



# **Invest in Growth**

## **How LOT Network Addresses the PAE Problem**



**LOTNETWORK**  
WHAT GOOD CORPORATE CITIZENS DO

Ken Seddon  
CEO, LOT Network  
January 11, 2017



## LOT 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

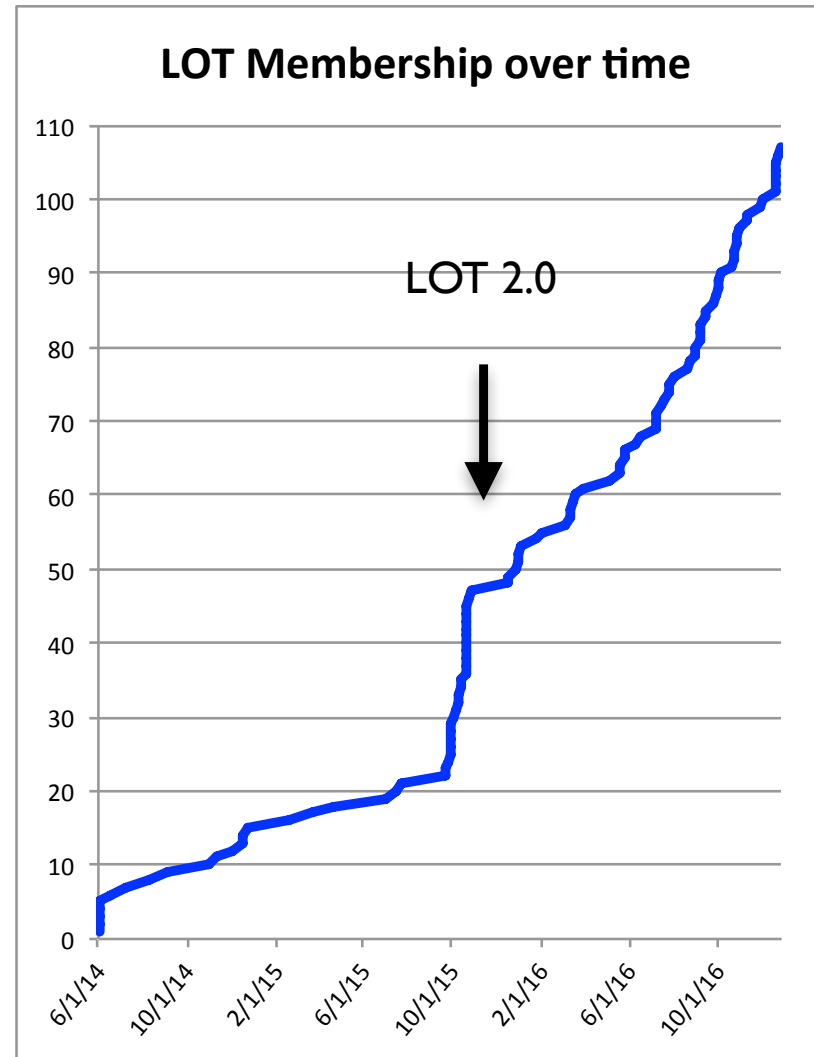
- Very robust agreement
  - 27 pages
- License triggered upon transfer to non-member
- Impacted sales to other companies

