



**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

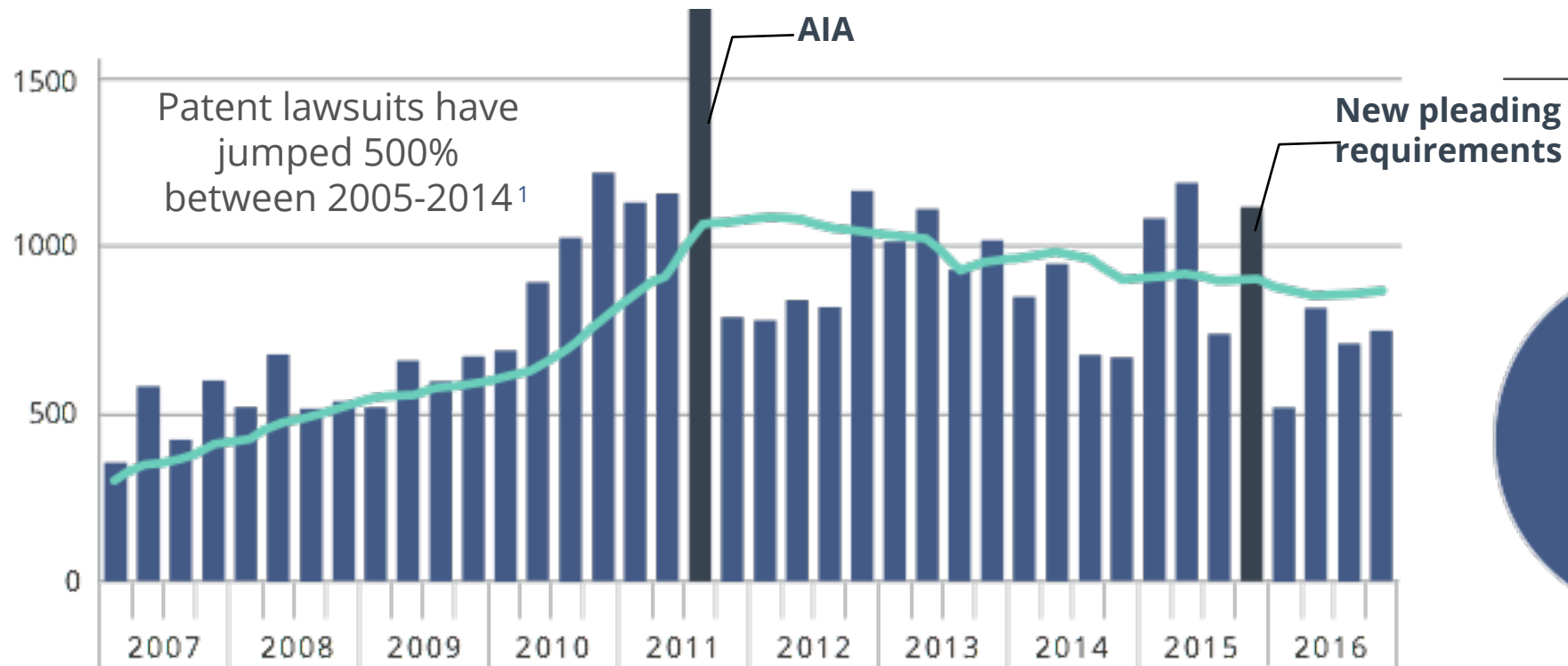
- BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU
- Motorola: engineer and patent prosecution
- Intel: Asst. Director of Patents - patent prosecution and licensing
- Numonyx: Chief IP Counsel
- Micron: Asst. General Counsel
- Apple: Strategic patent licensing, patent purchasing, NPE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

