

# EXHIBIT 14

---

# Samsung-Apple Licensing Discussion

---

October 5, 2010

**DEFENDANT'S EXHIBIT  
NO. 586.001**

United States District Court  
Northern District of California  
No. 11-CV-1846-LHK (PSG)  
*Apple v. Samsung*

Date Admitted: \_\_\_\_\_ By: \_\_\_\_\_



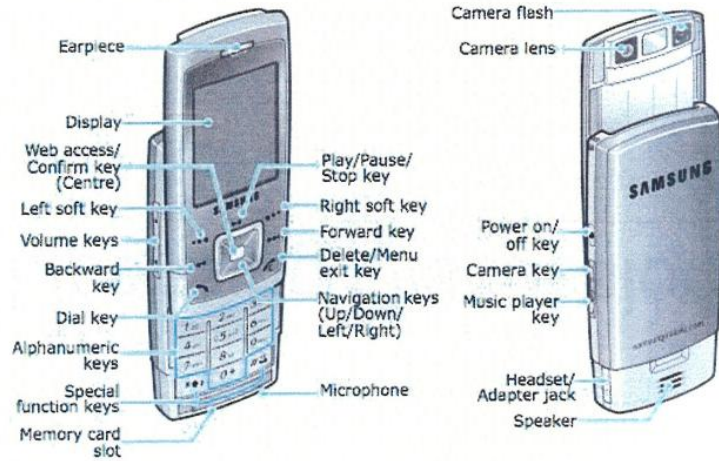
Highly Confidential - Attorneys' Eyes Only

*Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*

1

APLNDC00010886

# A Basic Phone has basic features ...



Highly Confidential - Attorneys' Eyes Only

Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice

## What changed? What makes an GalaxyS so different?

---



Highly Confidential - Attorneys' Eyes Only

*Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*



## ... but Advanced Mobile Computing Devices are different

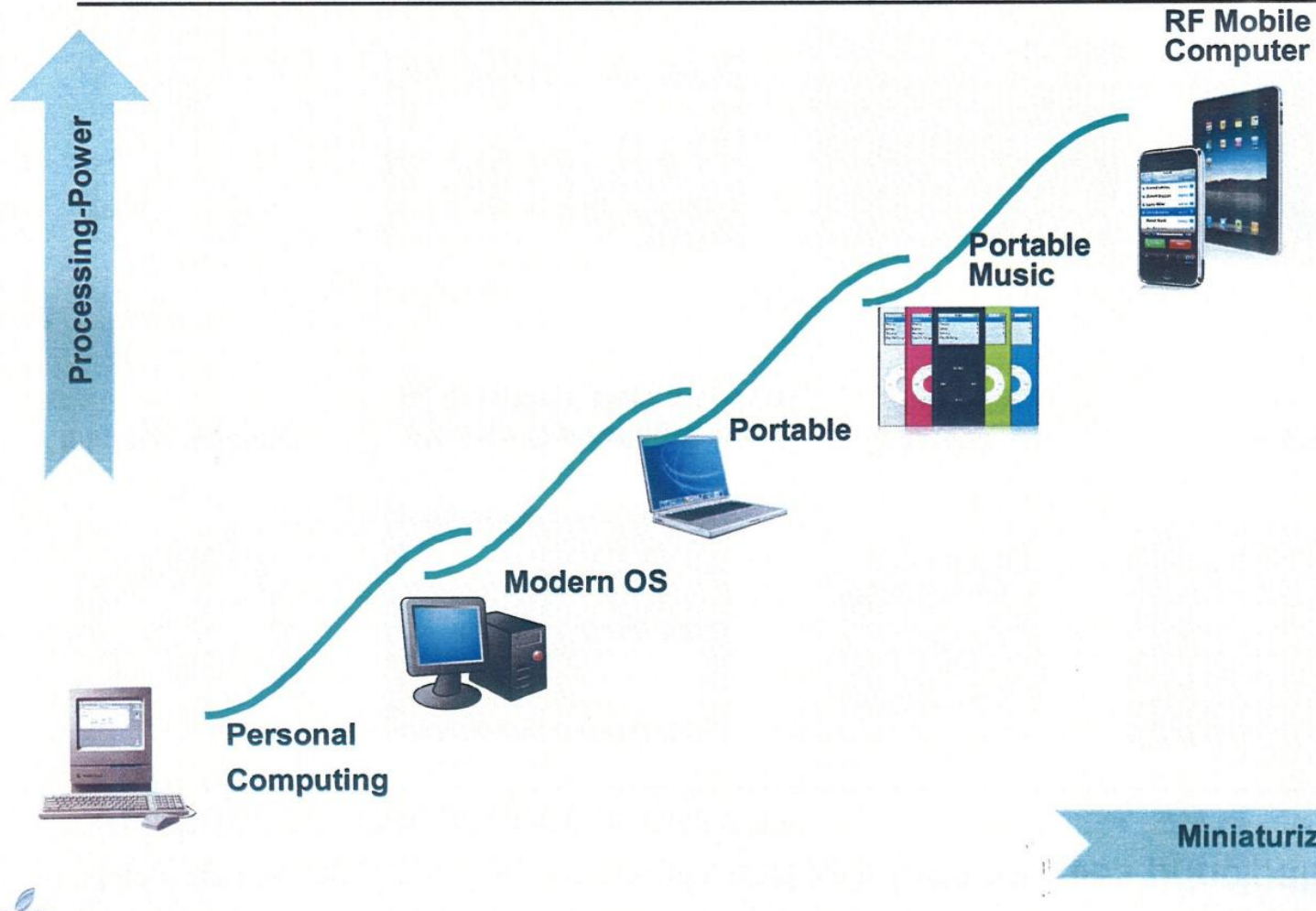
---



- **Software** creates the largest share of product value
- Operating system, applications, user interface, and services are the key to a ***differentiated customer experience***
- ***iPhone became the archetype*** for advanced mobile computing devices
- Software has always been at the heart of Apple's business and intellectual property portfolio



# Apple and its Computing Products have Evolved as well



Highly Confidential - Attorneys' Eyes Only

*Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*



# Mobile Computers rely upon several key technologies principally developed in the computing industry



**Microprocessor**



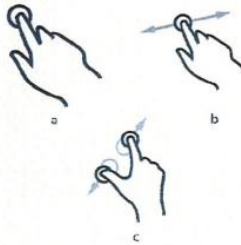
**Modern Operating System w/ Graphical User Interface**



