



LOTNETWORK

Invest in Growth

How LOT Network Addresses the PAE Problem

Ken Seddon
CEO, LOT Network

June 5, 2017

LOT Network CEO

Ken Seddon



Introduction of Ken Seddon

25 Years of Engineering and IP experience

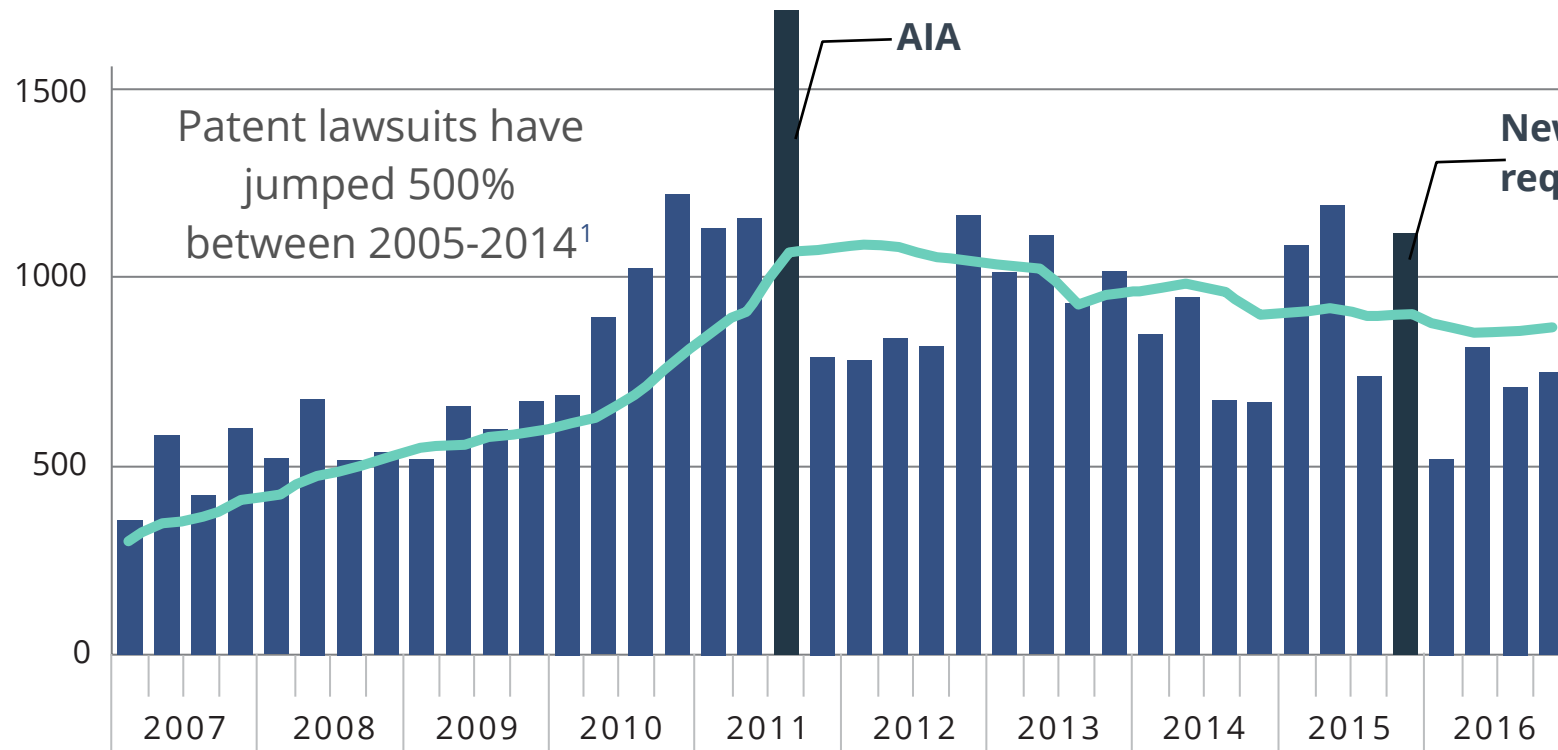
- BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU
- Motorola: engineer and patent prosecution
- Intel: Asst. Director of Patents - patent prosecution and licensing
- Numonyx: Chief IP Counsel
- Micron: Asst. General Counsel
- Apple: Strategic patent licensing, patent purchasing, NPE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