# Why you should join LOT Network

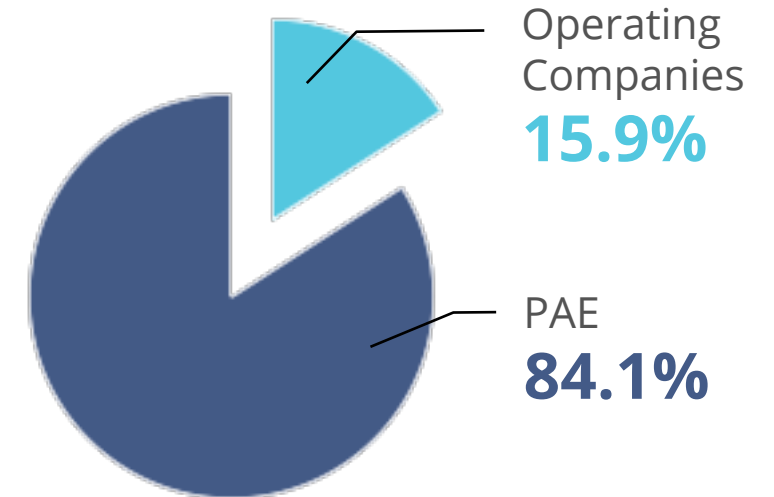
\$29 Billion

# PAEs - hurting innovation

Defendants added to NPE Campaigns Quarterly



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

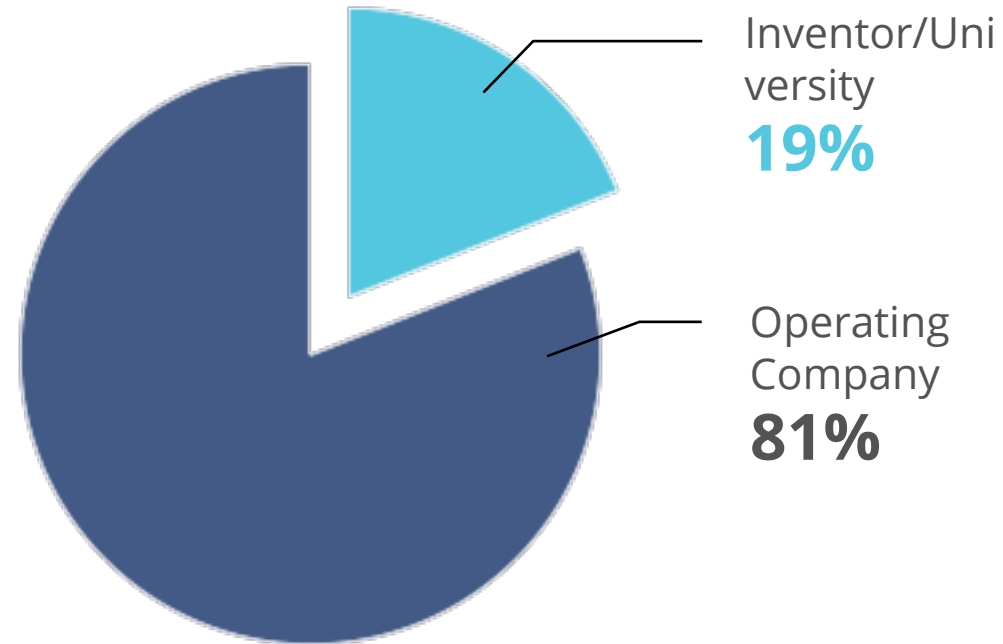


PAEs are responsible for 84% of high-tech patent litigation in the US!<sup>7</sup>