## LOT 2.0

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



## New LOT Agreement is scaling





**Why does this matter?**



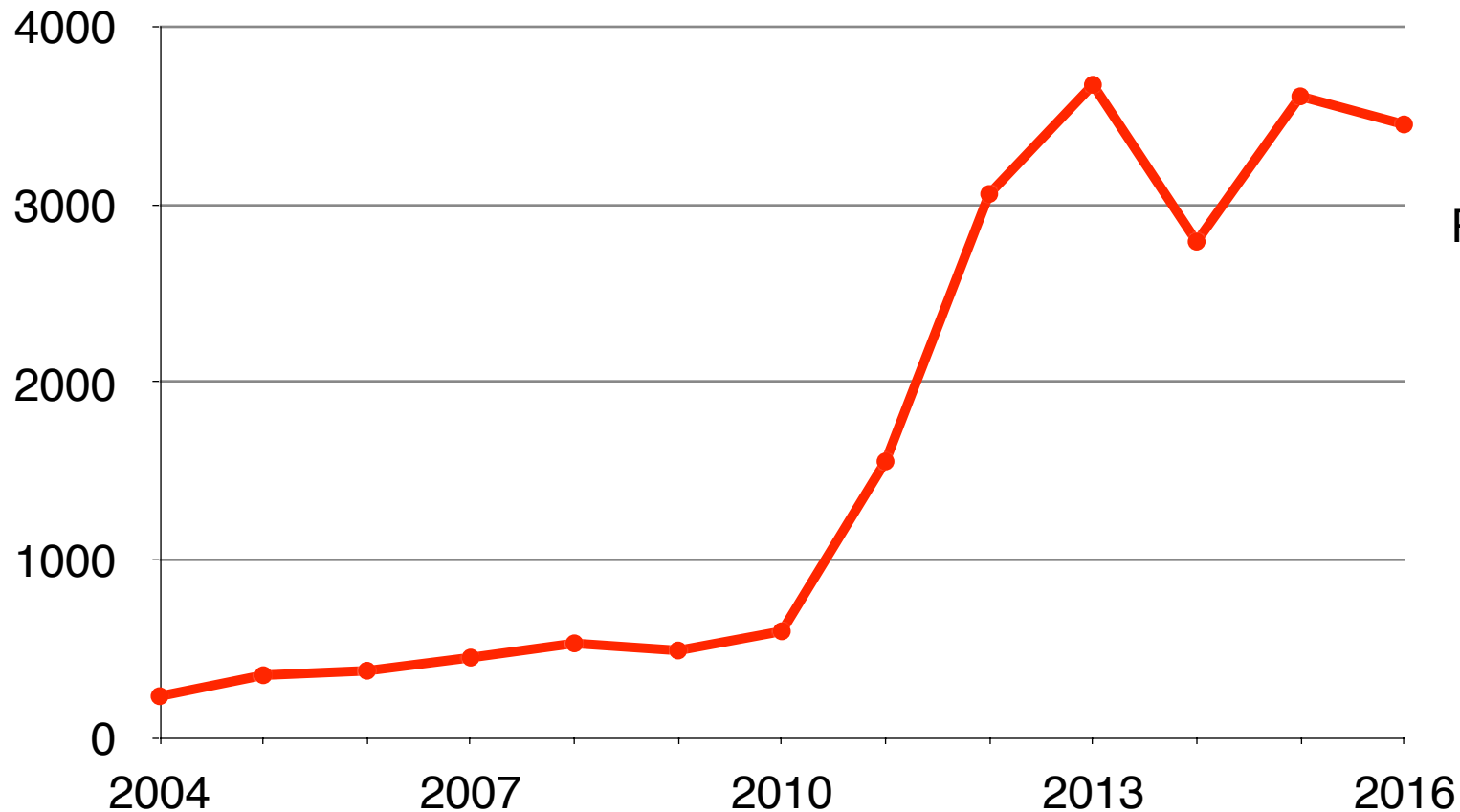
Why you should join LOT Network

**\$29 Billion<sup>2</sup>**



## PAEs - hurting innovation

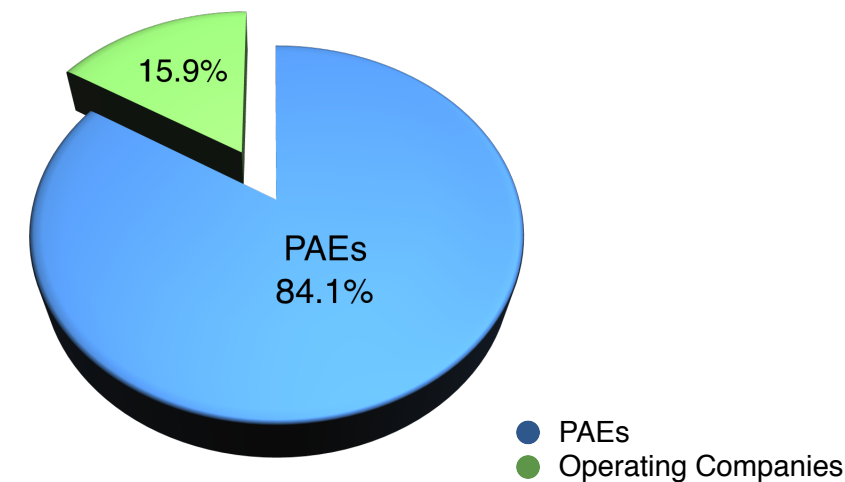
Number of PAE initiated lawsuits per year<sup>1</sup>