Why you should join LOT Network

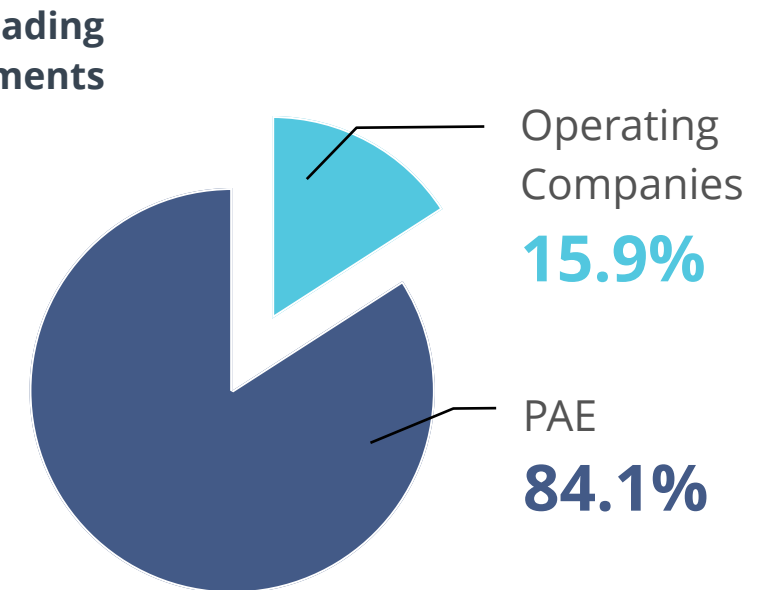
\$29 Billion

PAEs - hurting innovation

Defendants added to NPE Campaigns Quarterly



PAEs drain ~\$80B from the US economy per year, or \$1.5B a week¹⁰



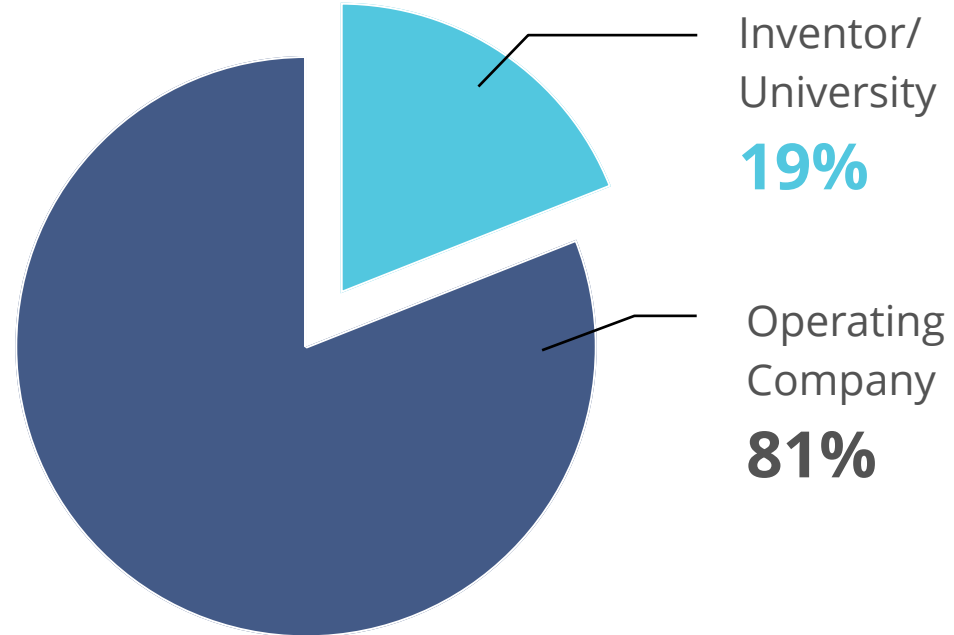
Dan McCurdy 2017 SAS NPE Forum and RPX

— Average

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

Where are the PAEs getting their patents?

81% of patents acquired from PAEs come from companies⁷



Companies provide PAEs with the most of the patents

LOT Agreement is scaling



Canon

Google



Dropbox

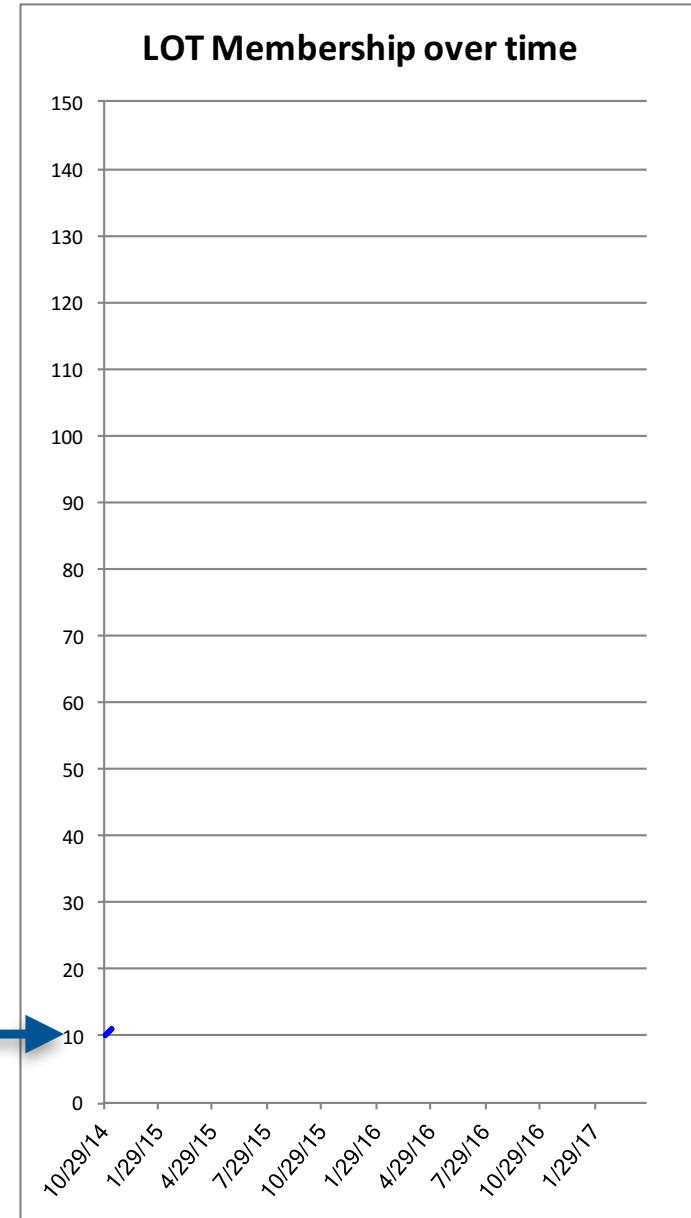
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PURESTORAGE