Dan McCurdy 2017 SAS NPE Forum and RPX

# Where are the PAEs getting their patents?

81% of patents acquired from PAEs come from companies<sup>7</sup>



Companies provide PAEs with the most of the patents

# LOT Agreement is scaling



Canon

Google



Dropbox

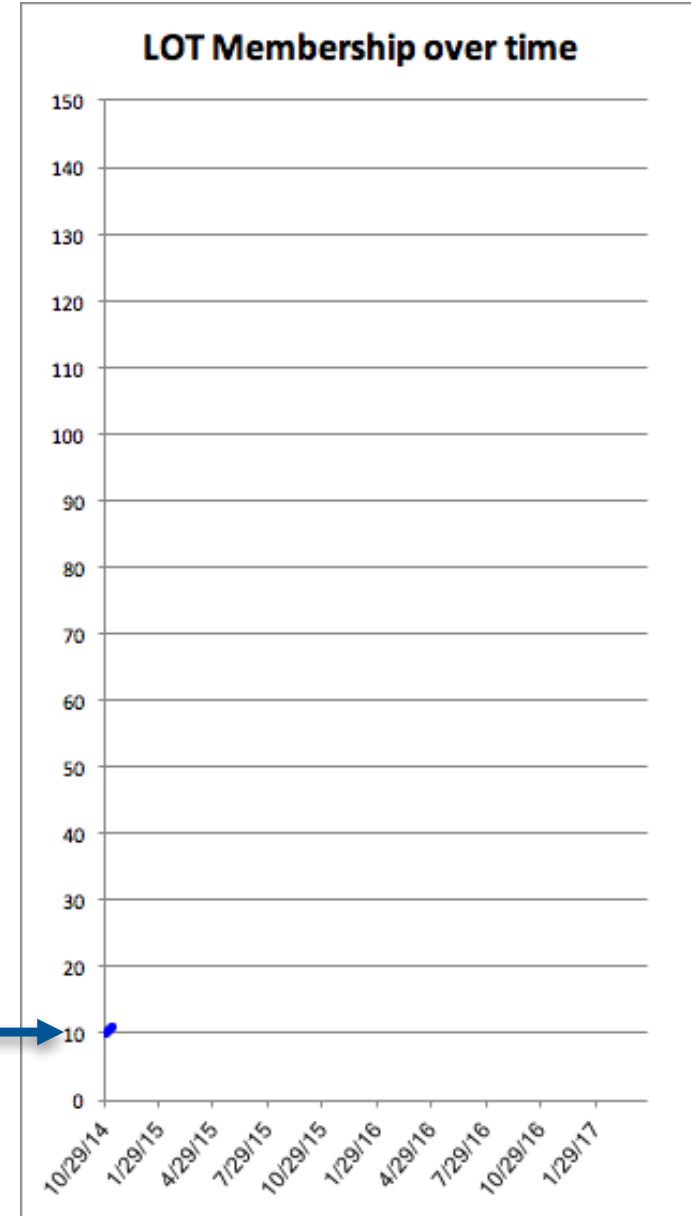
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PURESTORAGE



LOT Begins



# LOT Agreement is scaling



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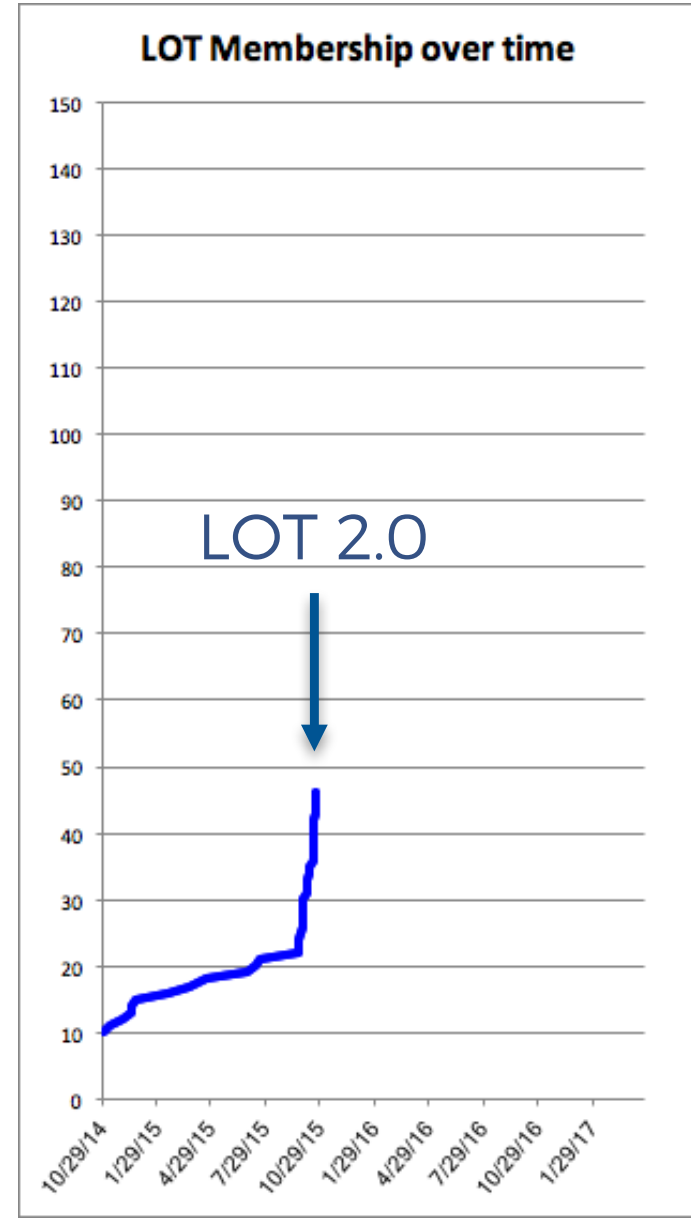


