



LOTNETWORK

Invest in Growth

How LOT Network Addresses the PAE Problem



LOTNETWORK
WHAT GOOD CORPORATE CITIZENS DO

Ken Seddon
CEO, LOT Network
November 1, 2016



LOT Hires new CEO



- Introduction of Ken Seddon
- 25 Years of Engineering and IP experience
 - BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU
 - Motorola: engineer and patent prosecution
 - Intel: Asst. Director of Patents - patent prosecution and licensing
 - Numonyx: Chief IP Counsel
 - Micron: Asst. General Counsel
 - Apple: Strategic patent licensing, patent purchasing, NPE defense
 - ARM: VP of IP



What's new?



LOT Membership unanimously approves new agreement
November 23, 2015

LOT 1.0

- Very robust agreement - 27 pages
- License triggered upon transfer to non-member
- Impacted sales to other companies

LOT 2.0

- Scope narrowed to address NPEs - 10 pages
- License upon transfer to NPE
- No impact on traditional uses of IP
 - Free to assert, sell, or license to anyone



Why does this matter?



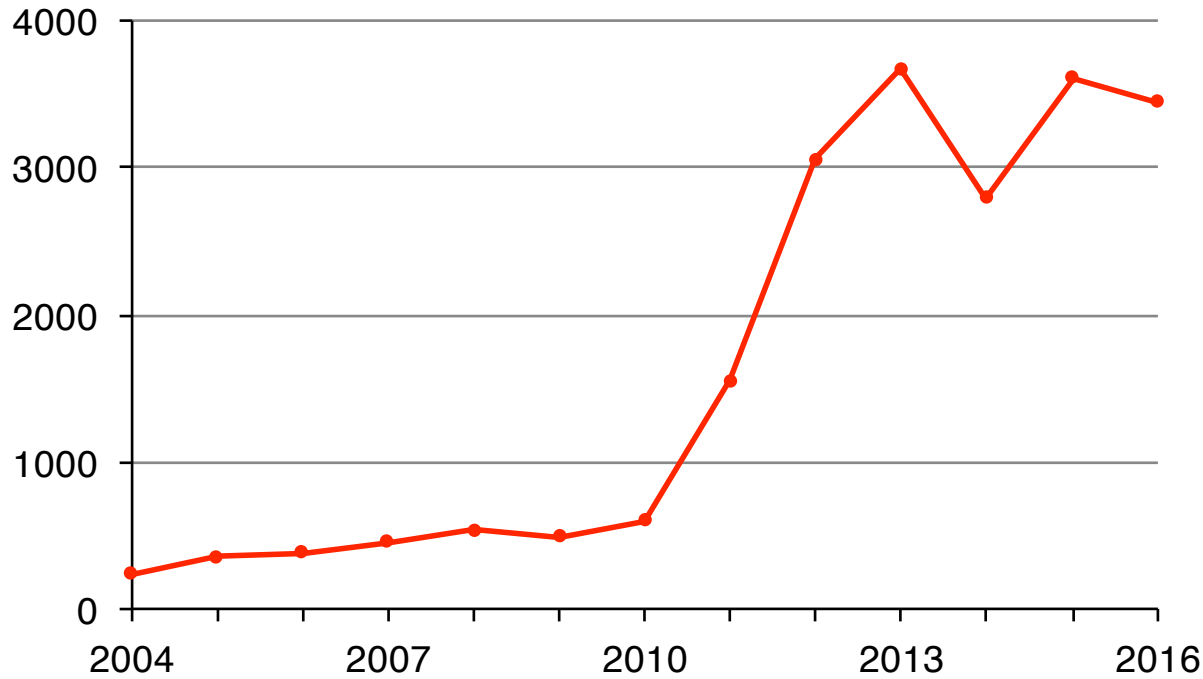
Why you should join LOT Network

\$29 Billion



PAEs - hurting innovation

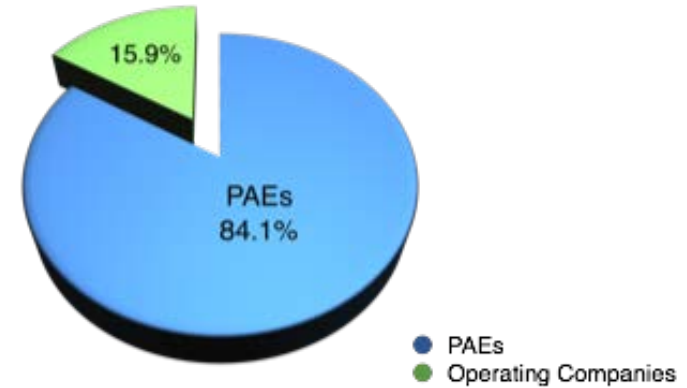
Number of PAE initiated lawsuits per year ¹



Patent lawsuits have jumped 500% between 2005-2014

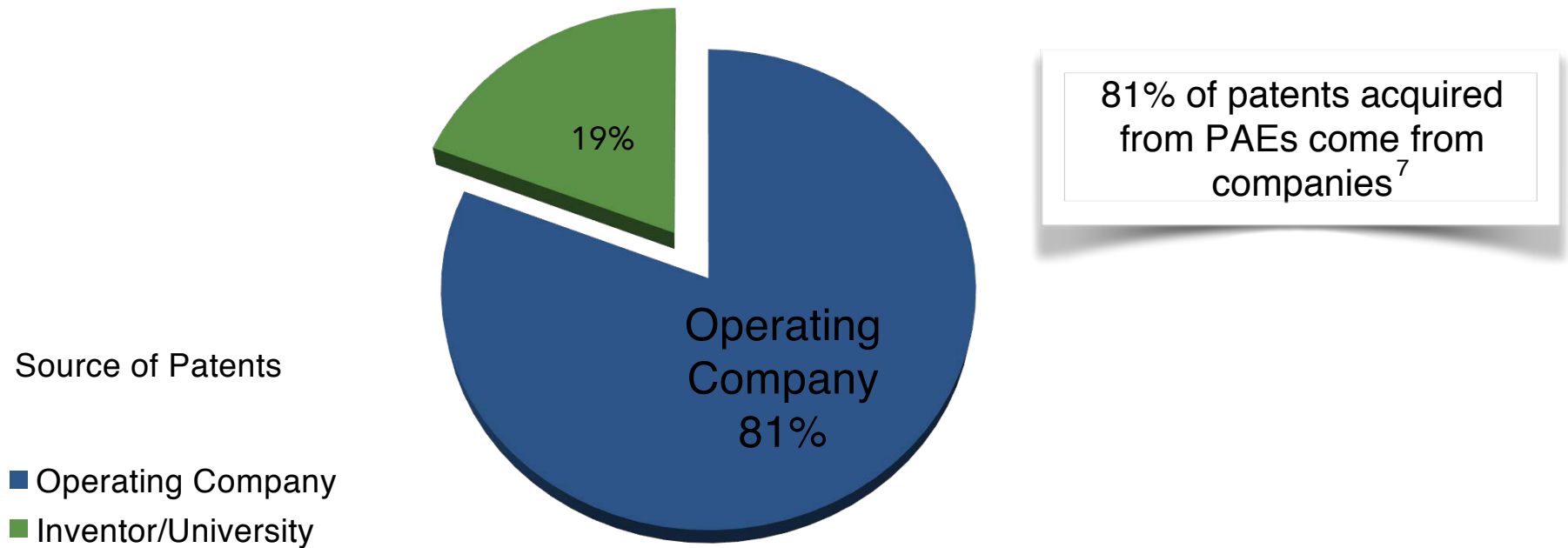
PAEs drain ~\$80B from the US economy per year, or \$1.5B a week ¹⁰

PAEs are responsible for 84% of high-tech patent litigation in the US! ⁷





Where are the PAEs getting their patents?



Companies provide PAEs with most of the patents



Who is joining and why?