LOT Begins



LOT Agreement is scaling



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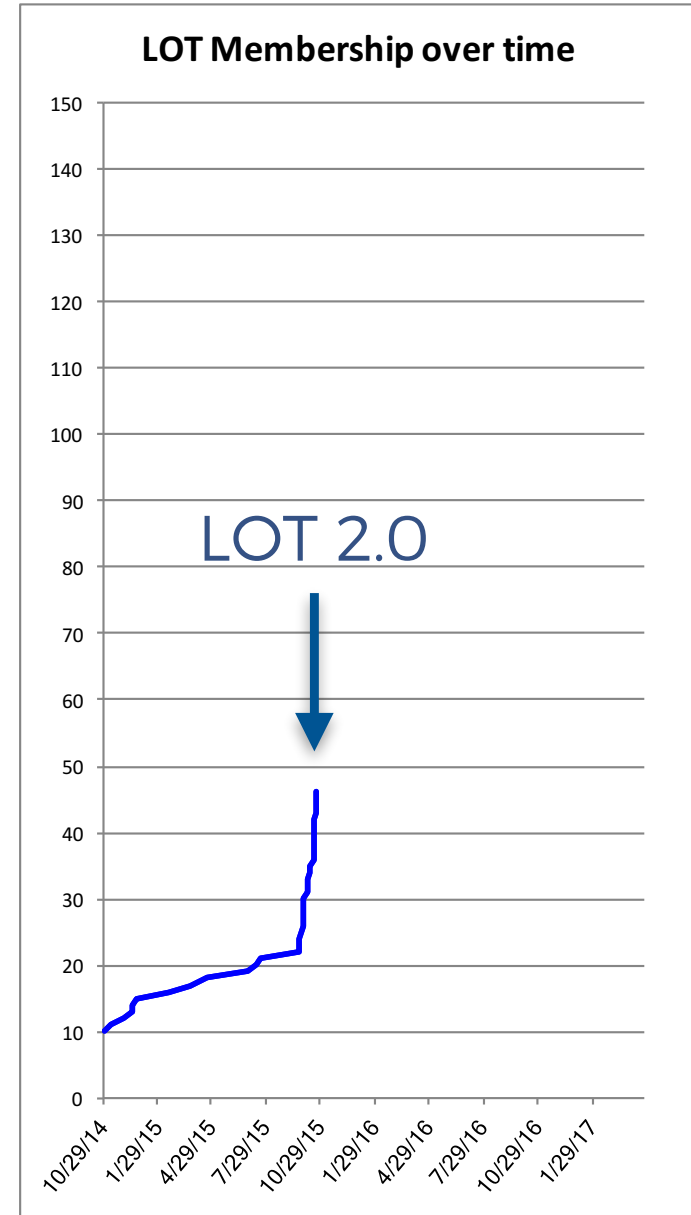


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LOT Agreement is scaling



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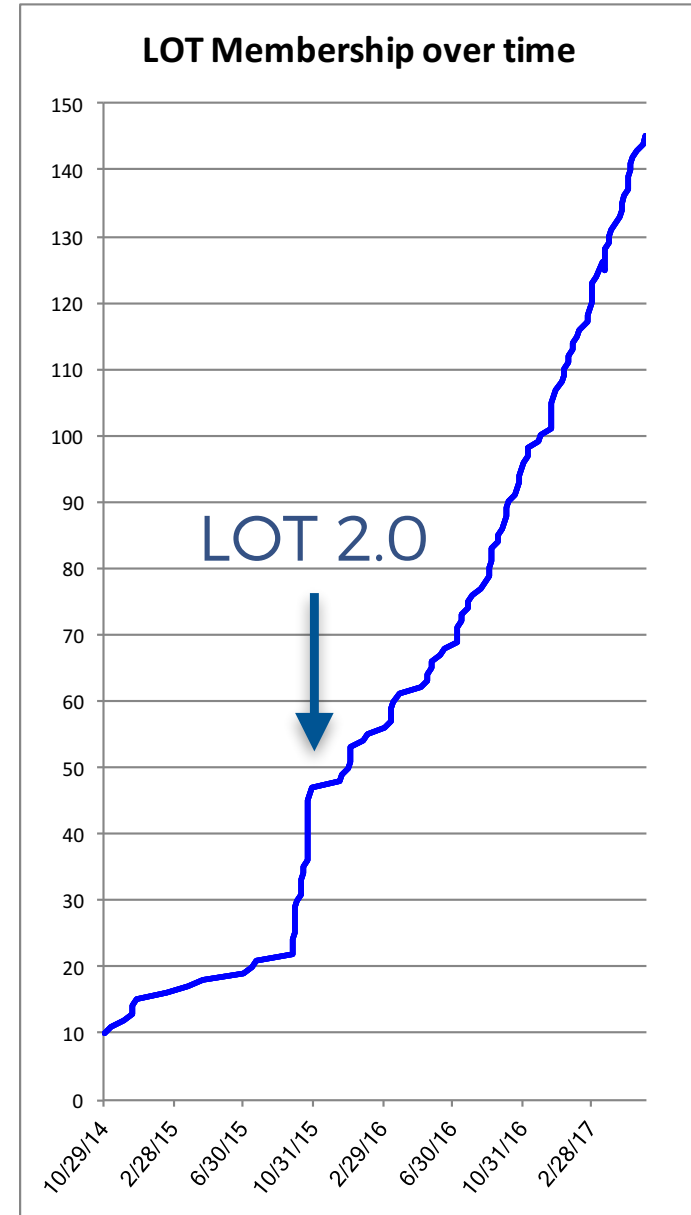