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# LOT Agreement is scaling



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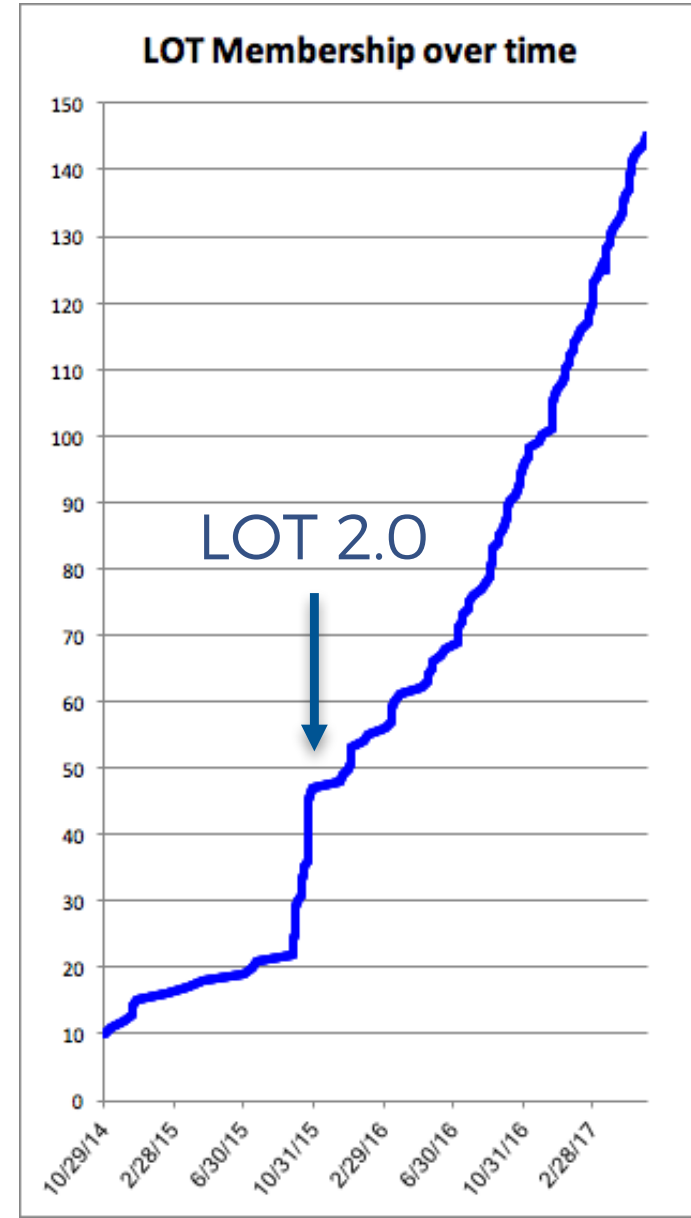