LOTNETWORK

Some of LOT's 98 members



Dropbox



mazda



Logitech



LOTNETWORK

.... and





LOTNETWORK

2/3rds of LOT Members are start-ups





What is LOT Network?

Community

Non-Profit

Protecting
Innovation

LOT - community providing PAE immunization



How LOT Protects Members

A license to the other members of LOT Network that applies **ONLY** on and after transfer of the particular patent to a patent assertion entity
(License on Transfer - LOT)



No effect on traditional uses of patents

Free to
Cross License

Free to
Assert

Free to
Do Nothing

Free to
Sell



No Burden to being a member

Don't have to
give notice

Don't have to
list patents

Don't have to
report



What is an assertion entity?

A patent holder, in combination with its affiliates, that generates more than 50% of its **gross** revenue from patent assertion.

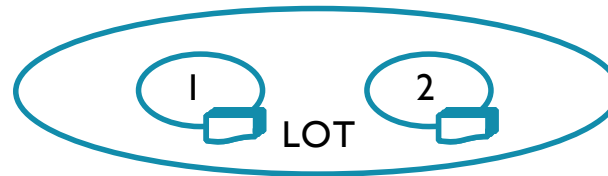


How LOT works



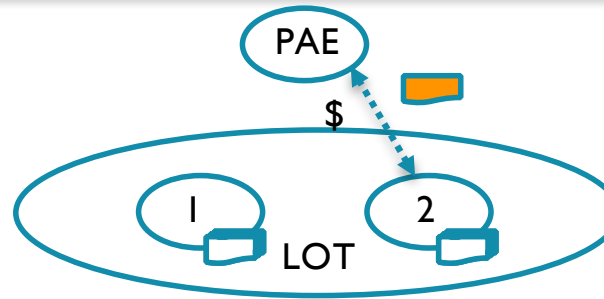
Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



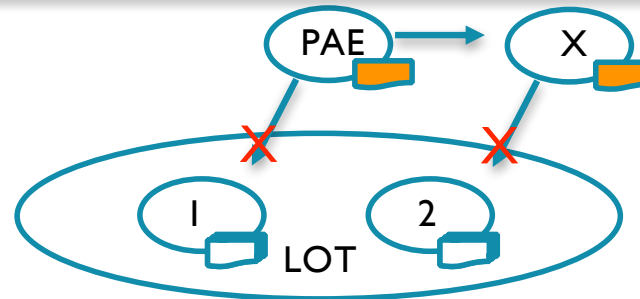
Over 586,000 WW assets
Over 155,000 US assets

Tomorrow: Company 2 sells a patent to a Patent Assertion Entity.



License to LOT membership automatically becomes effective.

Future: LOT membership immune from patent, regardless of the owner.

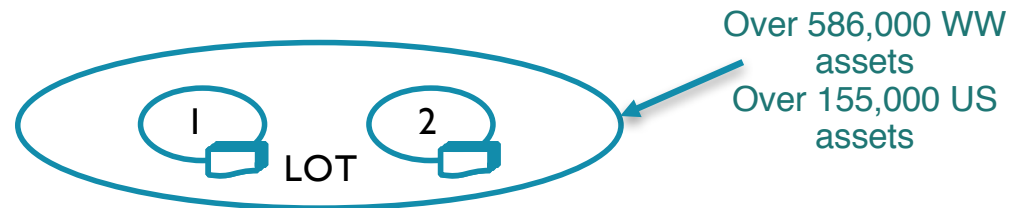


Legend
[Orange Rectangle] - Transferred patent(s)