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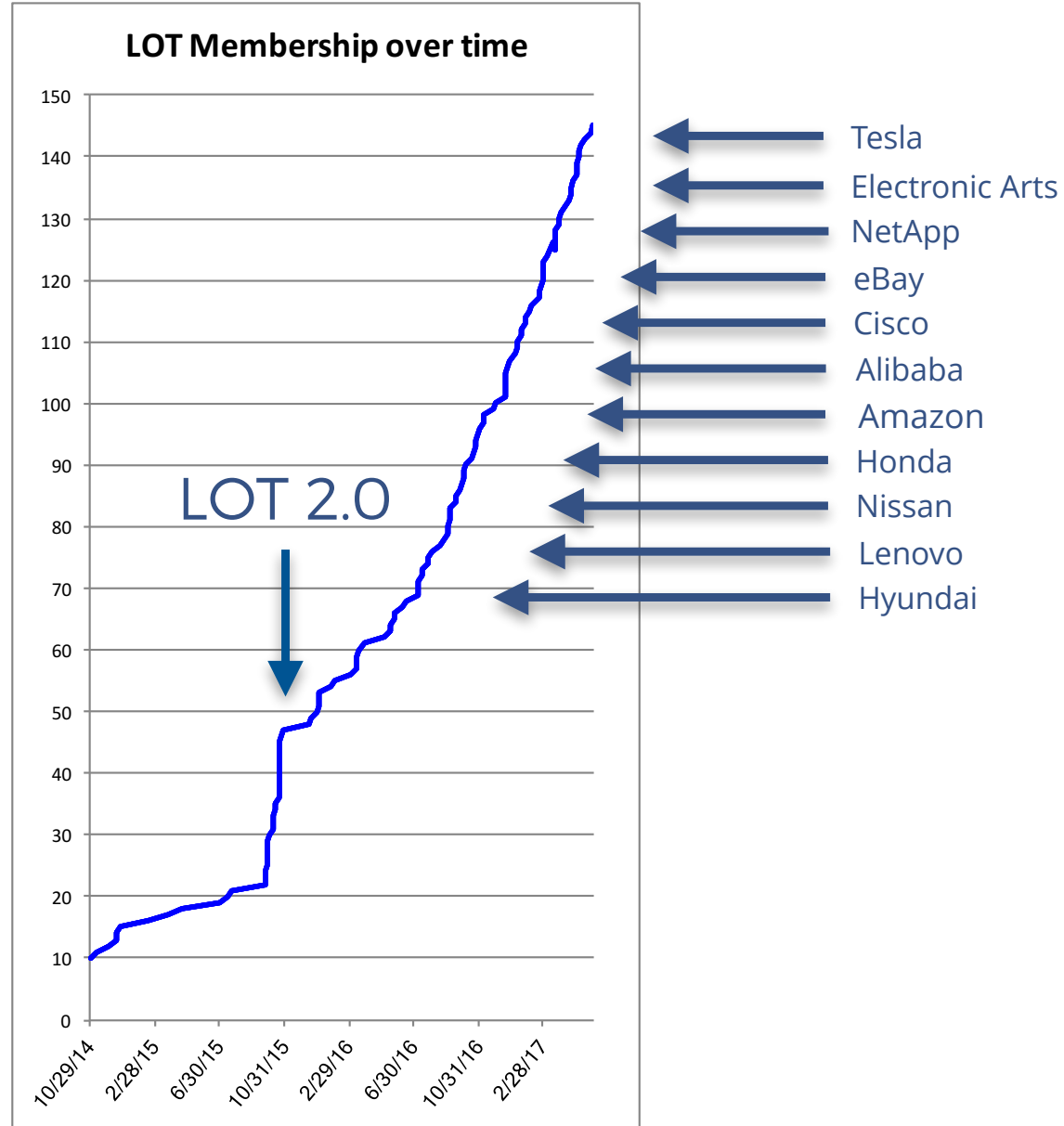
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LOT Agreement is scaling

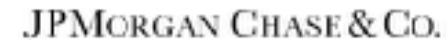


Who is joining and why?

Some of LOT's 145+ members



Some of LOT's 145+ members



What about *small* companies?

- Startups and small companies are softest targets for trolls
 - 50% of all companies sued by trolls make less than \$10 million/year
 - Over 50% of all patent lawsuits concern software patents[†]



2/3rds of LOT Members are start-ups



What is LOT Network?



Non-Profit



Community



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
Do Nothing

Free to
Assert

Free to
Sell

LOT - community providing PAE immunization

No effect on traditional uses of patents

Google

vs.



UBER

News > Google Files Lawsuit Against UBER Over Intellectual Theft

News Technology

Google Files Lawsuit Against UBER Over Intellectual Theft

By Xcel 101 · February 27, 2017 · 0

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No Burden to being a member



Don't have to
list patents



Don't have to
give notice



Don't have to
report

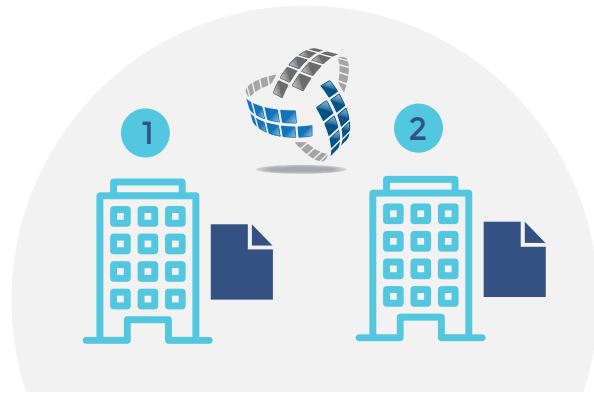
What is an assertion entity?

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

How LOT works

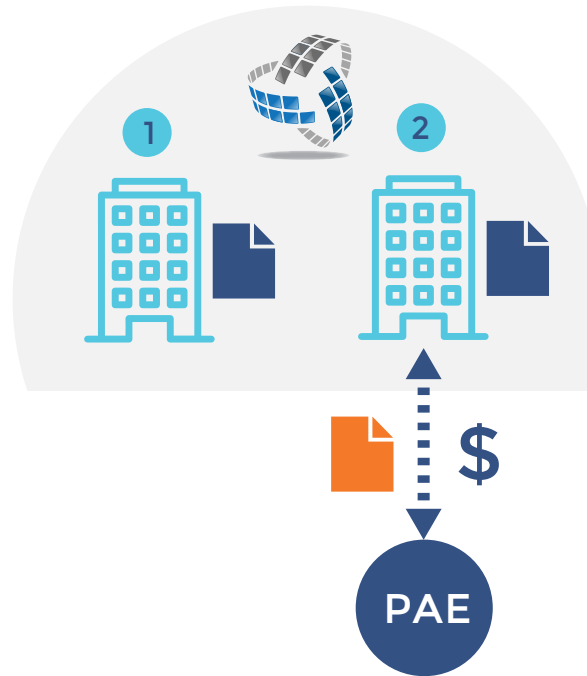
Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