Patent lawsuits have jumped 500% between 2005-2014

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

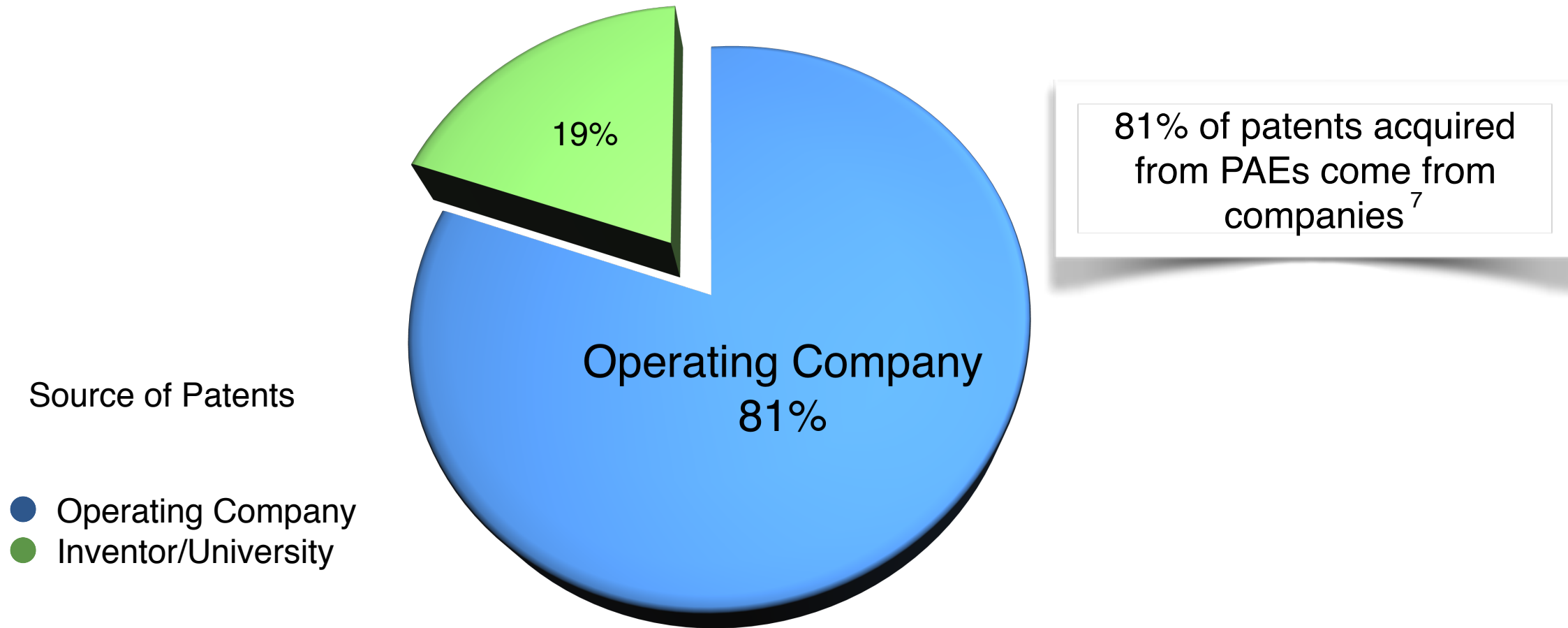
PAEs are responsible for 84% of high-tech patent litigation in the US!<sup>7</sup>







## Where are the PAEs getting their patents?



Companies provide PAEs with most of the patents



**Who is joining and why?**



Some of LOT's 100+ members



Dropbox





# LOTNETWORK

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...and



NETFLIX



vtech

JCPenney

ROKU



Walgreens



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.

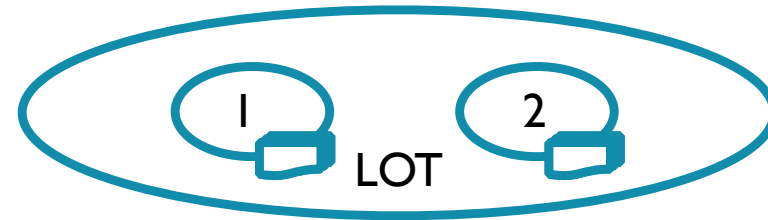


## How LOT works



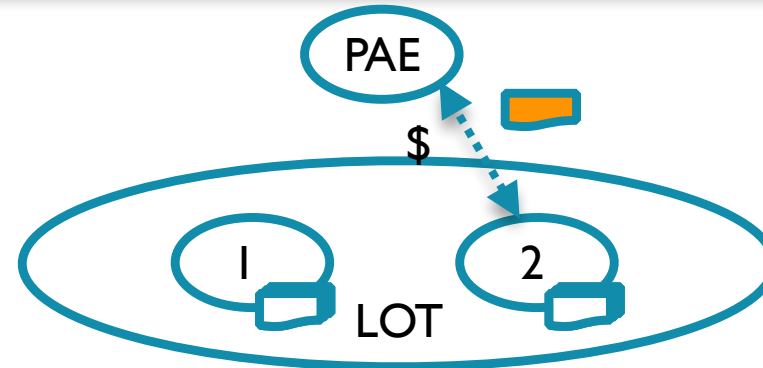
## Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



