Notification of a licensing system
Case No IV/C-3/36.849 MPEG-2 Licensing Programme
(98/C 229/06)
(Text with EEA relevance)

1. On 5 January 1998, the Commission received a notification of a patent licensing programme pursuant to Article 4 of Council Regulation No 17 (*) from the following parties:

Cable Television Laboratories, Inc.
Fujitsu Limited
Matsushita Electric Industrial Co., Ltd
Mitsubishi Electric Corporation
MPEG LA, LLC.
NextLevel Systems, Inc. (now called General Instrument, Inc.)
Philips Electronics NV
Scientific-Atlanta, Inc.
Sony Corporation
The Trustees of Columbia University in the City of New York

2. The programme concerns licenses to patents essential to implementing an ISO standard for transmitting and storing video signals called MPEG-2. The MPEG-2 standard provides a technique for eliminating redundant information from a video signal to conserve transmission resources and storage space on storage media such as optical discs.

3. Each of the parties to the programme, except MPEG LA and Cable Television Laboratories Inc., is a holder of patents essential to the implementation of the standard, i.e. patents that must be used to produce equipment or recordings that conform to the standard. To facilitate quick adoption of the standard, as well as for other reasons, the parties have granted MPEG LA a worldwide non-exclusive licence to their essential patents. MPEG LA will, in turn, grant worldwide, non-exclusive licences on standard terms to any firm wishing to implement the MPEG-2 standard. Any other holder of an essential patent can join the programme, and license its patents to MPEG LA. In addition each of the parties is free to negotiate an individual license with any potential licensee.

4. The standard license contract between MPEG LA and third parties contains certain provisions affecting licensees that hold essential patents, or patents useful in the implementation of the MPEG-2 standard. To hold a license from MPEG LA, a licensee that owns an essential patent, must either join the pooling arrangement or must grant a license to the essential patent on ‘fair and reasonable’ terms to any licensee of the programme that wishes to license it. If a licensee holds a patent useful, albeit not essential, to the implementation of the MPEG-2 standard and any licensee of the licensing programme wishes to use the patent, the licensee must either license it to that firm on fair and reasonable terms or at least refrain from taking patent infringement proceedings against that firm if it wishes to hold a license from MPEG LA.

5. Upon preliminary examination the Commission finds that the notified contracts could fall within the scope of Regulation No 17.

6. The Commission invites interested third parties to submit their possible observations on the operation.

7. Observations must reach the Commission not later than 30 days following the date of this publication. Observations can be sent to by fax (No (32-2) 296 98 09) or by post under reference number IV/C-3/36.849 to the following address:

European Commission,  
Directorate-General for Competition,  
Directorate C,  
Office 3/103,  
Avenue de Cortenberg/Kortenberglaan 150,  
B-1040 Brussels.