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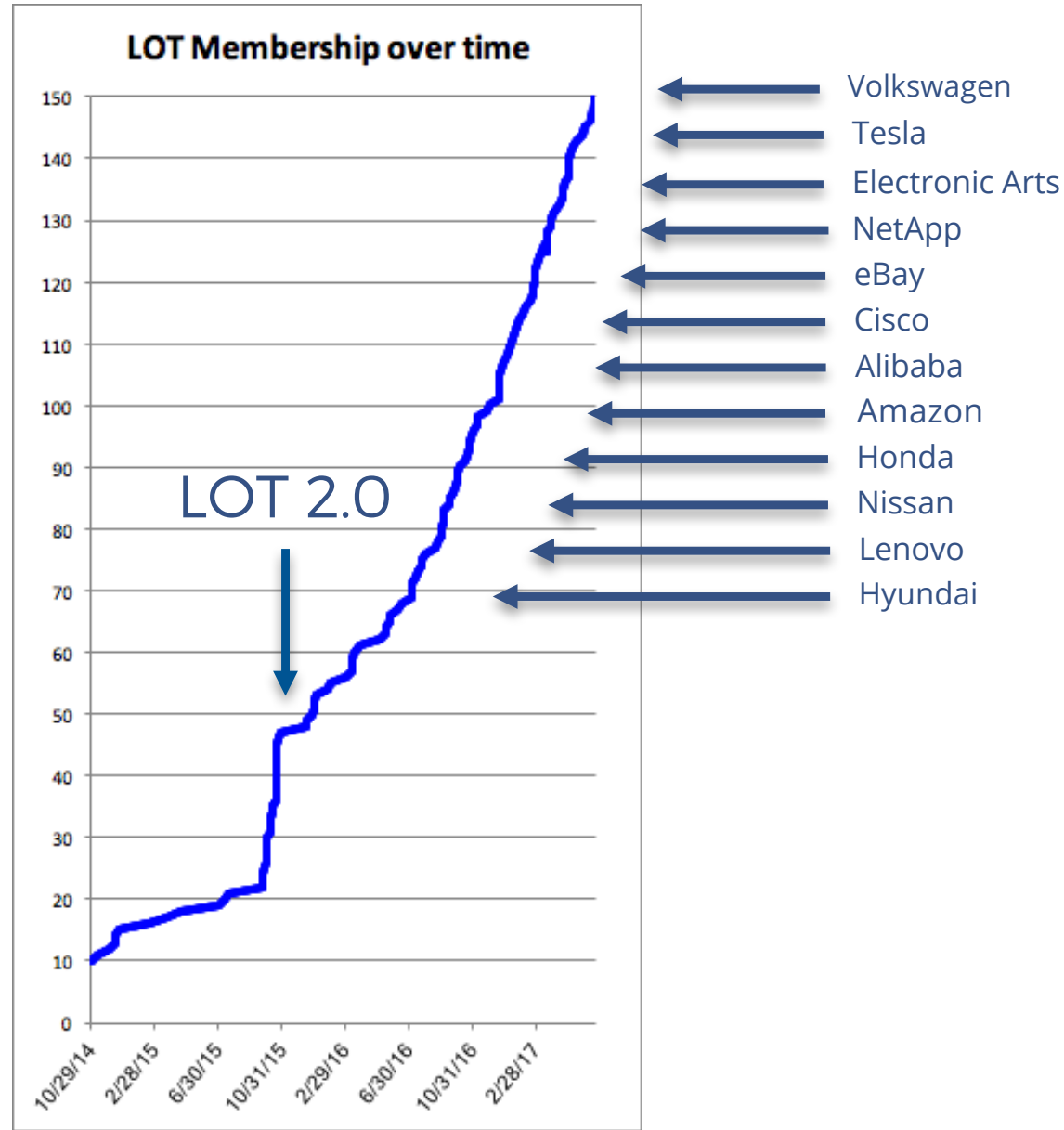


PURESTORAGE





# LOT Agreement is scaling



# Who is joining and why?

# Some of LOT's 145+ members



# Some of LOT's 145+ members



**HONDA**



GARMIN.

U B E R



JPMORGAN CHASE & CO.

**WELLS  
FARGO**



JCPenney



# 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<sup>†</sup>



# 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.



U B E R

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.

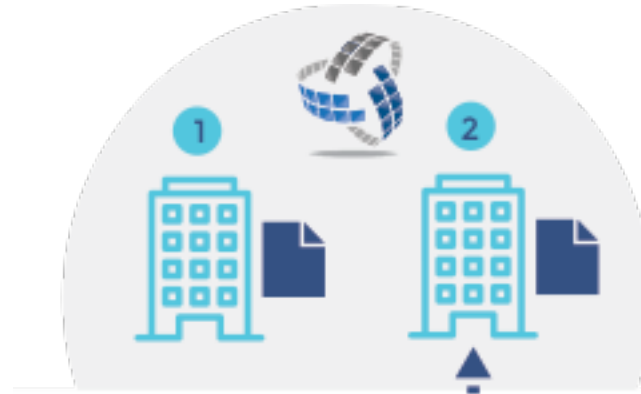
# How LOT works

# Illustration of the LOT Agreement's Operation

**Today:** Companies 1 and 2 join the LOT Network.

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

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



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

License to LOT membership automatically becomes effective.