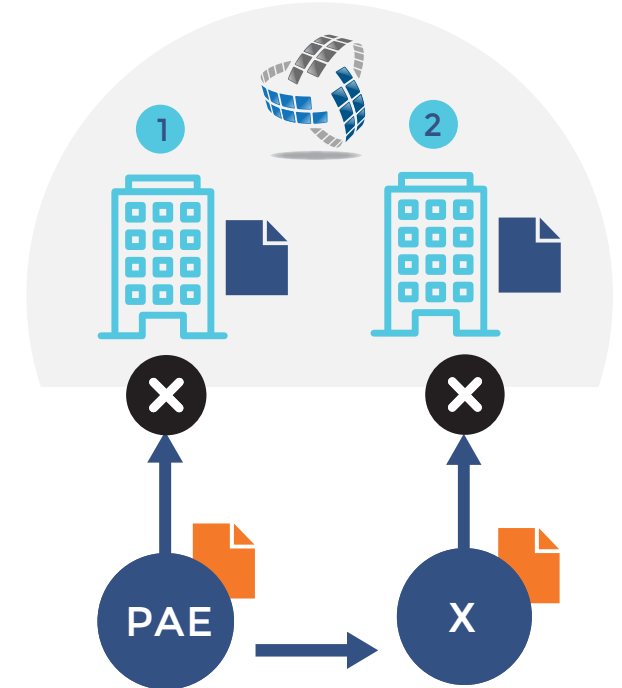
Over 689,000 WW assets
Over 190,000 US assets

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



License to LOT membership automatically becomes effective.

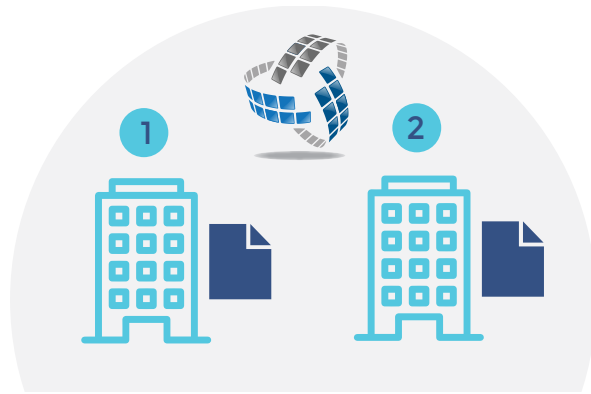
Future: LOT membership immune from patent, regardless of the owner.



Legend:
= Transferred patent(s)

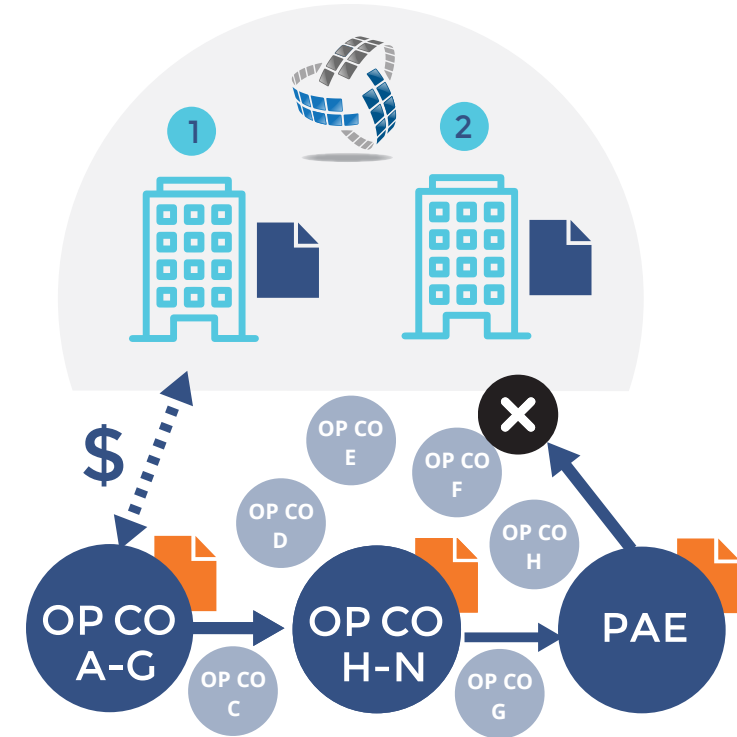
Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Over 689,000 WW assets
Over 190,000 US assets

Tomorrow: Company 1 sells a patent to an Operating Company

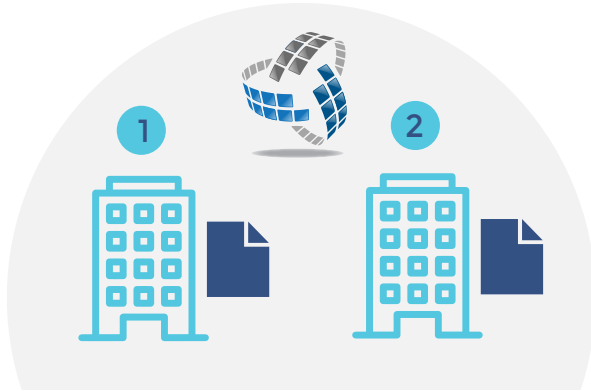


Legend:
 = Transferred patent(s)

License to LOT membership automatically becomes effective when transferred to PAE.

Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Over 689,000 WW assets
Over 190,000 US assets

Tomorrow: Company 2 becomes an assertion entity



License to LOT membership automatically becomes effective.

