendar quarter, May 15 for the second calendar quarter, August 14 for the third calendar quarter and November 14 for the fourth calendar quarter).

# Features Unique to Blended Rate Agreement



# Comparison Chart

## Blended Rate Agreement

- Predictable Royalty Rate – You Decide between Standard and Compliance Rate
- Royalty due on each Scope Product sold in the agreed Territory, even if no patent used
- Less Administration – no ongoing costs associated with determining Feature Sets for each new/modified product
- In addition, royalties likely lower than for Discrete Rate Agreement

## Discrete Rate Agreement

- Royalty likely to vary
  - per product
  - where manufactured/sold
- No Compliance Rate available
- Need to agree on Feature Sets for each new or modified product
- Higher administrative/reporting costs
- Royalty only due when a patent is used
- In some cases, royalties may be lower than Blended Rate Agreement to offset higher administrative costs