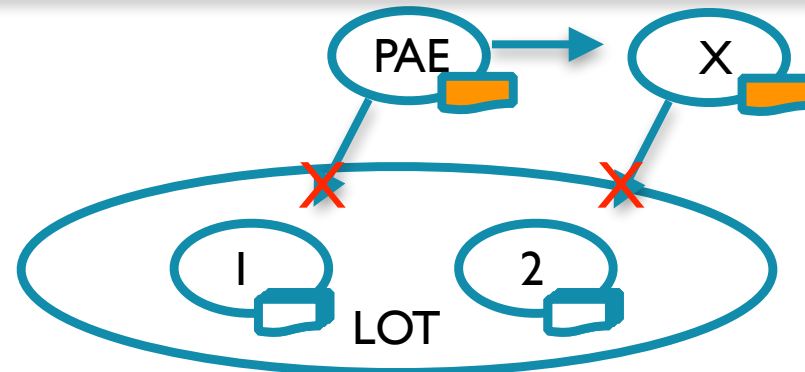
Over 606,000 WW assets  
Over 162,000 US assets

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.



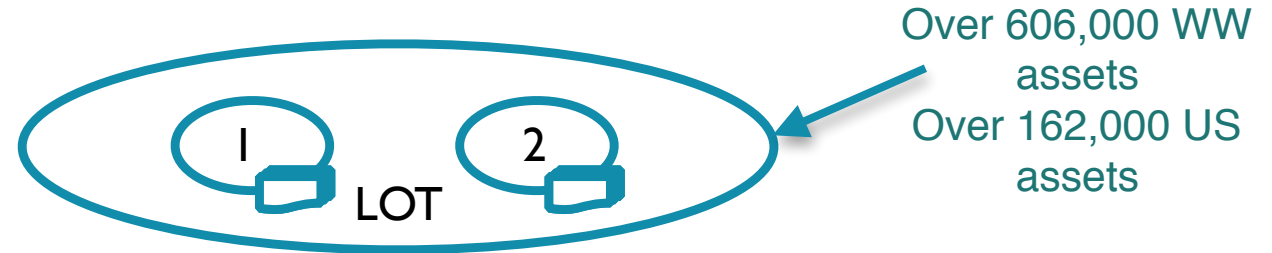
Legend

 - Transferred patent(s)

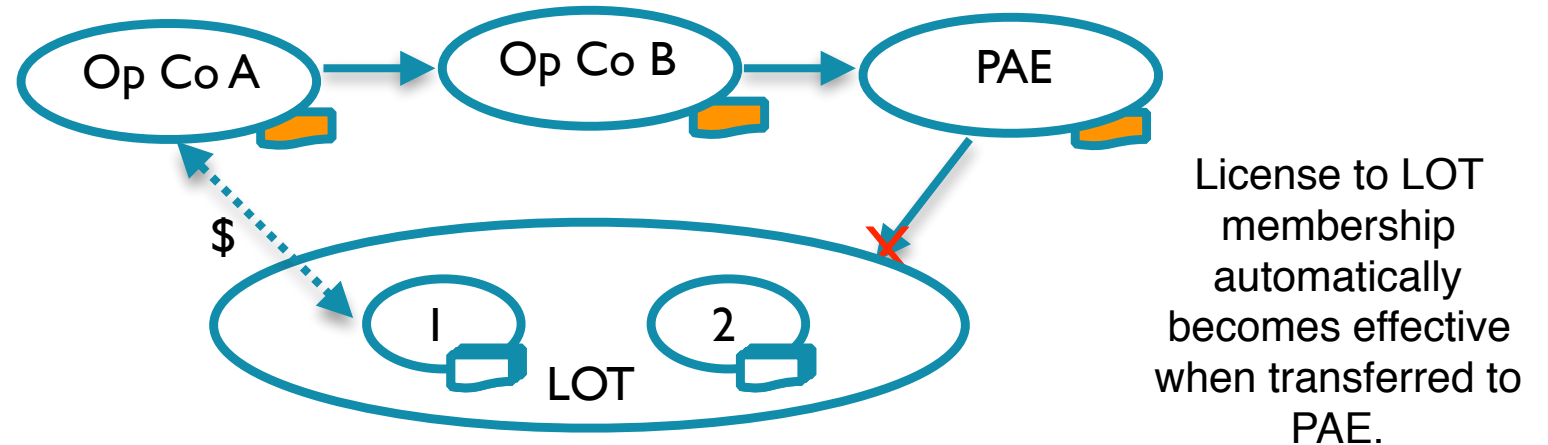


## Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Tomorrow: Company 1 sells a patent to an Operating Company