**Graphics**



**Apps**



**Touch**



**Music**



**Video**



**Gaming**

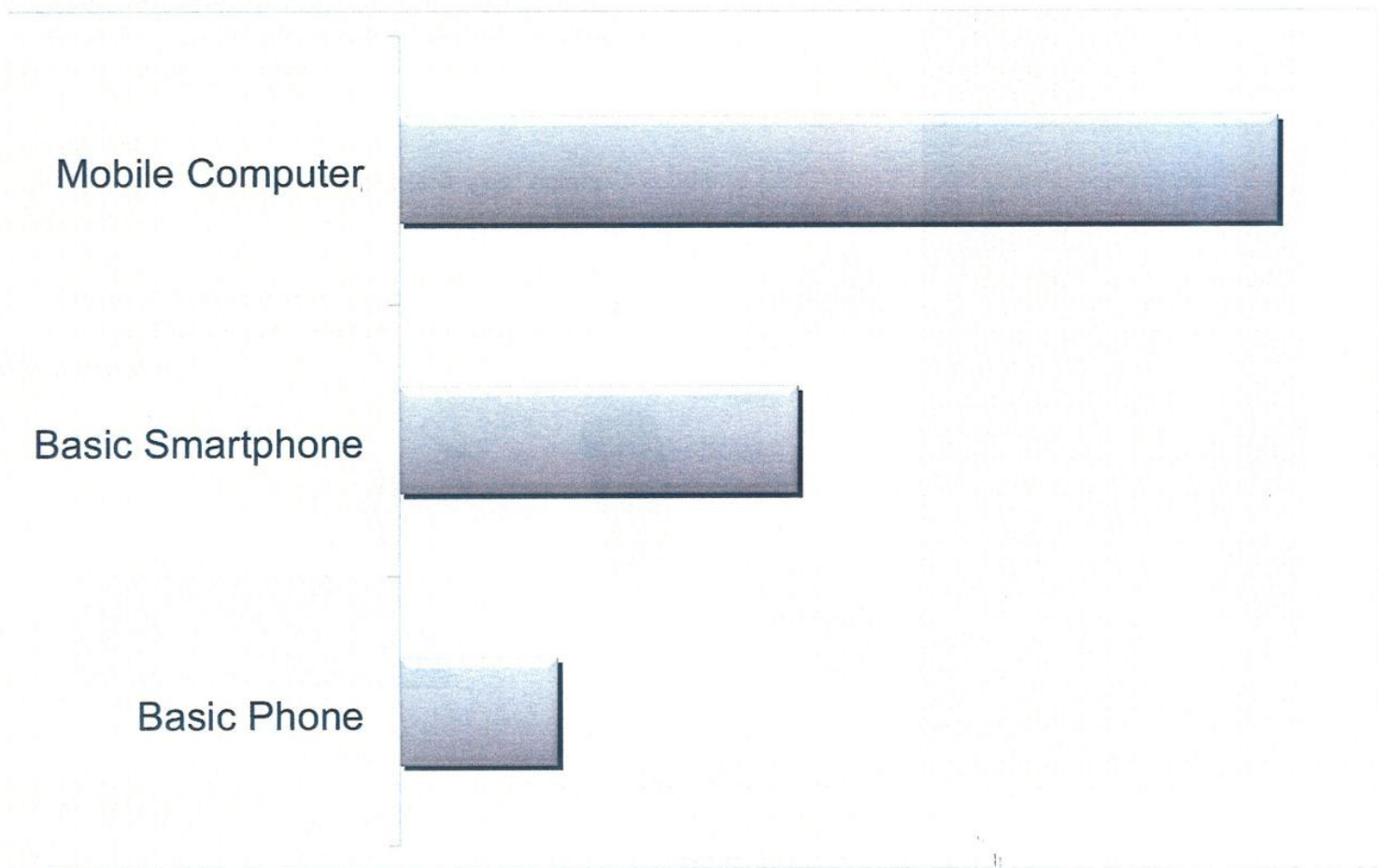


Highly Confidential - Attorneys' Eyes Only

*Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*

Mobile computers create more value for customers -- and sell for more -- by virtue of the additional technologies that enable them

---



Highly Confidential - Attorneys' Eyes Only

*Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*



## We model 3 types of patent licenses to cover wireless and computing technologies

**Basic telephony**  
 Basic network interface – industry-standardized air interface (least common denominator) and data format



**Apple core computing**  
 Apple core computing technologies for modern and mobile computing developed over 20 years on desktop and laptop computer platform

- Modern, real computing platform
- Extensible, programmable OS
- Software application platform
- Advanced, friendly user interface
- Graphics and multimedia
- Component-based architecture with consistent APIs
- Internet and network technology

**Apple advanced features**  
 Apple's iPod and iPhone innovations have defined the standard for modern high-end consumer devices

- Multitouch user interface
- Apps and App Store
- iTunes media store and media player
- Real Web and Web services
- Advanced sensors and device context
- Service-oriented offering

- **Phone license**
  - Basic Telephony (e.g. wireless standards, java, processor, graphics, misc HW)
- **“Smart” license**
  - Apple Computing technologies (e.g. O/S, object oriented, etc.)
- **“Advanced Mobile” license**
  - Advanced iPhone Technologies needed to create an “advanced” class device (e.g. Touch, GUI, apps, music, etc.)

