

# COVINGTON

BEIJING BRUSSELS LONDON NEW YORK  
SAN DIEGO SAN FRANCISCO SEOUL  
SHANGHAI SILICON VALLEY WASHINGTON

Covington & Burling LLP  
One CityCenter  
850 Tenth Street, NW  
Washington, DC 20001-4956  
T +1 202 662 6000

July 20, 2016

*Via ECFS*

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

*Re: MB Docket No. 16-42, In re Expanding Consumers' Video Navigation Choices;  
CS Docket No. 97-80, Commercial Availability of Navigation Devices*

Dear Ms. Dortch:

On July 18, 2016, representatives of Microsoft Corporation spoke with Commission staff by telephone to discuss the above-referenced proceedings. Attendees for Microsoft consisted of Gunnar Halley, Senior Attorney; Paula Boyd, Director, Government and Regulatory Affairs, and the undersigned, outside counsel. Attendees for the Commission are identified in the cc: line of this submission.

The purpose of the meeting was to provide Commission staff with information about Microsoft's PlayReady technology, and specifically the terms under which PlayReady is licensed to third parties. We began by explaining that there are four basic types of PlayReady licenses:

1. [PlayReady Master Agreement](#).<sup>1</sup> This is the overarching agreement that Microsoft enters into with third parties. It contains standard terms that govern the Intermediate Product and Final Product Agreements (discussed below). The Master Agreement does not involve any license or royalty fees and is available to any third party. In fact, some entities that license their own Digital Rights Management (DRM) products have signed this Agreement.
2. [PlayReady Intermediate Product License Agreement](#).<sup>2</sup> This agreement is primarily for companies that develop inputs for PlayReady-protected apps and devices. The Intermediate Product License Agreement requires a one-time \$10,000 license fee.

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<sup>1</sup> A copy of the PlayReady Master Agreement can be accessed online at [http://wmlicense.smdisp.net/filepu/Microsoft%20PlayReady%20Master%20Agreement\\_SAMPL E%20v-12-04-13a.pdf](http://wmlicense.smdisp.net/filepu/Microsoft%20PlayReady%20Master%20Agreement_SAMPL E%20v-12-04-13a.pdf).

<sup>2</sup> A copy of the PlayReady Intermediate Product License Agreement can be accessed online at <http://wmlicense.smdisp.net/filepu/PR%20Intermediate%20Product%20License%20v.06-02-16%20SAMPLE.PDF>.

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3. [PlayReady Final Product License Agreement](#).<sup>3</sup> This agreement is for companies that ship or distribute PlayReady-protected apps and devices – *i.e.*, entities that perform the final compilation of the product before shipping, such as set-top box manufacturers. Roughly 500 companies have signed this Agreement. Under its standard terms, the license requires a \$10,000 up-front payment and a \$0.35 per client royalty fee, which first is drawn down from the up-front payment and then becomes payable after the up-front payment has been exhausted.
4. [PlayReady Server License Agreement](#).<sup>4</sup> This agreement enables the PlayReady server to send security keys to the client, *e.g.*, for the playback of premium content. It is free – there are no license fees or royalty fees for the server license, and the PlayReady Master Agreement is not a prerequisite for entering into the Server License Agreement.

After reviewing these license types, we explained that some entities sign multiple license agreements, and that a list of individual PlayReady licensees for each PlayReady license type is available online.<sup>5</sup> We noted that the ease of access to and use of PlayReady is evident from the large number of PlayReady licensees, as Microsoft offers these licenses on generally available terms and prices.<sup>6</sup>

In light of this information, we explained that, with respect to the proposed definition of “Compliant Security System” in the *Notice of Proposed Rulemaking*, the use of the term “commercially reasonable” would better reflect DRM industry norms than would a “reasonable and nondiscriminatory” standard. A nondiscriminatory standard in this context is unnecessary to ensure the wide distribution and availability of compliant security systems and could interfere with some arrangements and in certain instances could alter existing business models that are serving well parties in the DRM ecosystem. Furthermore, content protection technology providers generally have an incentive to ensure that their technologies are easily accessed and widely used.

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<sup>3</sup> A copy of the PlayReady Final Product License Agreement can be accessed online at <http://wmlicense.smdisp.net/filepu/PR%20Final%20Product%20License%20v.06-02-16%20SAMPLE.PDF>.

<sup>4</sup> A copy of the PlayReady Server License Agreement can be accessed online at [http://wmlicense.smdisp.net/filepu/Microsoft%20PlayReady%20Server%20Agreement%20v04-24-15%20\(SAMPLE\).pdf](http://wmlicense.smdisp.net/filepu/Microsoft%20PlayReady%20Server%20Agreement%20v04-24-15%20(SAMPLE).pdf).

<sup>5</sup> See <https://www.microsoft.com/playready/licensing/list/>.

<sup>6</sup> We noted that in some cases Microsoft may negotiate prices and terms with individual stakeholders on a confidential basis, but that this is consistent with prevailing industry practice.

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We separately noted that PlayReady requires licensees to adhere to Robustness and Compliance Rules, which, together with FAQs about the technology, are available publicly online.<sup>7</sup>

In response to the Commission's inquiry about PlayReady's authentication mechanisms, we note here that all certificates used by PlayReady are provisioned directly or indirectly by Microsoft. Microsoft is the sole trust authority for both devices and services. On the device side, Microsoft provides manufacturers with the tools they need to provision certificates for their various models and those certificates, in turn, link back to Microsoft's trust authority. Furthermore, all PlayReady-licensed services require a deployment or server certificate which links back to Microsoft's trust authority. PlayReady is designed so that a PlayReady license server will authenticate and issue licenses only to devices that have a certificate provisioned by Microsoft directly or indirectly. In this way, Microsoft is the sole trust authority for all PlayReady device and server end points.

Pursuant to the Commission's rules, a copy of this letter is being filed in the above-referenced docket. Please contact me if you have any questions.

Respectfully submitted,

/s/

Yaron Dori  
*Counsel for Microsoft*

cc: FCC  
Nancy Murphy, Associate Chief  
Steve Broeckaert  
Lyle Elder  
Martha Heller  
Scott Jordan  
Brendan Murray

Microsoft  
Paula Boyd  
Gunnar Halley

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<sup>7</sup> See, e.g., <http://public.wmllicensing.com/public/> (general information), <https://www.microsoft.com/playready/licensing/faq/> (FAQs), and <https://www.microsoft.com/playready/licensing/compliance/> (robustness and compliance rules).