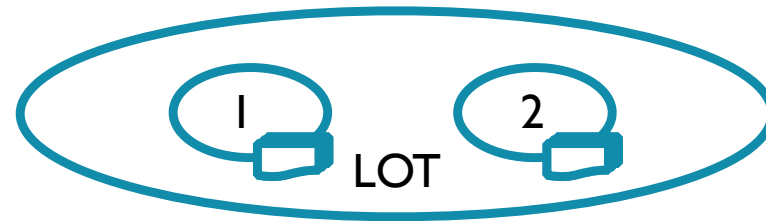
### Legend

 - Transferred patent(s)



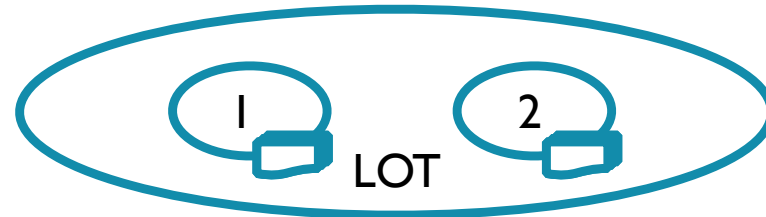
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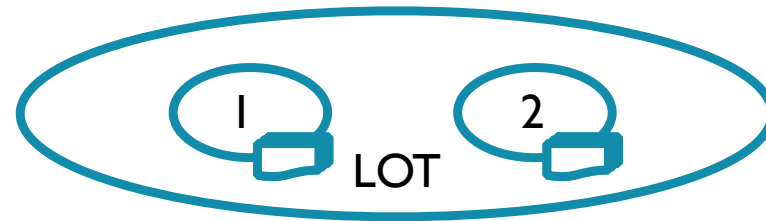
Tomorrow: Company 2  
becomes an assertion entity





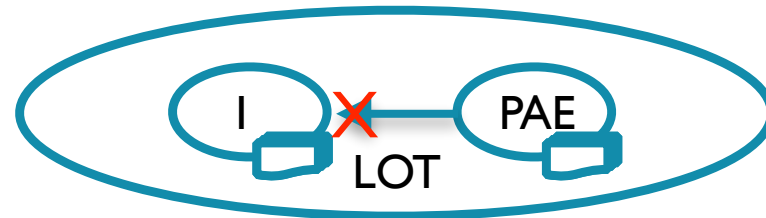
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Today: Companies 1 and 2 join the LOT Network.



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License to LOT  
membership  
automatically  
becomes effective.