**Legend:**  
= Transferred patent(s)

# Illustration of the LOT Agreement's Operation

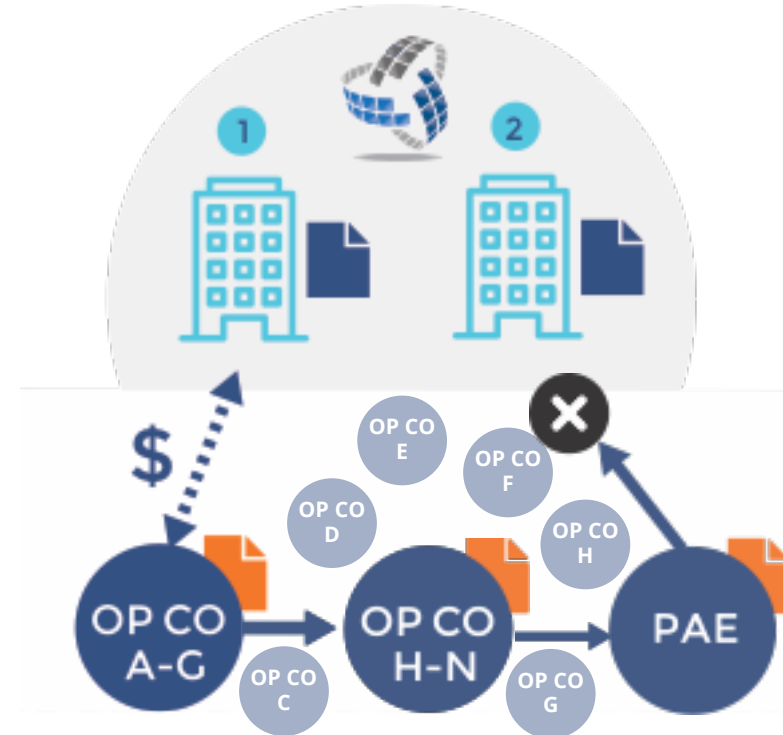
**Today:** Companies 1 and 2 join the LOT Network.



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.



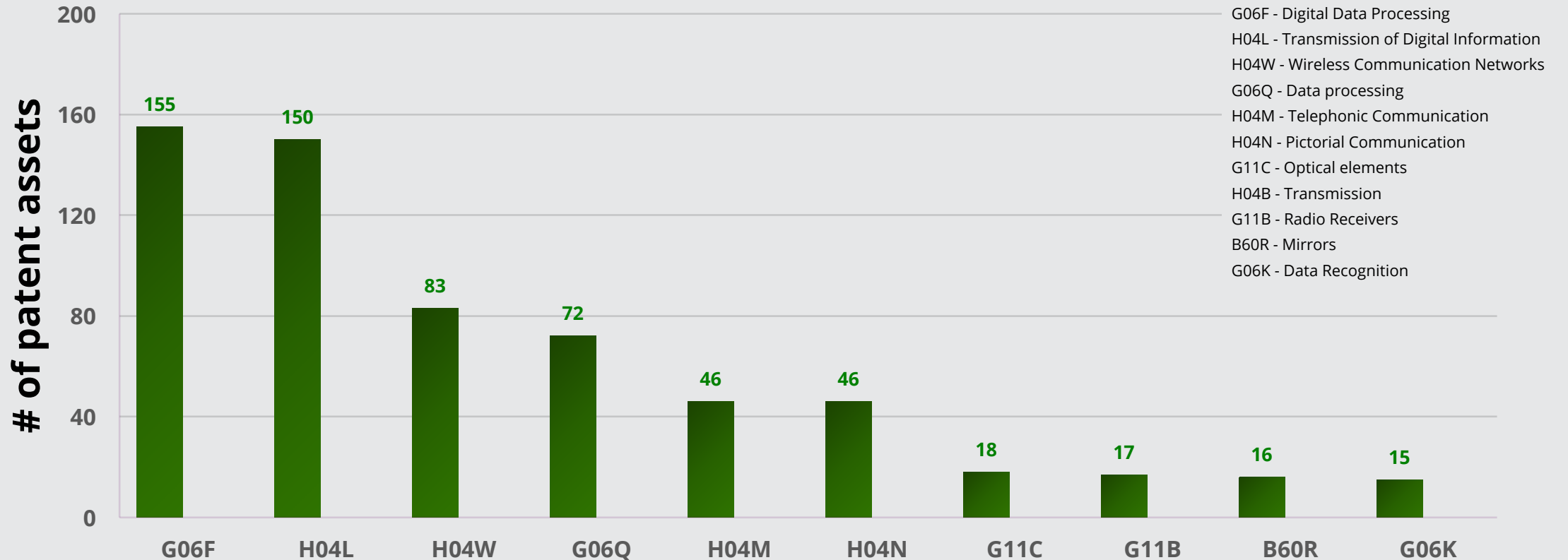
# LOT Network is non-profit: Annual Fee

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)