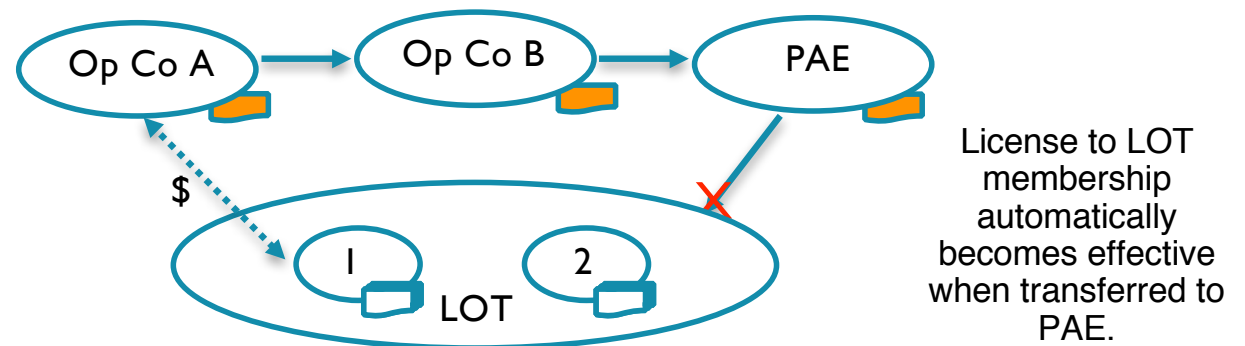


Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Tomorrow: Company 1 sells a patent to an Operating Company



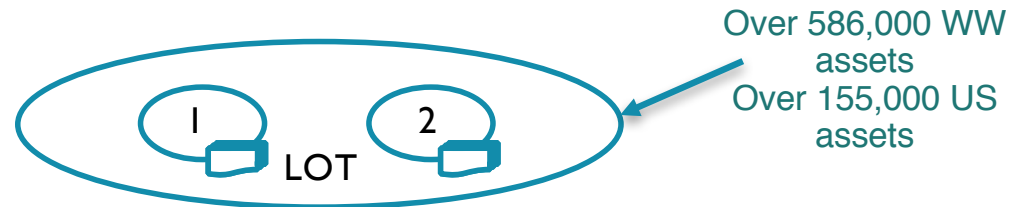
Legend

 - Transferred patent(s)



Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Tomorrow: Company 2 becomes an assertion entity

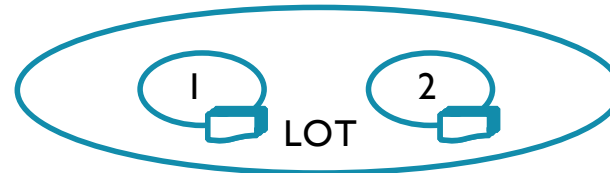
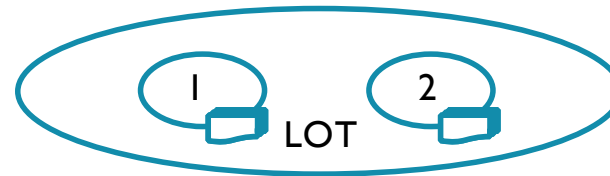




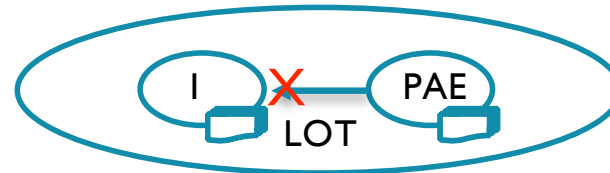
Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Over 586,000 WW assets
Over 155,000 US assets

Tomorrow: Company 2 becomes an assertion entity



License to LOT membership automatically becomes effective.



LOT Network is non-profit: Annual Fee

<i>LOT Member's Annual Revenue</i>	<i>Annual Membership Fee</i>
<i>Less than \$5 million</i>	<i>Free (through March 1, 2017)</i>
<i>Between \$5 million and \$10 million</i>	<i>\$1,500</i>
<i>Between \$10 million and \$25 million</i>	<i>\$2,500</i>
<i>Between \$25 million and \$50 million</i>	<i>\$5,000</i>
<i>Between \$50 million and \$100 million</i>	<i>\$10,000</i>
<i>Between \$100 million and \$1 billion</i>	<i>\$15,000</i>
<i>Greater than \$1 billion</i>	<i>\$20,000 (cap)</i>