*\* Each license includes distinct technologies, so an iPhone advanced mobile class device would require all 3 licenses, while a basic phone would require only the phone license.*



*Confidential \* Provided for Information and Business Settlement Purposes Only  
 Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*

## Samsung adopted, embraced and imitated the iPhone archetype

- ***Samsung chose to embrace and imitate Apple's iPhone archetype***
- Apple would have preferred that Samsung ***request a license to do this in advance***
- Because Samsung is a strategic supplier to Apple, we are prepared to ***offer a royalty-bearing license for this category of device***



Highly Confidential - Attorneys' Eyes Only

Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice

9

APLNDC00010894



Samsung launched a major offensive, targeting Apple's Mobile Computing Paradigm with both smartphones and tablets

*"Samsung could sell **10 million units** of the new [Galaxy S] smartphone globally **this year.**"<sup>1</sup>*

- JK Shin, head of Samsung's mobile comm. division

*"Samsung also expects to sell about **25 million smartphones** this year"<sup>1</sup>*

- JK Shin, head of Samsung's mobile comm. division

*"Samsung is aiming for a double-digit market share for global smartphones by the end of this year... Samsung's **smartphone sales are likely to double next year** from this year."<sup>1</sup>*

- JK Shin, head of Samsung's mobile comm. division

*"[Samsung] expects to ship **10 million [Galaxy Tablet] units** and take a third of the global tablet market next year"<sup>2</sup>*

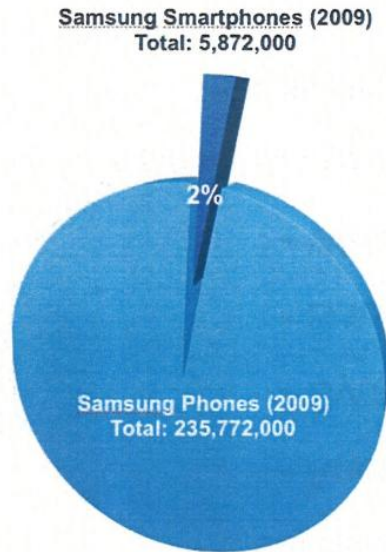
- Hankil Yoon, Samsung product executive

<sup>1</sup> SE Young Lee, "Samsung Expects Profit Boost From Mobile Phones", The Wall Street Journal, Sep 3, 2010

<sup>2</sup> Spencer E. Ante, "Phone Giants to Sell Samsung Tablet PC", The Wall Street Journal, Sep 11, 2010

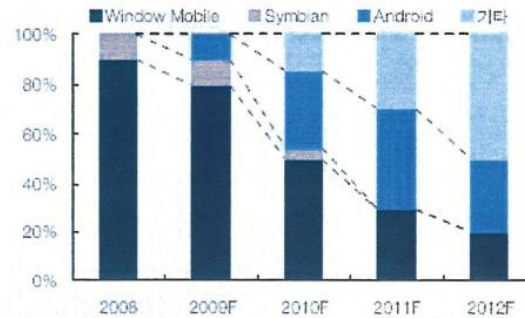


## Samsung is a major vendor of advanced mobile computing devices such as smartphones and tablets



<u>Year</u>	<u>Smartphone Volume (000)</u>	<u>Tablet Volume (000)</u>
2009	5,900	--
2010	25,000	2,000
2011	50,000	10,000
2012	60,000	12,000
2013	72,000	14,000
2014	86,000	17,000
<b>TOTAL</b>	<b>293,000</b>	<b>55,000</b>

**Samsung Smartphones by OS**



Source : HMC Investment Securities



Highly Confidential - Attorneys' Eyes Only

Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice



## Apple Smartphone Licensing Rates

---

- \$30 USD per Licensed Smartphone
  - Licensed Smartphones: touchscreen devices based on --
    - Android units
    - Symbian units
    - Bada, unless Apple proprietary features avoided
    - Windows, others - to be discussed
- \$40 USD per Licensed Touchscreen Tablet
  - Reducing to \$30 over 2 years



Highly Confidential - Attorneys' Eyes Only

*Confidential \* Provided for Information and Business Settlement Purposes Only  
Information and Disclosure Provided Under Rule 408 of Federal Rules of Evidence, Without Prejudice*

