

## **Announcement**

### **3G Licensing introduces the W-CDMA Patent Licensing Programme to the ETSI GA-IPR 4**

**London, UK, 11 May 2006.**

Today, 3G Licensing, the licensing administrator of the W-CDMA Patent Licensing Programme, presented the W-CDMA Patent Licensing Programme to the ETSI General Assembly Intellectual Property Rights group (ETSI GA-IPR) in London.

The ETSI GA-IPR group is reviewing how best to handle the intellectual property rights for patents essential to all components of the 3GPP's next generation radio standard known as LTE, or Long Term Evolution.

The W-CDMA Patent Licensing Programme, currently licenses the essential patent rights for 9 major international companies, covering all components of the 3GPP standards from Release 3 and beyond (ETRI (Electronics and Telecommunications Research Institute), Fujitsu, KPN, Mitsubishi Electric, NEC, NTT DoCoMo, NTT, Sharp and Siemens).

The W-CDMA Patent Licensing Programme, defined by the 3G industry, has strong foundations following the receipt of antitrust approval letters from the U.S. Department of Justice, Antitrust Division, the Japanese Fair Trade Commission and the European Commission, Competition Directorate. Moreover, the licensing programme objectifies FRAND, provides flexible licensing required by the major players and incorporates a rigorous patent essentiality evaluation and certification process undertaken by an independent evaluation service provider (IPEC).

Three significant elements of the licensing programme are: (1) objectification of FRAND in an open and transparent manner effectively benchmarking royalty levels for the whole 3G industry, (2) royalties received are divided among the licensors in proportion to their ownership of essential patents and, (3) does not foreclose bilateral licensing of its licensors (members), and is complementary to bilateral licensing for non-members. These three features address three fundamental concerns for the industry.

A copy of the presentation is attached below.

#### **How to contact us:**

All enquiries should be made via the Licensing Administrator.

E-mail: [enquiries@3glicensing.com](mailto:enquiries@3glicensing.com) Website: [www.3glicensing.com](http://www.3glicensing.com)

#### **About 3G Licensing**

3G Licensing is responsible for the commercialisation worldwide of the W-CDMA Patent Licensing Programme. 3G Licensing has been specifically formed for this purpose. 3G Licensing is incorporated in England, UK.

ETSI GA-IPR#4  
Introduction to the  
W-CDMA Patent Licensing Programme

**3G Licensing**  
W-CDMA Technology

11 May 2006, London  
Frederic Vincent, VP Business Development

## W-CDMA Patent Licensing Programme: content

- Background history
- Licensing programme: the strong foundations
- Tangible licensing results
- Licensors
- Patent portfolio
- The “programme”
- Rigorous essentiality evaluation/certification
- Programme scope vis à vis 3GPP
- Summary
- 3G Licensing (Role and expertise)

# The three phases of the 3G Patent Platform

(most major companies involved)

## PHASE 1

### Definition Phase

- UMTS IPR WG
- UIPA

February 1998 - June 1999

### Deliverable :

- 3G Patent Platform : Platform Specification (version 1)

## PHASE 2

### Implementation Phase

- 3G3P

September 1999 - Dec.2003

### Deliverable :

- 3G Patent Platform : Platform Specification (version 2)
- antitrust approval worldwide
- operational and legal structure

## PHASE 3

### Commercialisation Phase

- 3G Licensing Ltd

January 2004 onwards

### Deliverable :

**W-CDMA Patent Licensing Programme**

#### Definitions:

• UMTS IPR WG (UMTS Intellectual Property Rights WG)

•UIPA (UMTS Intellectual Property Association)

•3G3P (3G Patent Platform Partnership)

**Key objective: to set significant benchmark for cumulative royalties for W-CDMA products, to make IPR costs transparent for market participants, generate licensing income for technologie providers and catalyse market for benefit of vendors and operators**

**W-CDMA Patent Licensing Programme  
is a commercial realisation of the 3G Patent Platform  
for the W-CDMA FDD technology**

Objectification of FRAND  
+  
flexible licensing a  
« must » for industry

Rigorous patent  
essentiality evaluation  
and certification by  
independent Evaluation  
Service Provider (IPEC)