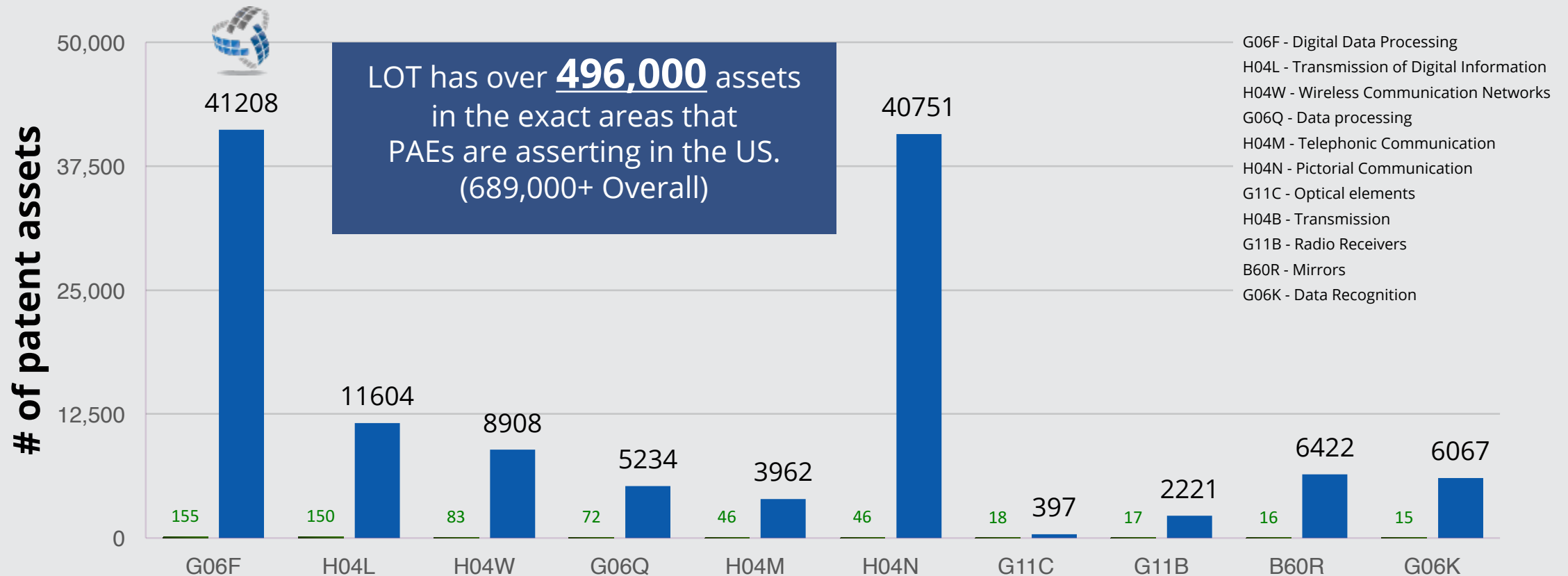
LOT provides value to its members

# Analysis of assets litigated by PAEs

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

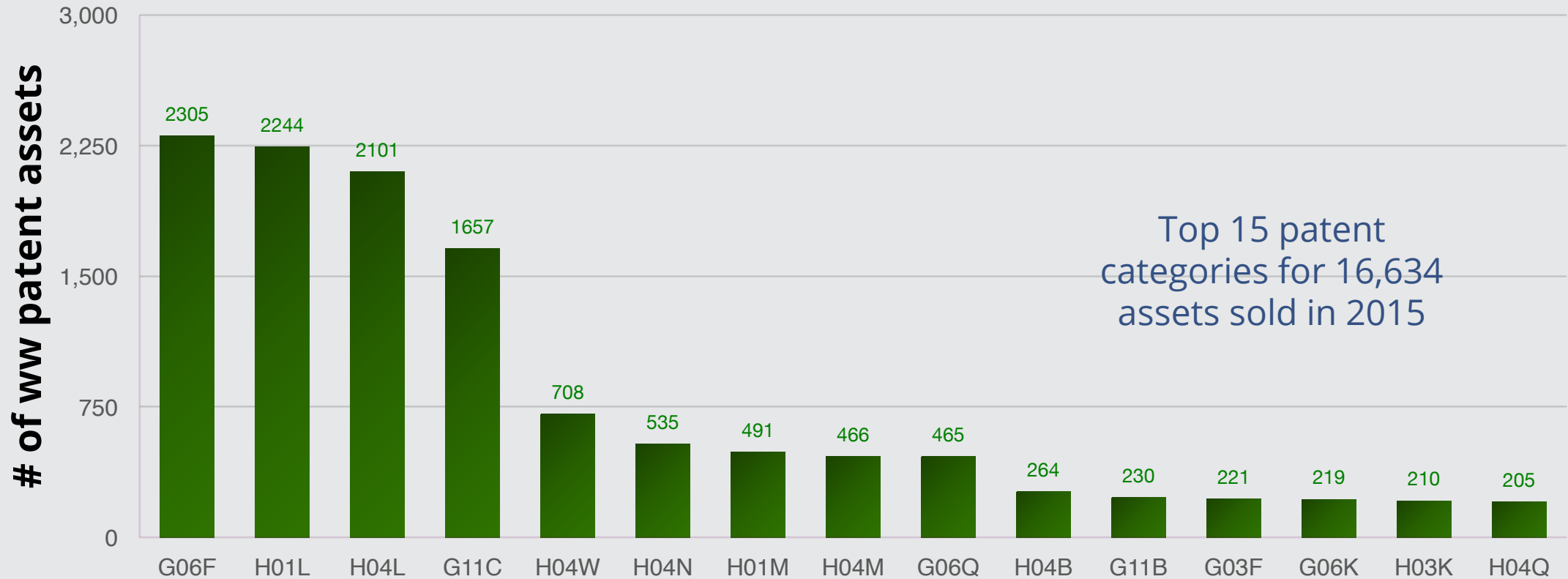