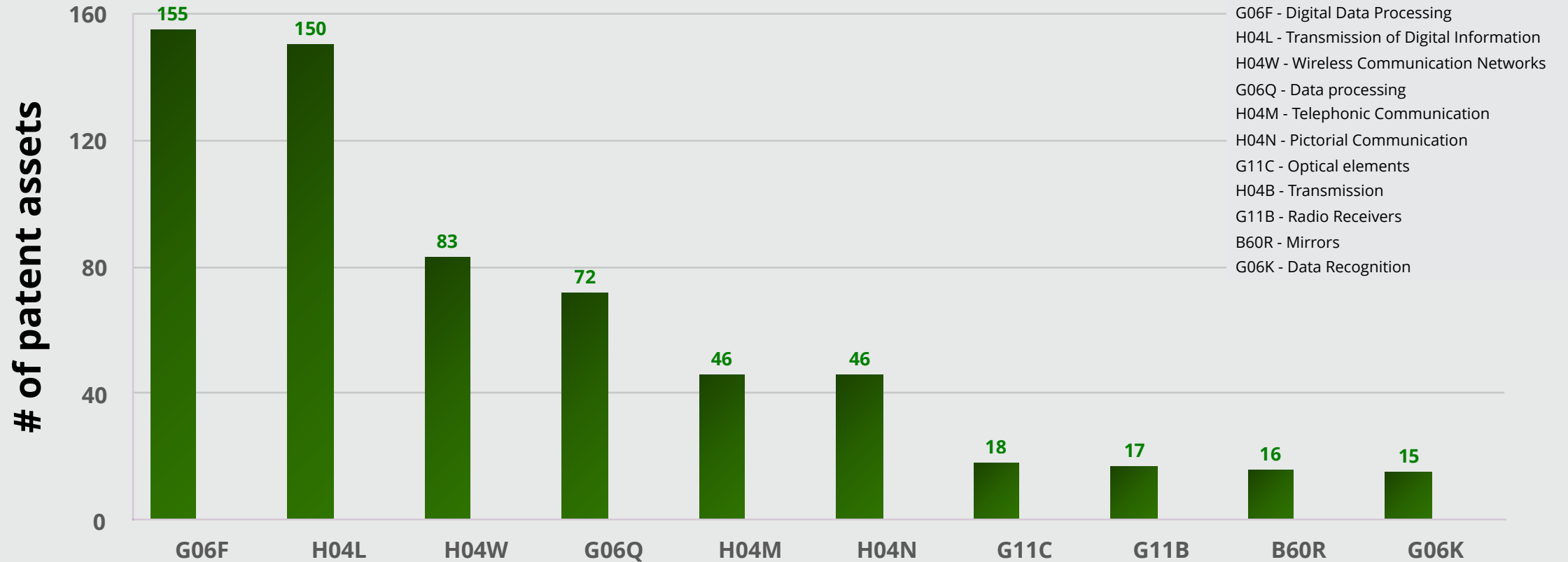
LOT Network is non-profit: Annual Fee

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

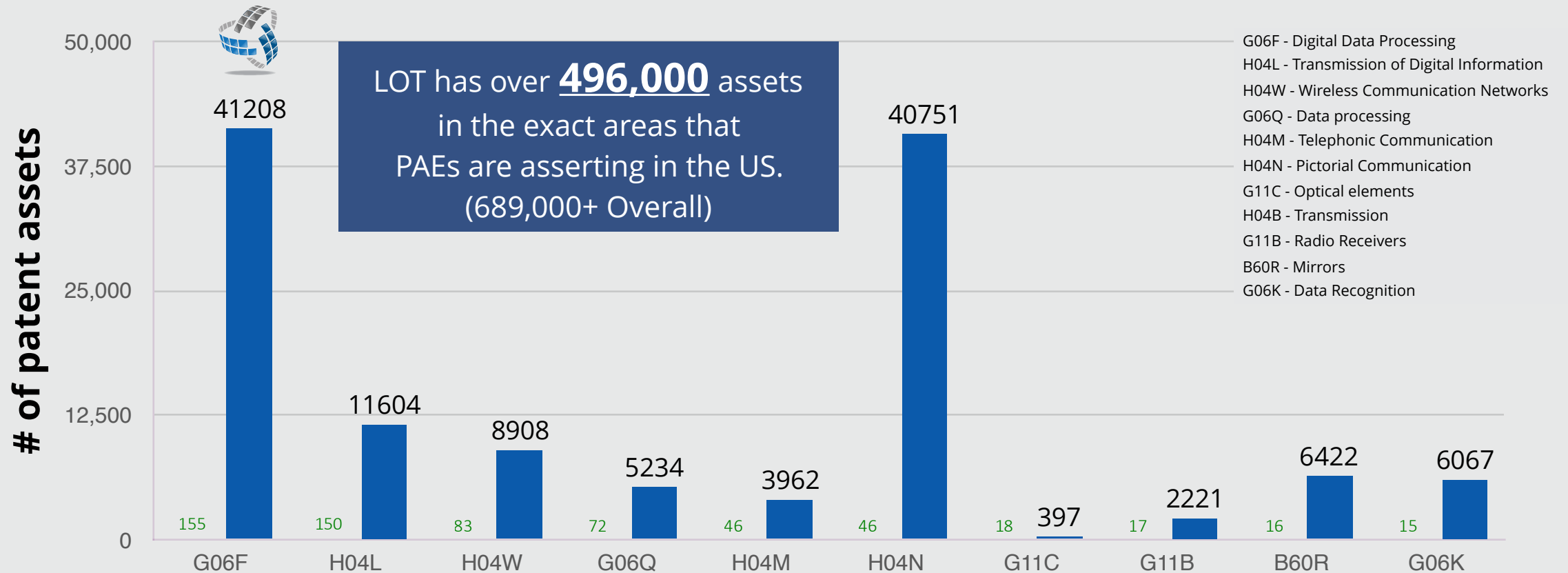
LOT provides value to its members

Analysis of assets litigated by PAEs

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