Low transaction costs  
due to standardized  
license agreements

Antitrust approval letters from US DoJ Antitrust Division, European Commission (EU) and Japanese Fair Trade Commission (JFTC)

## Delivering tangible results despite a complex competitive business and IPR environment

**2005: 37% of worldwide W-CDMA terminal market licensed under JLA (US\$2.0 per unit or 0.6% of ASP)**

**+90% growth in royalty in Q1 2006 (US \$3.0 per unit or 1% of ASP)**

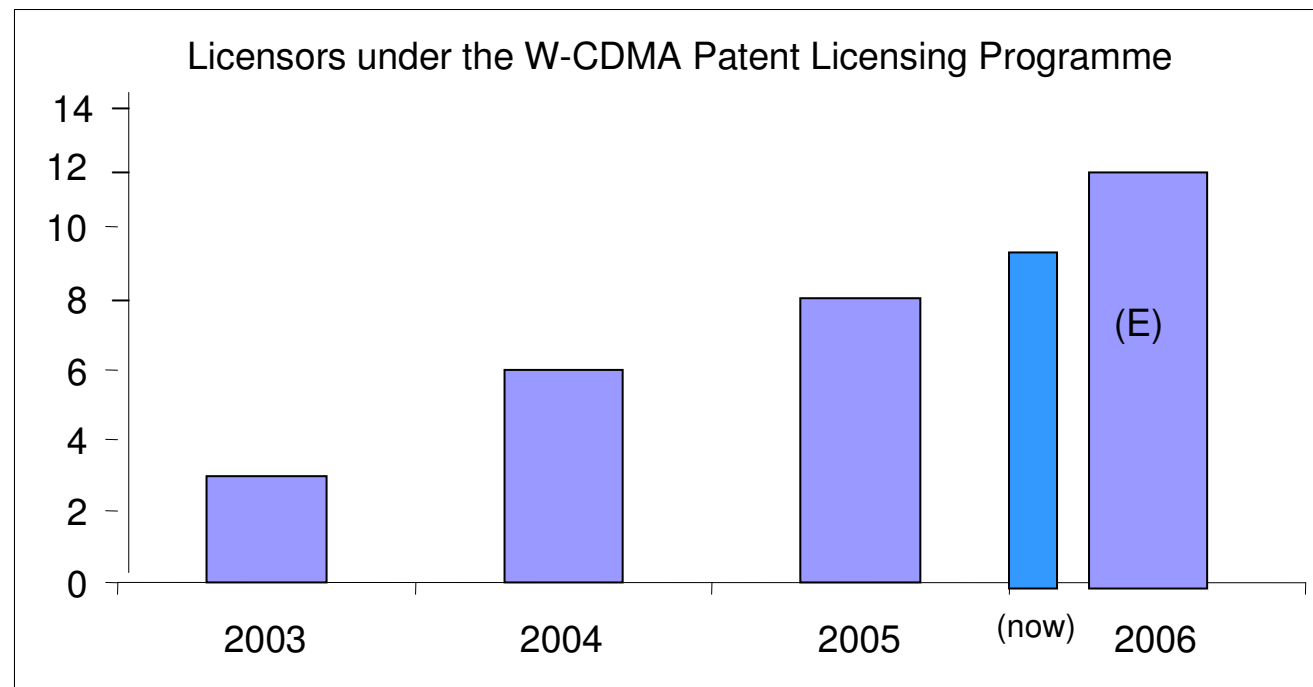
**Recent news!!!  
NTT new licensor in April  
Two new licensees in May**

**Extensive on-going negotiations with major patent owners and licensees**

Substantial measurable success achieved despite the intense competitive business environment in which IPR is a commercial weapon:

- The mobile telecom technology industry structure and technology are far more complex than other industries
- The mobile telecom industry historically relies on complex cross-licensing / bi-lateral agreements
- The mobile business and IPR have a high economic and strategic value that needs to be defended and fully exploited for commercial advantage
- There is a natural historical reluctance for many players to conclude license agreement timely e.g. many GSM cases are still outstanding or just being resolved