A DC00010897

We will provide Samsung with a number of options for obtaining a cost-effective license to our patent portfolio

---

Samsung  
Portfolio

Like other major Apple suppliers Samsung has a substantial patent portfolio, albeit it is largely oriented in supplier-type areas

Apple-  
licensed O/S

Some Samsung products may make use of an OS largely licensed to Apple patents (e.g. Windows Mobile)

Apple-  
licensed  
Processors

Samsung may wish to encourage its other processor manufacturers to take a license

Not Using  
Proprietary  
Features

Some Samsung "smartphone" products may not adopt distinctive industrial designs, software platforms or feature sets

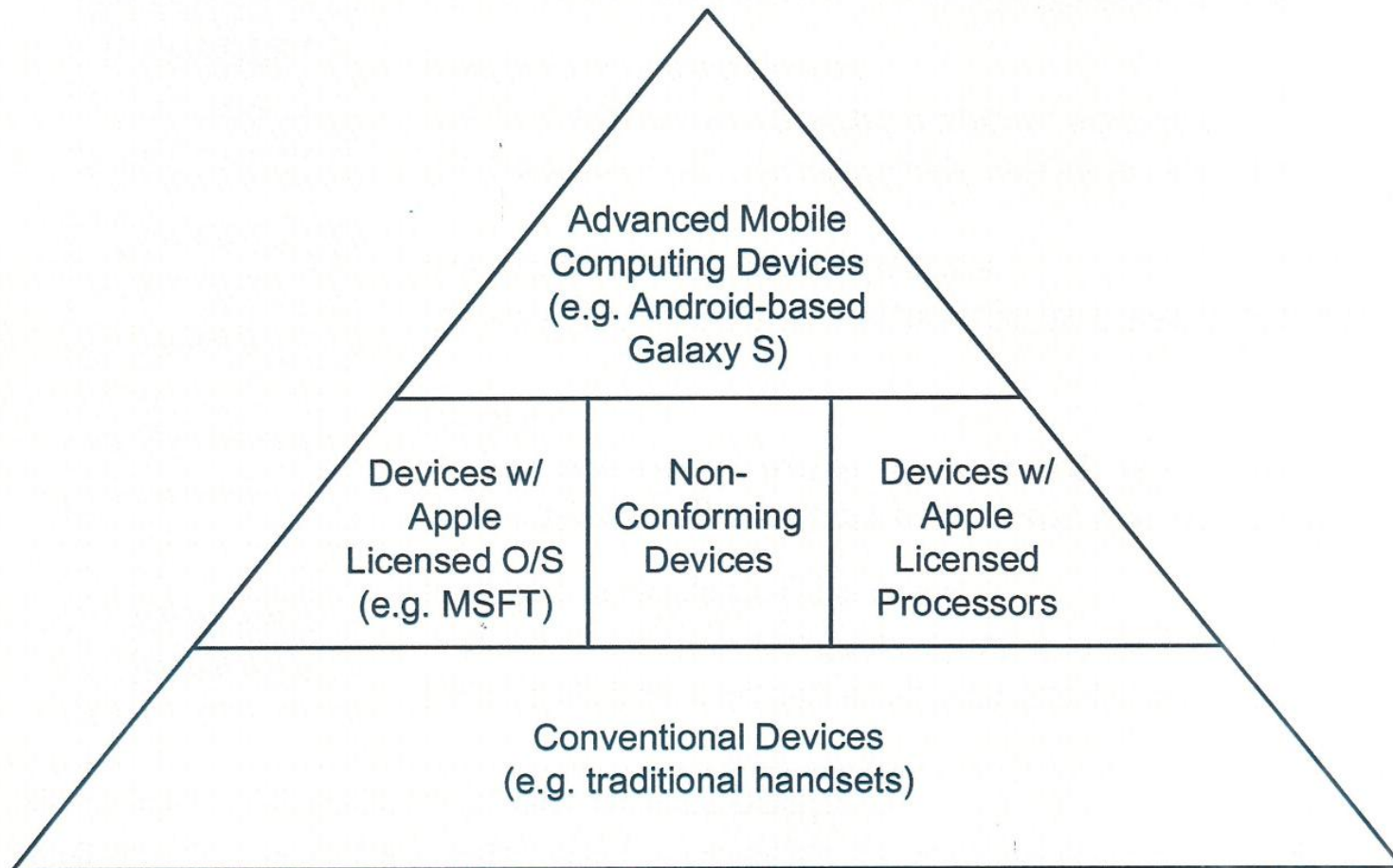
Conventional  
Mobile  
Devices

Most Samsung phones are Basic Phones that are not intended to serve as advanced mobile computing devices



Samsung may avail itself of these options, and in doing so obtain an Apple patent license on the most cost effective basis possible.