## LOT Network is non-profit: Annual Fee

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





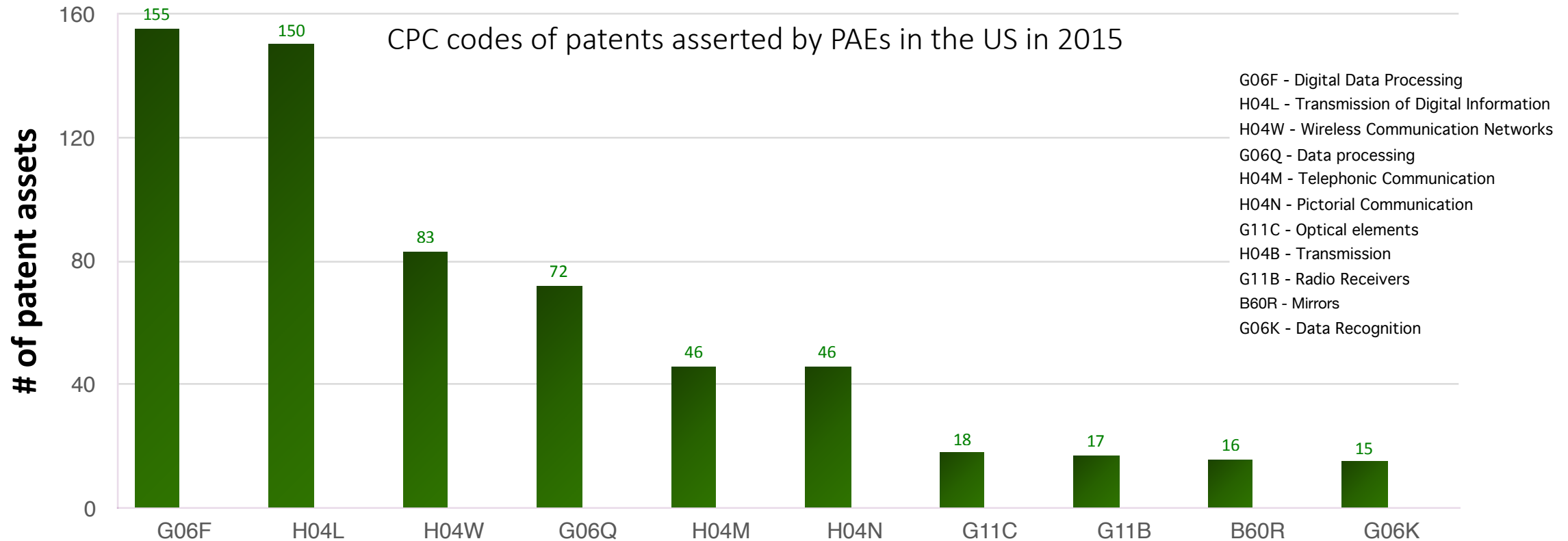
**LOT provides value to its members**



# **Analysis of assets litigated by PAEs**

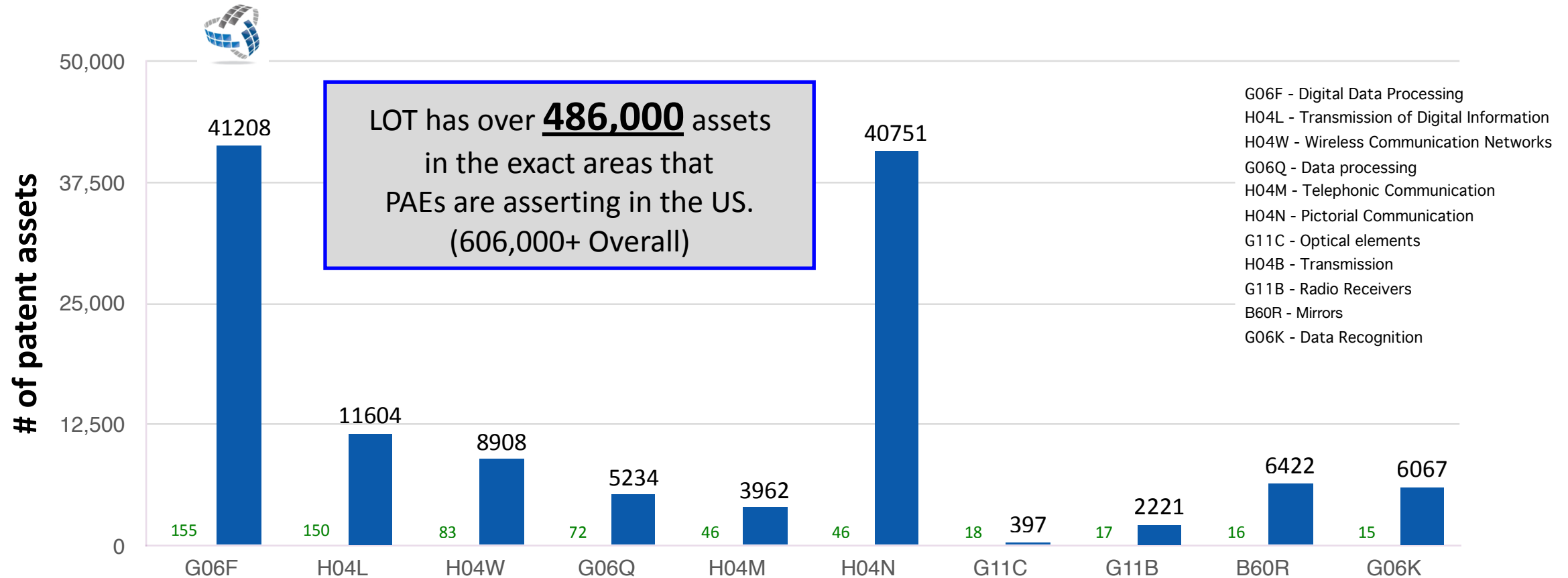