# A growing membership: Licensors

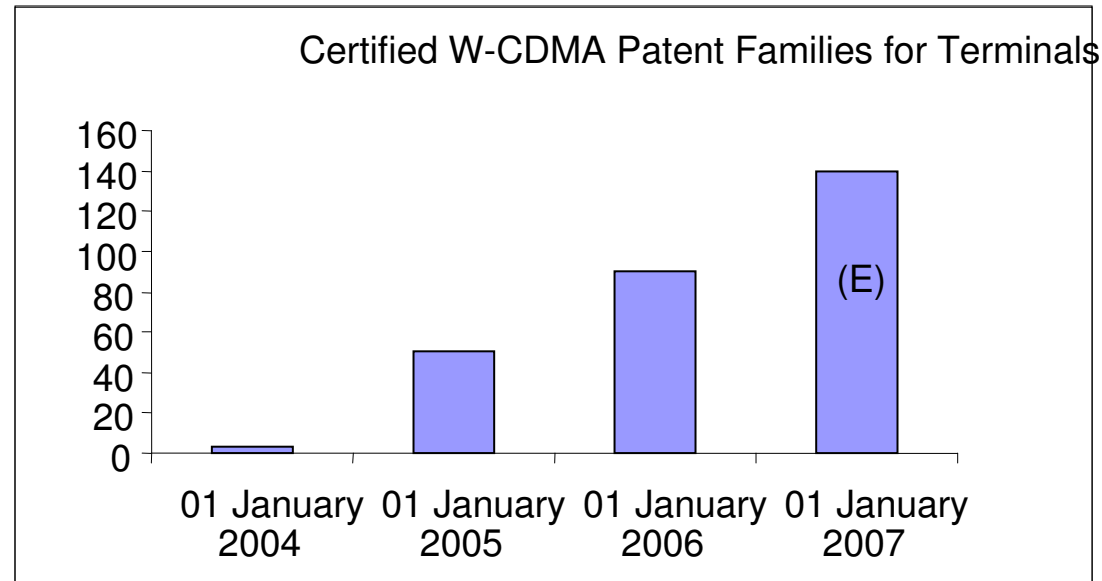


A quality membership of programme (all active in 3GPP)



Two further major companies have committed to join as Licensors and discussions under way with several other prospective Licensors

## A growing portfolio



A substantive, quality and truly W-CDMA ESSENTIAL PATENT PORTFOLIO with geographical coverage in major markets (arguably one of the biggest worldwide):

- Currently 106 certified W-CDMA Essential Patent families for terminals and growing fast
- Representing 142 individual W-CDMA Essential Patents (each patent is evaluated!!!)
- Growing to more than 500 individual W-CDMA Essential Patents based on current portfolio
- Current Licensors will submit further patents as the 3GPP standards evolve and new Licensors will bring additional patents

5/12/2006

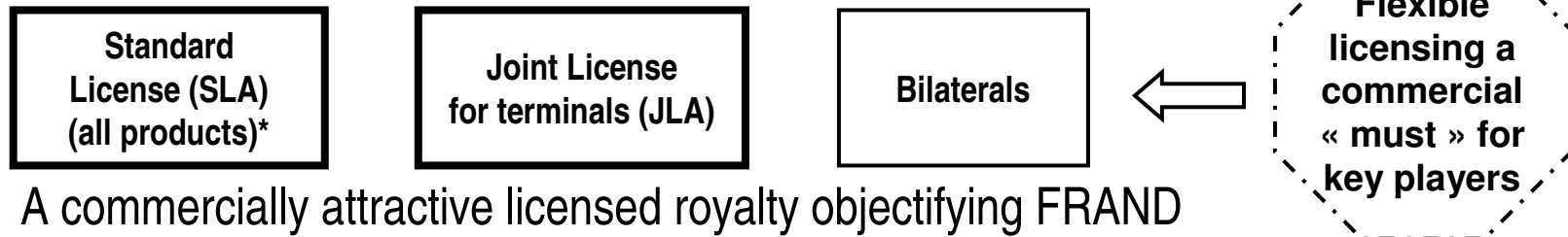
**Rigorous certification and evaluation by independent 3<sup>rd</sup> party Evaluation Service Provider**

# W-CDMA Patent Licensing Programme

(A « Platform » and not a classical « Pool »)