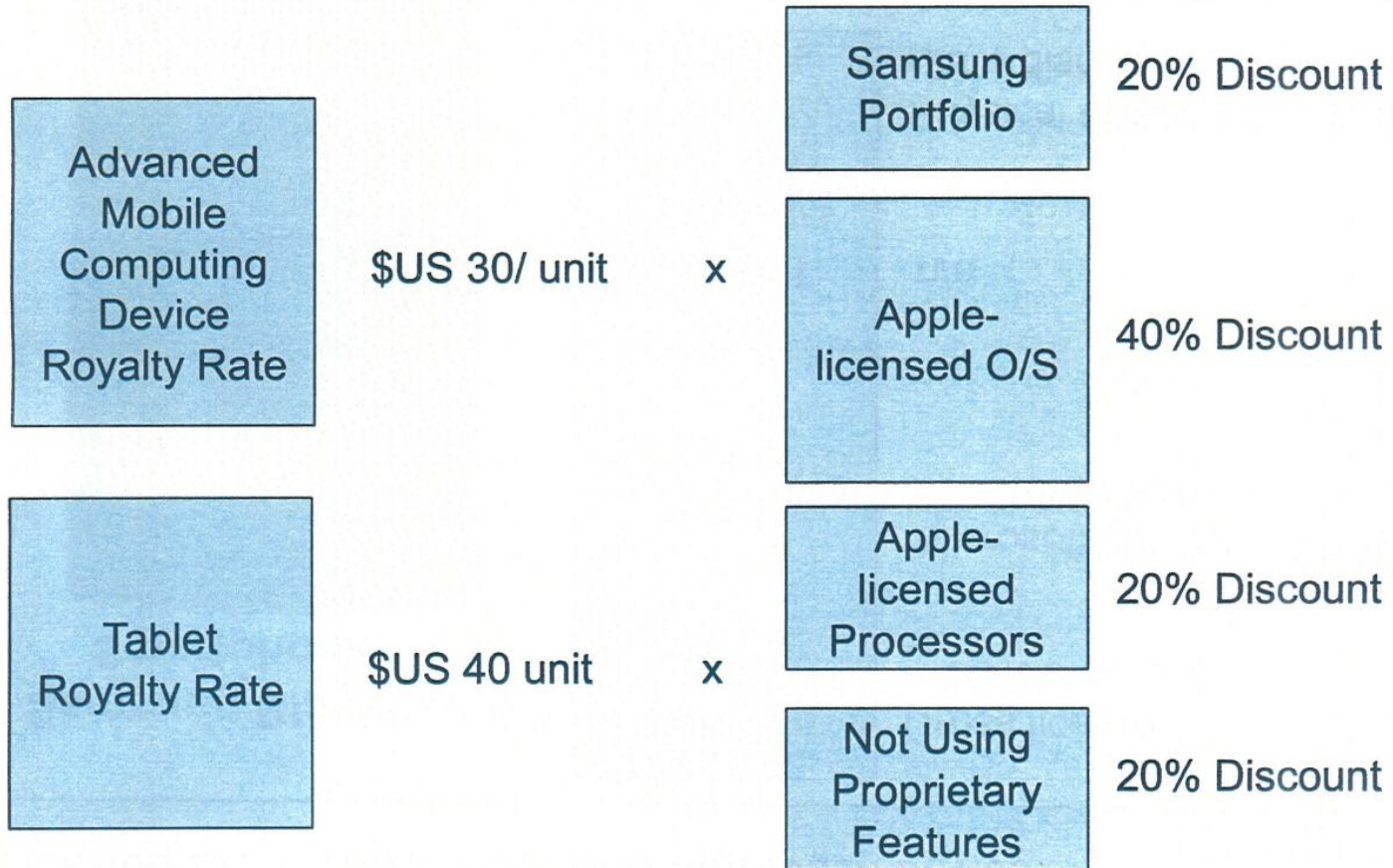
---





We will provide Samsung with a number of options for obtaining the most cost-effective possible license to our patent portfolio

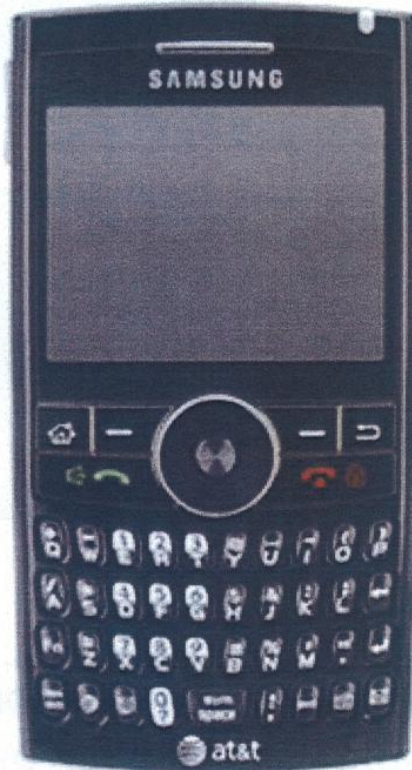
---





EXAMPLE 1: Windows-based non-touch device


**Samsung Blackjack II™  
Smartphone**



Samsung Portfolio	Cross license • 20% discount
Apple-licensed O/S	Microsoft licensed O/S tech • 40% discount
Apple-licensed Processors	n/a
Not Using Proprietary Features	Physical QWERTY form factor •20% discount
<hr/>	
<b>Total</b>	<b>80% discount</b>



## EXAMPLE 2: Android-based full touch screen devices

	Samsung Portfolio	Cross license • 20% discount
	Apple-licensed O/S	Completely unlicensed Android OS - No discount
	Apple-licensed Processors	n/a
	Not Using Proprietary Features	Full touch screen device - No discount
<b>Total</b>		<b>20% discount</b>





## Example year: 2010

	Android	Windows Mobile 7	Bada, Symbian & Other	Tablet