## What types of patents did trolls use to sue in the US in 2015? (3,608 litigations)





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

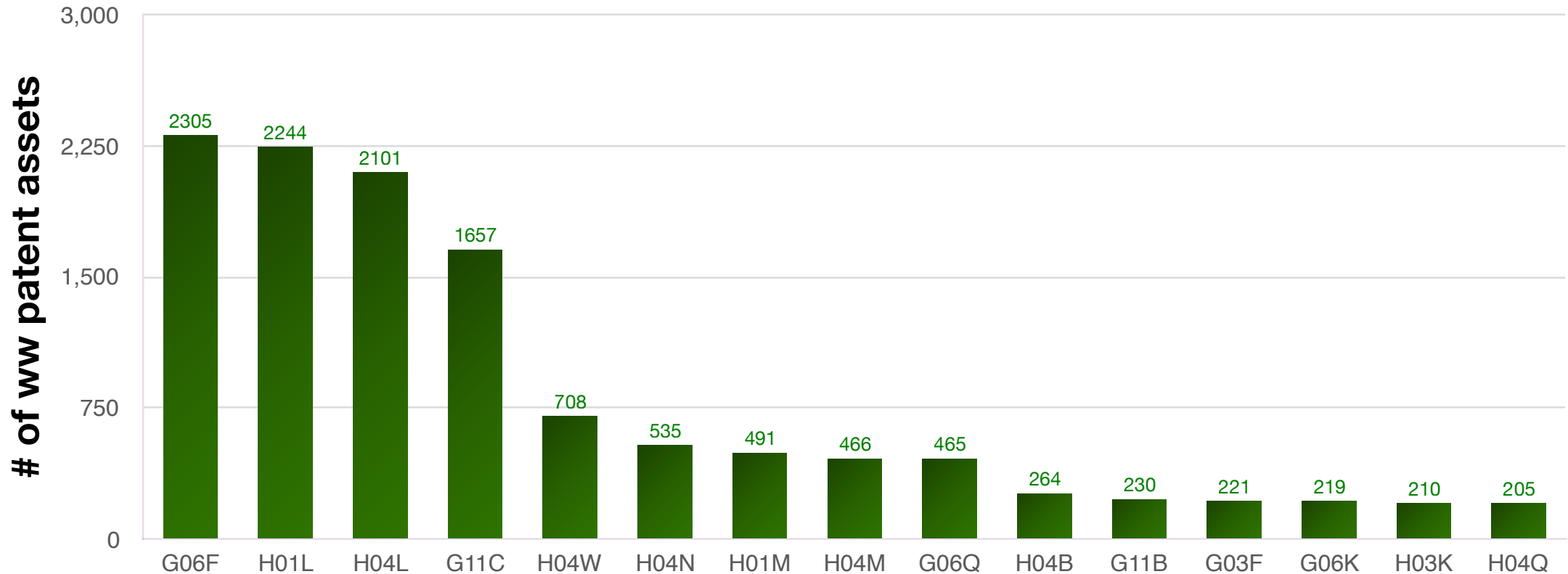




# **Analysis of assets bought in 2015**



## 2015 Patent sales: Forecast of future litigation



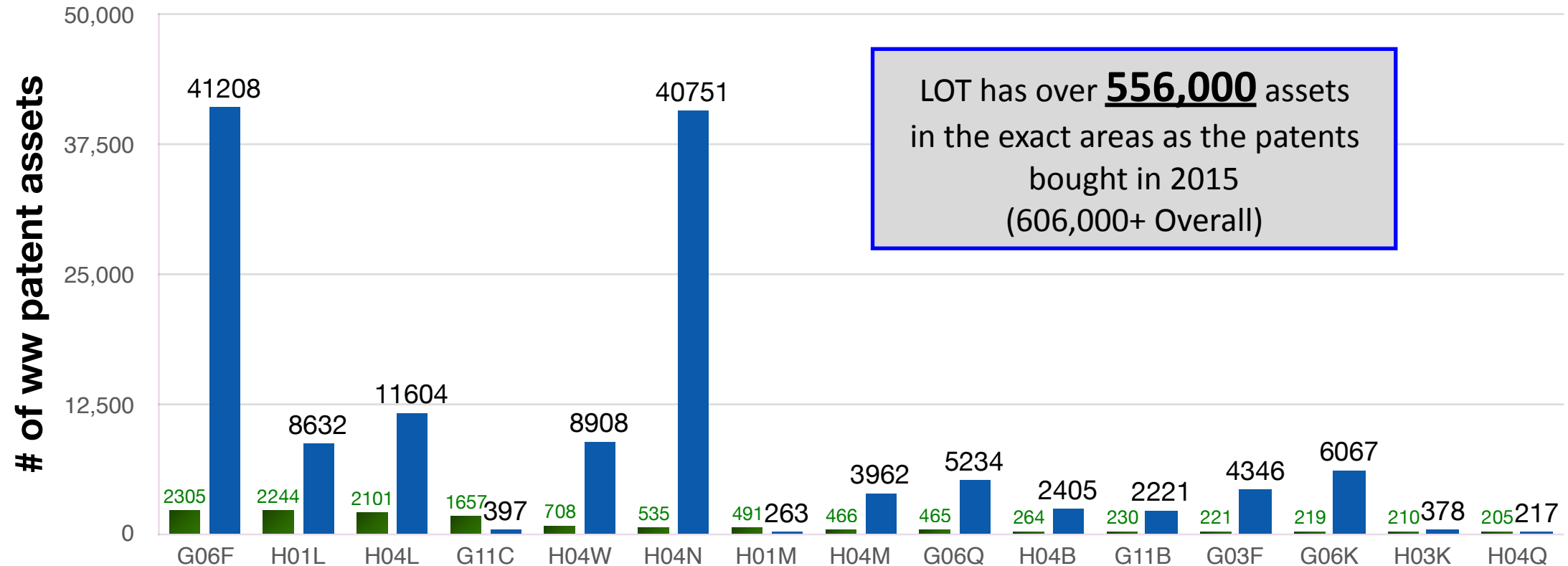
Data from:

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

AlliedSecurityTrust



## 2015 Patent sales: Forecast of future litigation



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

Data from:

AlliedSecurityTrust



**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**



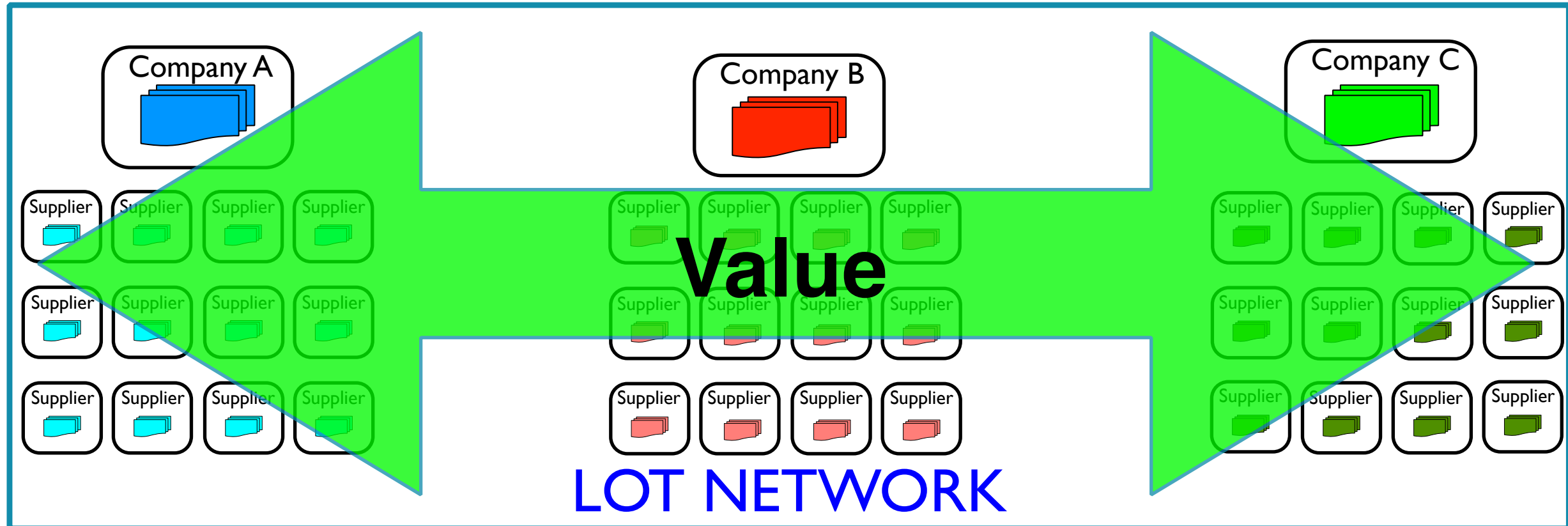
Data from:

**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

Become  
“preferred”  
supplier

Program  
voluntary



## Reasons Not to Join LOT

### Legitimate:

1. Your company prioritizes selling patents to PAEs
2. Your company does not have exposure to PAEs in US, Germany, or China market
3. You can't afford the fee

....and one not so legitimate:

“It is good for my company to get sued by trolls because then I can justify budget to hire more lawyers to defend the company.”



## Backup



## References

### 1. Patent Freedom

- <https://www.patentfreedom.com/about-npes/litigations/>

### 2. James Bessen & Michael Meurer, The Direct Costs from NPE Disputes, 99 Cornell L. Rev. 387 (2014).

### 3. RPX 2014 Litigation Report.

- [http://www.rpxcorp.com/wp-content/uploads/sites/2/2015/03/RPX\\_Litigation-Report-2014\\_FNL\\_040615.pdf](http://www.rpxcorp.com/wp-content/uploads/sites/2/2015/03/RPX_Litigation-Report-2014_FNL_040615.pdf)

### 4. US Patent and Trademark Office

- [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm)

### 5. ROL Group

- <http://www.richardsonoliver.com/news/2014/12/1/buyers-and-sellers-in-the-2014-brokered-patent-market>

### 6. Linda Biel, AST

### 7. Dan McCurdy, RPX presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.

### 8. Kevin Jakel, Unified Patents presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.

### 9. Mark Lemely & Douglas Melamed, Missing the forest for the Trolls, Cornell Law Rev. 2013.

### 10. Robert Gebelhoff. (2015, November 23). 'Patent trolls': Reading the comments. The Washington Post.

Retrieved from <https://www.washingtonpost.com/news/in-theory/wp/2015/11/23/patent-trolls-reading-the-comments/> (© 2015)