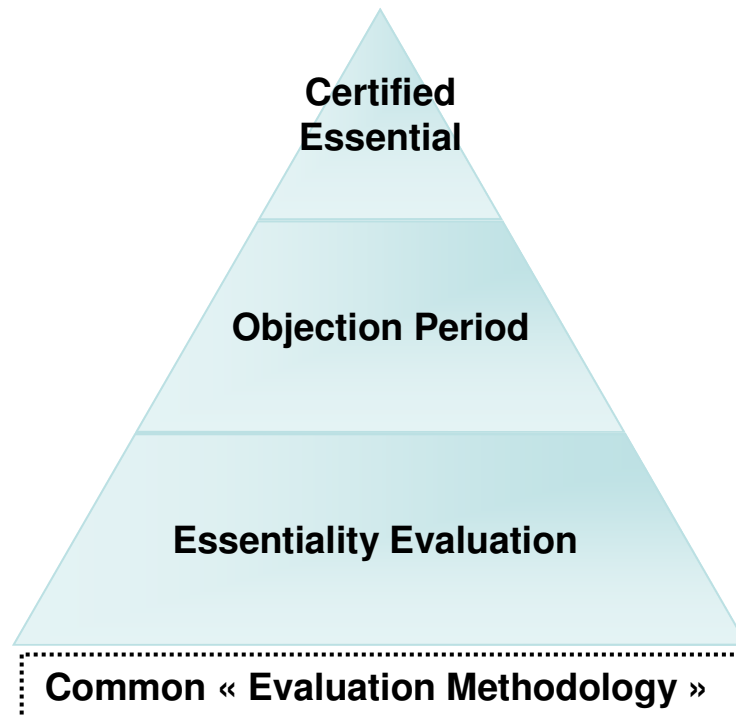
- Range of different license options for all W-CDMA products based on a truly W-CDMA Essential Patent portfolio

\* multiple-bilaterals



- A commercially attractive licensed royalty objectifying FRAND
- Membership is « voluntary »
- Licensing terms « open and transparent » providing business certainty
- The royalty is split among Licensors in proportion to the size of their patent portfolios (also reflects actual market considerations and jurisdiction of patents) ~ Proportionality
- No « double-dipping »: no licensee pays same Licensor twice (Royalty Exemption feature in JLA for terminal: no party is likely to pay full royalty)
- Extremely competitive low transactional costs (low-cost licensing)
- International Patent Evaluation Consortium (IPEC): legal grouping of 15 law firms in major countries: under exclusive contract to 3G Licensing using same Evaluation Methodology

# Founded on a rigorous and credible neutral essentiality evaluation of each patent



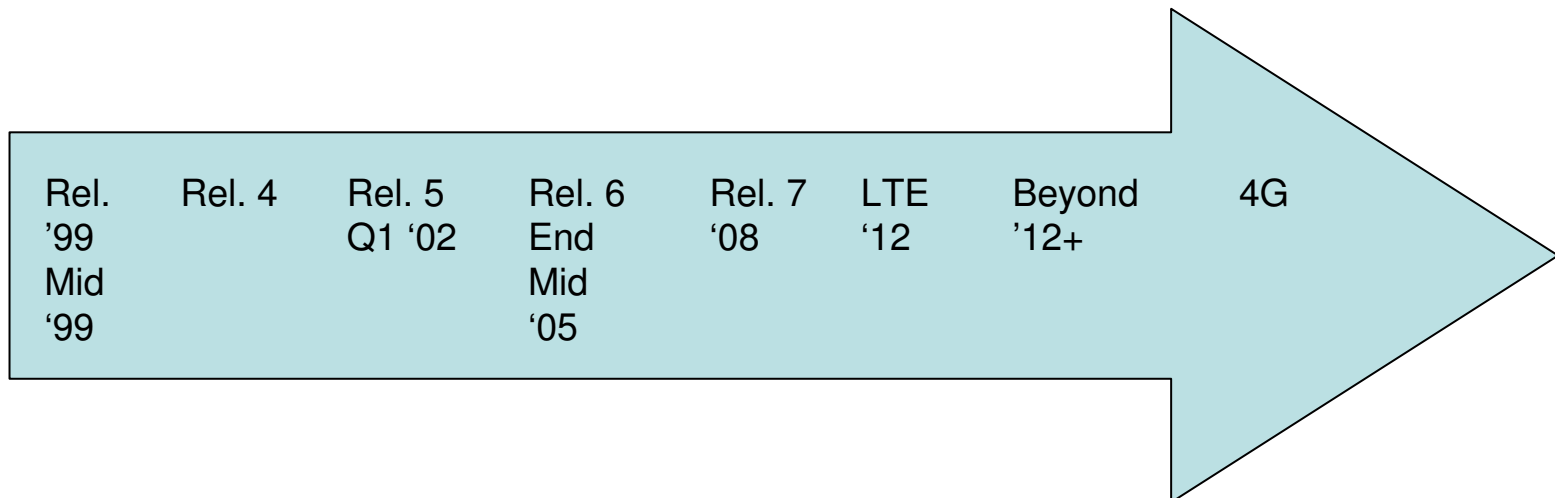
- If no objection, the patent is certified and made public for licensing
- If declared essential, a patent is submitted to a 60-day objection period for review by other Licensors
- Patent holder's application evaluated by 3 patent attorneys (every individual patent must be submitted)