Samsung Est. Units (m)	10	10	5	2
Royalty per Unit	\$30	\$30	\$30	\$40
Portfolio Discount	(\$6)	(\$6)	(\$6)	(\$8)
Licensed OS Discount	\$0	(\$12)	\$0	\$0
Licensed MPU Discount	\$0	\$0	\$0	\$0
Not using Apple Proprietary Features*	\$0	(\$3)	(\$3)	\$0
<b>Total Discounted Royalty per Unit</b>	<b>\$24</b>	<b>\$9</b>	<b>\$21</b>	<b>\$32</b>
<b>Gross Royalties (m\$)</b>	<b>\$240</b>	<b>\$90</b>	<b>\$105</b>	<b>\$64</b>
Product Impact (est. 50%)	(\$120)	(\$45)	(\$53)	(\$32)
<b>Net Royalties Due (m\$)</b>	<b>\$120</b>	<b>\$45</b>	<b>\$53</b>	<b>\$32</b>
<b>CY 2010 License Total (m\$)</b>				<b>\$250</b>

\* Specific Apple Proprietary Features to be discussed

- Samsung launched a major offensive, targeting Apple's smartphones and tablets
- Simple calculation of Apple's lost profits based on current market share yields profound lost profits
- These figures pale in comparison to Apple-Samsung's balance-of-trade
- Samsung should respond favorably