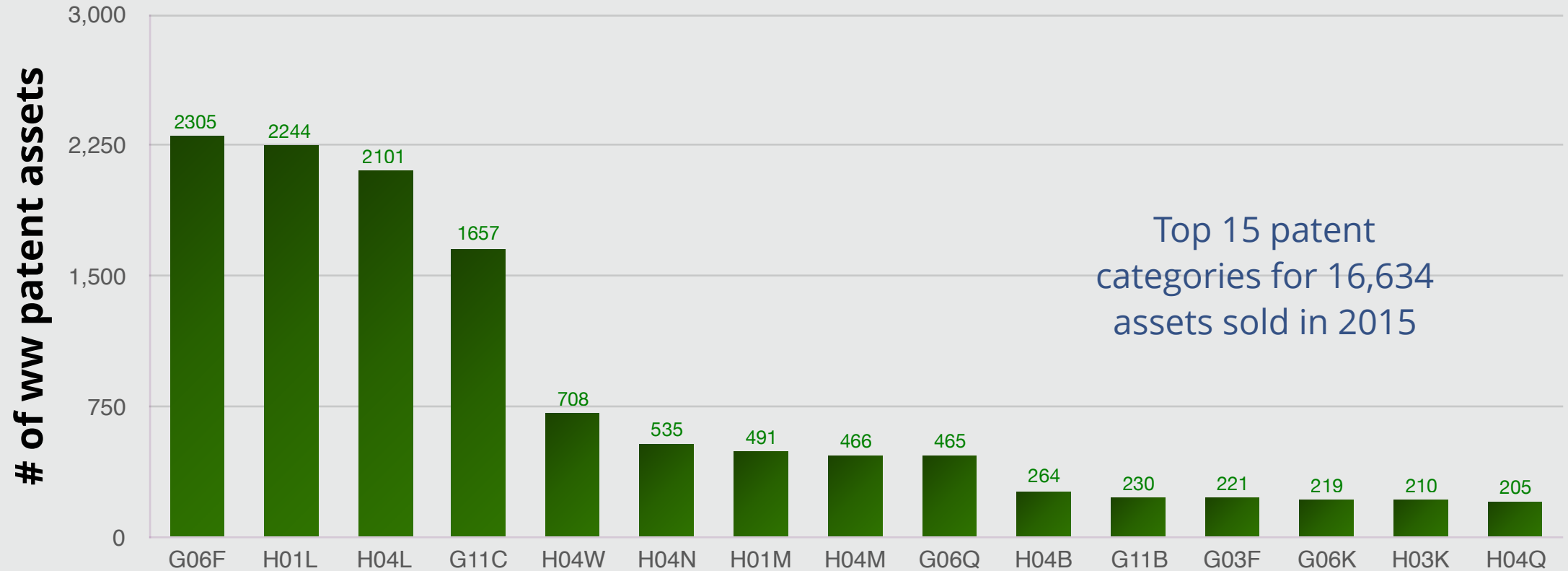


LOT has thousands of patents in the same areas as those PAEs are asserting in the US

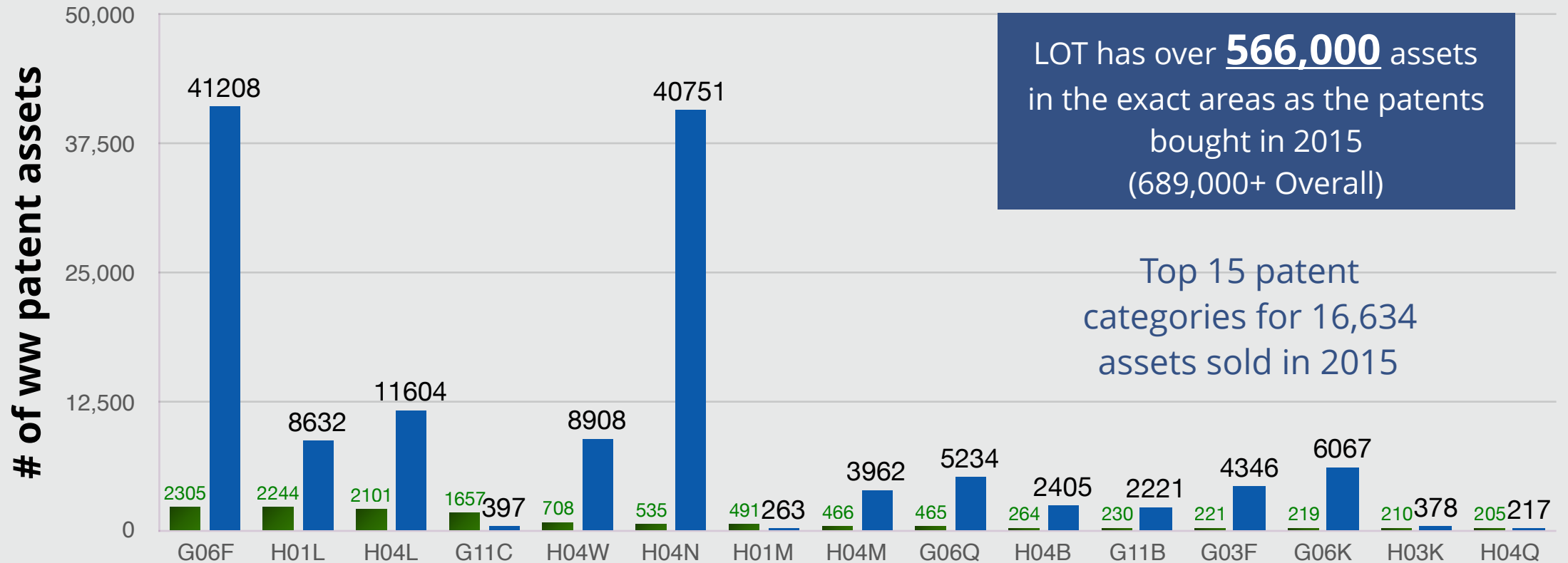


Analysis of assets bought

2015 Patent sales: Forecast of future litigation



2015 Patent sales: Forecast of future litigation



Yeah, but does LOT REALLY work?