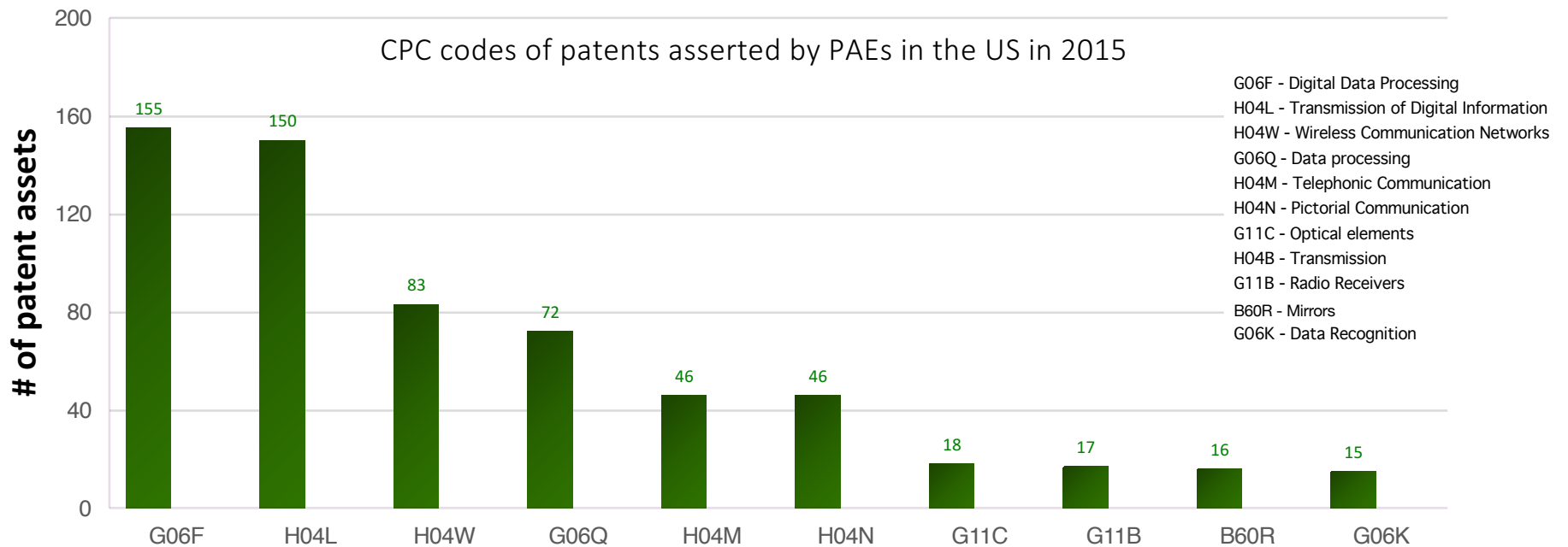
LOT provides value to its members



Analysis of assets litigated by PAEs

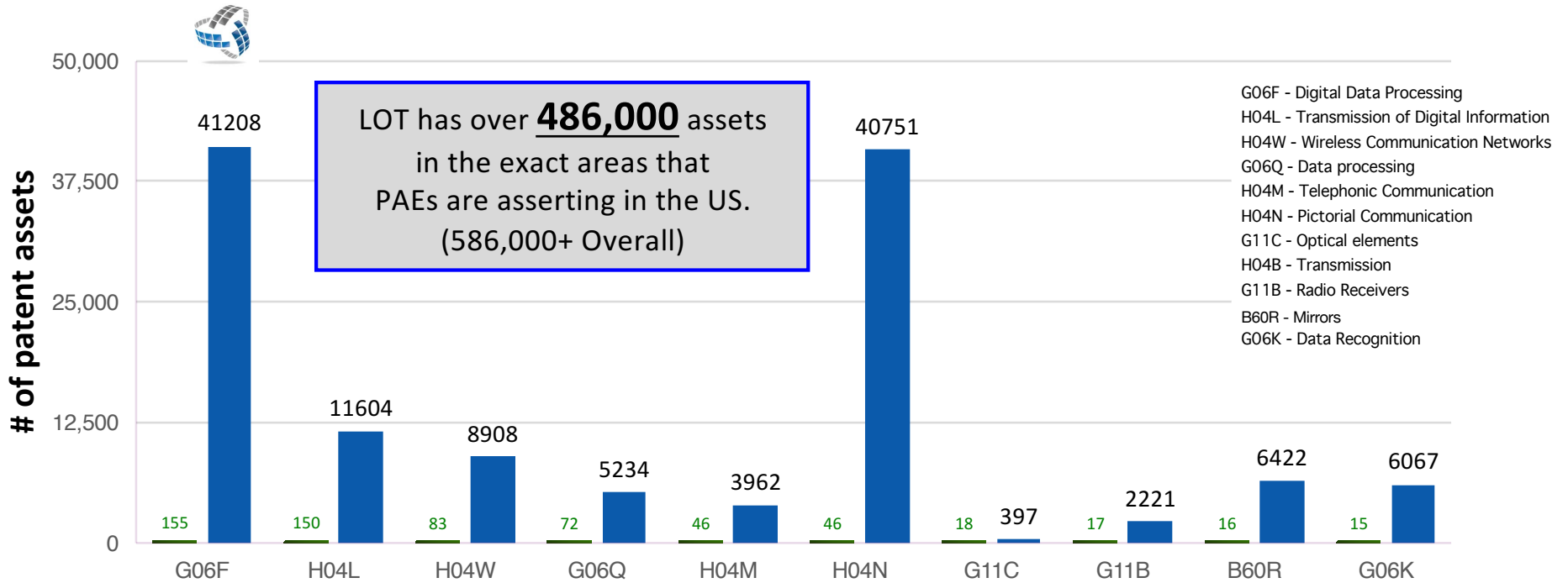


What types of patents did trolls use to sue in the US in 2015? (3,608 litigations)





LOT has thousands of patents in the same areas as those PAEs are asserting in the US