Determination of the « true » W-CDMA Essential Patents is a « must » for meaningful licensing

- Patent owners often overstate the number of essential patents they own
- Licensees often belittle licensor patents to the extent possible in a negotiation
- Some licensees lack the ability and resources to evaluate the claims of the licensors

# Programme scope includes all 3GPP releases and beyond

- The licensors are pro-active in 3GPP and their stated intent is to license their 3GPP essential patents under this programme
- The licensors are making available under the W-CDMA Patent Licensing Programme all their W-CDMA IPR they own or will own related to all existing and future 3GPP Releases as they evolve



## Summary

- The W-CDMA Patent Licensing Programme exist and is commercially operational with positive business results: Licensing Administrator is 3G Licensing Limited
- Nine current members with two others foreseen in the near-term (all major reputable companies) and negotiations on-going with several others
- Does not foreclose bilateral licensing of it's members
- Substantive royalty revenues in 2005 capturing 37% of the W-CDMA terminal market worldwide and substantially better figures forecast for 2006 and beyond: extensive negotiations underway with prospective licensees
- Credible and rigorous patent essentiality evaluation and certification by an independent IPEC using a quality-controlled Evaluation Methodology
- Objectifies FRAND licensing in an open and transparent manner
- Royalty split in proportion to ownership of W-CDMA Essential Patents
- Substantive certified W-CDMA Essential Patent portfolio for all products
- Is providing benchmarks for FRAND conditions to the market
- Is complementary to bilateral licensing of non-members

## Role of 3G Licensing

- 3G Licensing Limited nominated as the legal entity responsible for the commercialisation of the **W-CDMA Patent Licensing Programme** (incorporated as an English company)
- Role of 3G Licensing:
  - Patent evaluation and certification using an independent 3rd party evaluation service provider (IPEC)
  - Marketing of the licensing programme worldwide to prospective licensees and licensors
  - Licensing-related functions such as granting of licenses, negotiations, etc
  - JLA royalty receipt and distribution (including taxation)
  - Recruitment of new licensors: essential patent owners
  - Internal management of the licensing programme (excluding setting of licensing terms and conditions)

## Expertise of 3G Licensing

- Management team involved in the definition, implementation and commercialisation of the 3G Patent Platform since 1998 (in a very complex competitive business and IPR environment)
- Defined a 10-step process for establishing organised patent licensing arrangements for key international standardised technologies: (Book published)
- Substantial know-how and competence covering following:
  - Interaction between patent licensing, standards and IPR law
  - Understanding of three types of licensing: bilaterals, Pools and Platforms
  - Know-how and experience in defining rigorous methodologies for determining technical « essentiality »
  - Experience in establishing FRAND terms for a given business context
  - Experience in obtaining « no-action » letters from antitrust bodies worldwide
  - Experience in royalty receipt and distribution (including taxation matters)
  - Experience in defining and operating an international licensing programme

Thank you

 frederic.vincent@3glicensing.com

+44 (0) 1780 755648

[www.3glicensing.com](http://www.3glicensing.com)

3G Licensing Limited, UK