Since LOT was formed in 2014

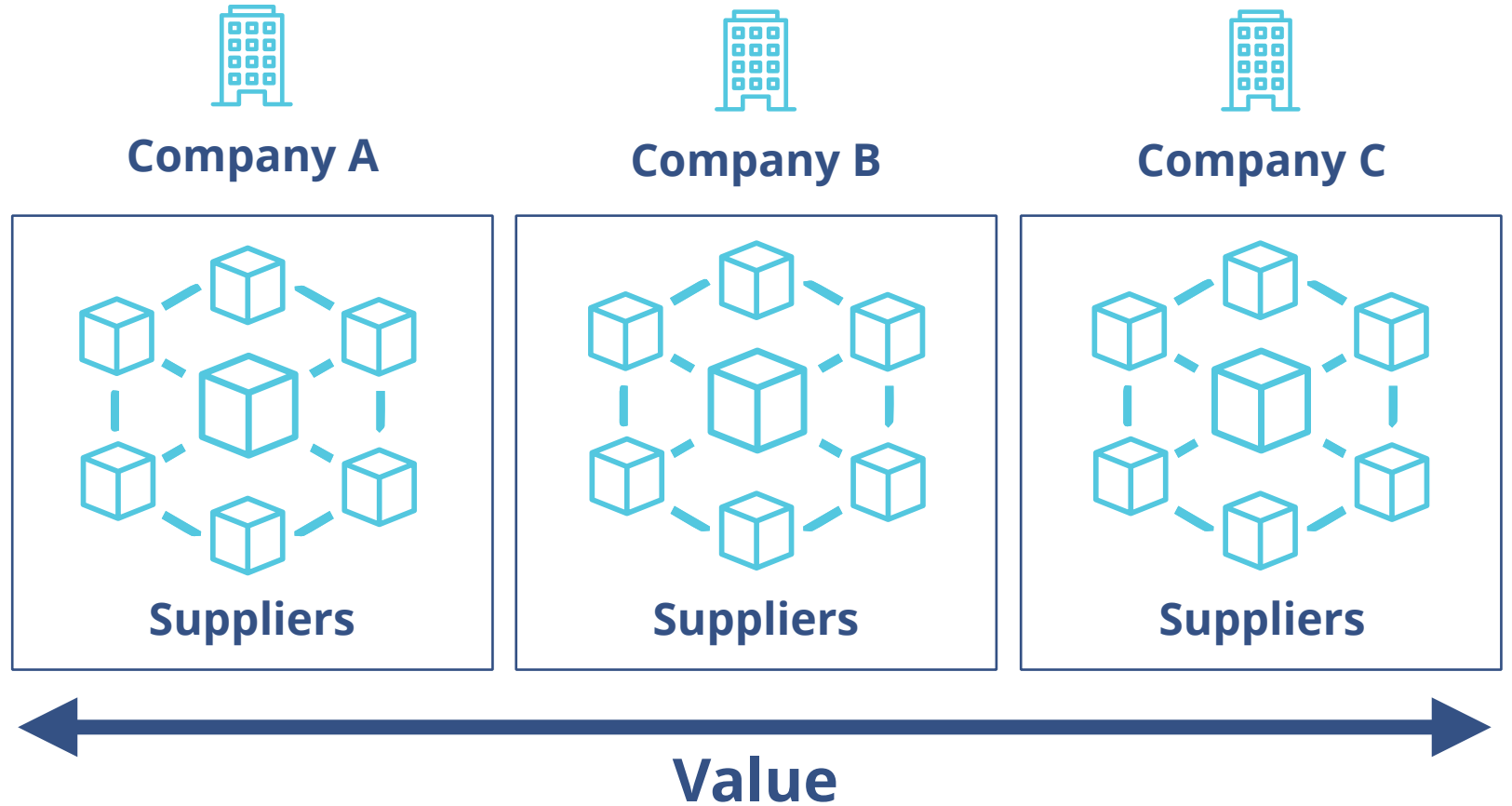
- 42 different LOT Members have divested over 42,000 assets since LOT was founded
- 35 of those assets have landed in the hands of 8 different PAEs
- One of those PAEs is Intellectual Ventures



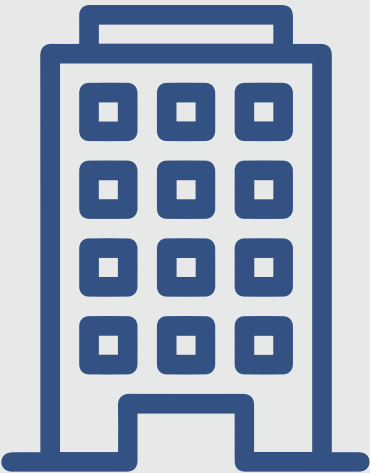
Significant Value in adding suppliers to Membership

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

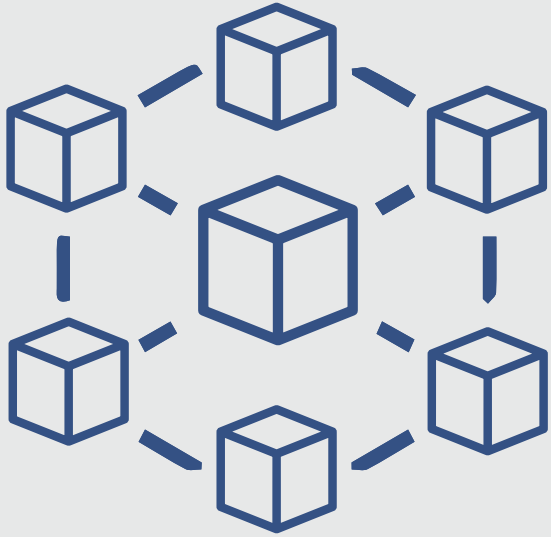


Help save
\$29 billion



Stabilize
supply chain

Why LOT is good for SUPPLIERS



Reduce indemnification costs



Gain access to IP



Become "preferred" supplier



Program voluntary

Are you an Optimist?

Are you an ~~Optimist?~~
LOTimist?

LOT Members are Optimists

The “LOT Member Index” = all publicly traded members of LOT

- includes those that have struggled recently (e.g. retailers)

LOT members have out performed the NASDAQ by 50% in last year



Monetizers

The “Monetizers index” = Most active monetizers in recent years

- IBM, Philips, Yahoo, Qualcomm, Ericsson, Nokia, Technicolor, Sony, Tivo, Dolby

Monetizers lag NASDAQ by 65%



Are you a LOTimist?



Backup

References

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