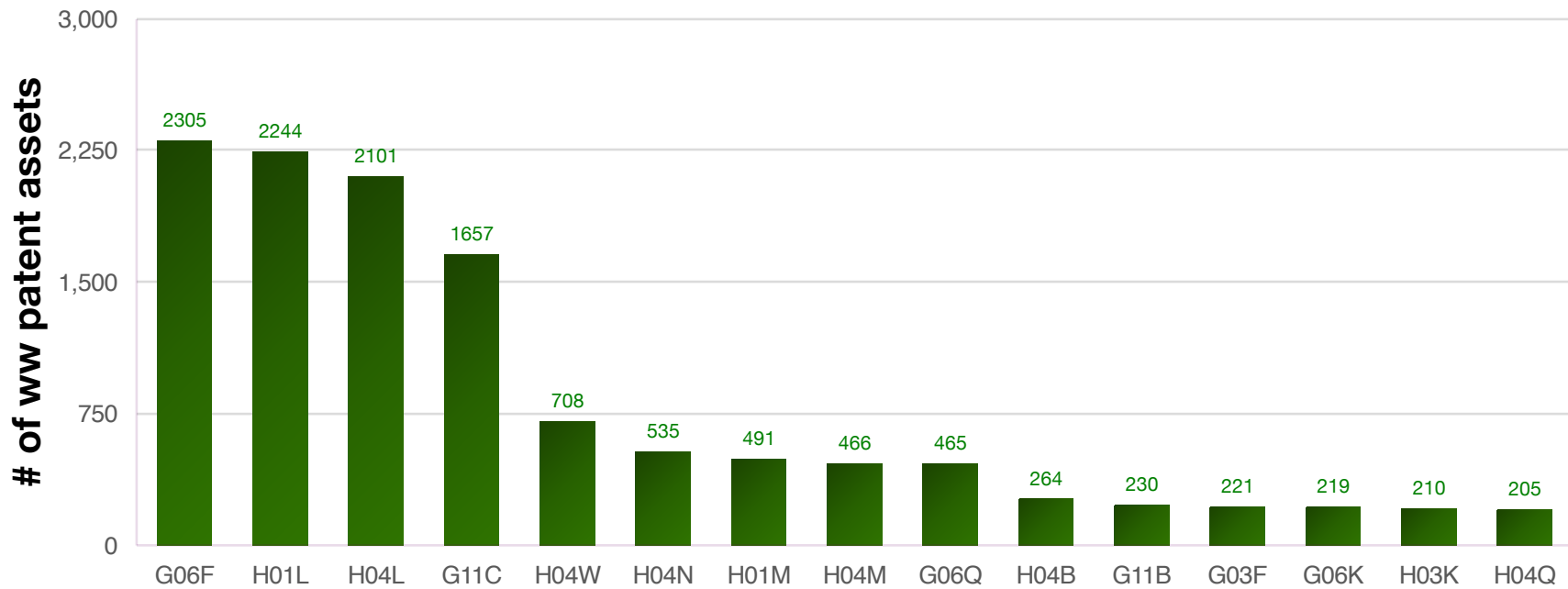




Analysis of assets bought in 2015



2015 Patent sales: Forecast of future litigation



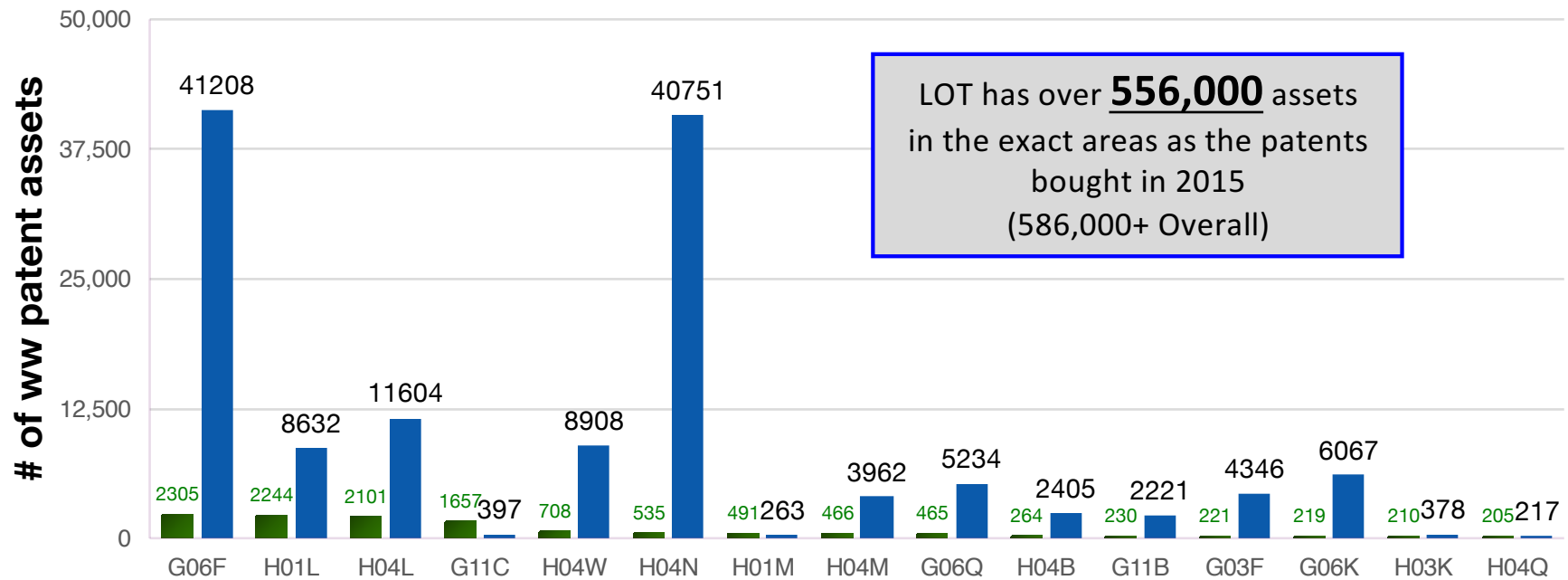
Top 15 patent categories for 16,634 assets sold in 2015

Data from:

AlliedSecurityTrust



2015 Patent sales: Forecast of future litigation



Top 15 patent categories for 16,634 assets sold in 2015

Data from:

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Yeah, but does LOT REALLY work?



Since LOT was formed in 2014

- 42 different LOT Members have divested over 42,000 assets since LOT was founded
- 35 of those assets have landed in the hands of 8 different PAEs
- One of those PAEs is Intellectual Ventures
- At least 97% of those assets were divested AFTER the member joined LOT

NO LOT MEMBER HAS EVER BEEN SUED BY AN ASSET FROM LOT

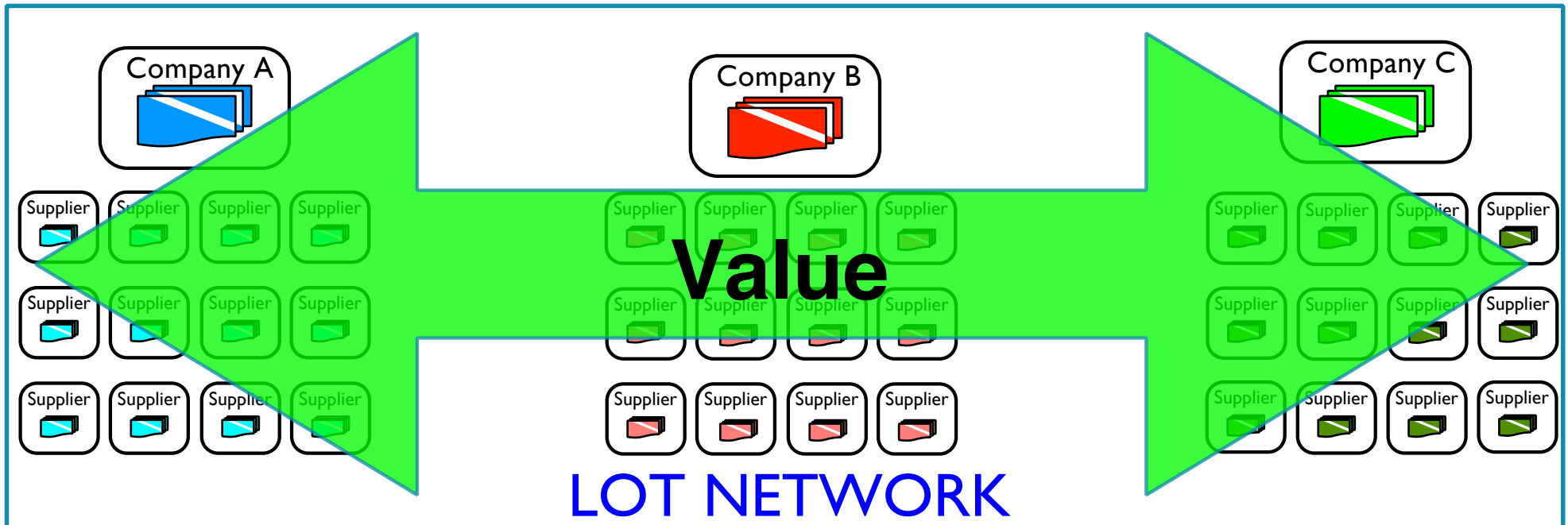


Data from:
INNOGRAPHY[®]
A CPA GLOBAL COMPANY



Significant Value in adding suppliers to Membership

Significant value in adding some Suppliers
Both Suppliers and Customers get protection
from patents outside their bilateral ecosystems





Why LOT is good for BUYERS

Can trust
suppliers

Help Save
\$29 billion

Stabilize
supply chain



Why LOT is good for SUPPLIERS

Gain access
to IP

Reduce
indemnification
costs

Program
voluntary

Become
“preferred”
supplier



Backup



References

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