# LOT has thousands of patents in the same areas as those PAEs are asserting in the US

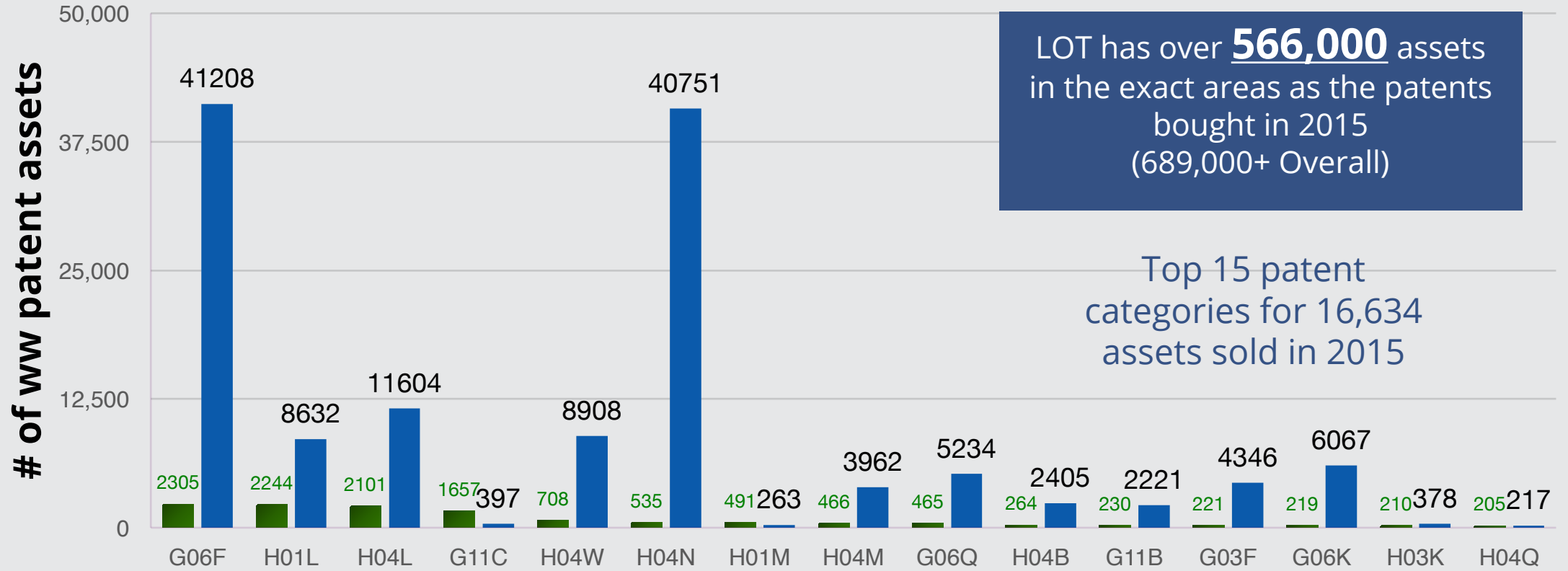


# Analysis of assets bought

# 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

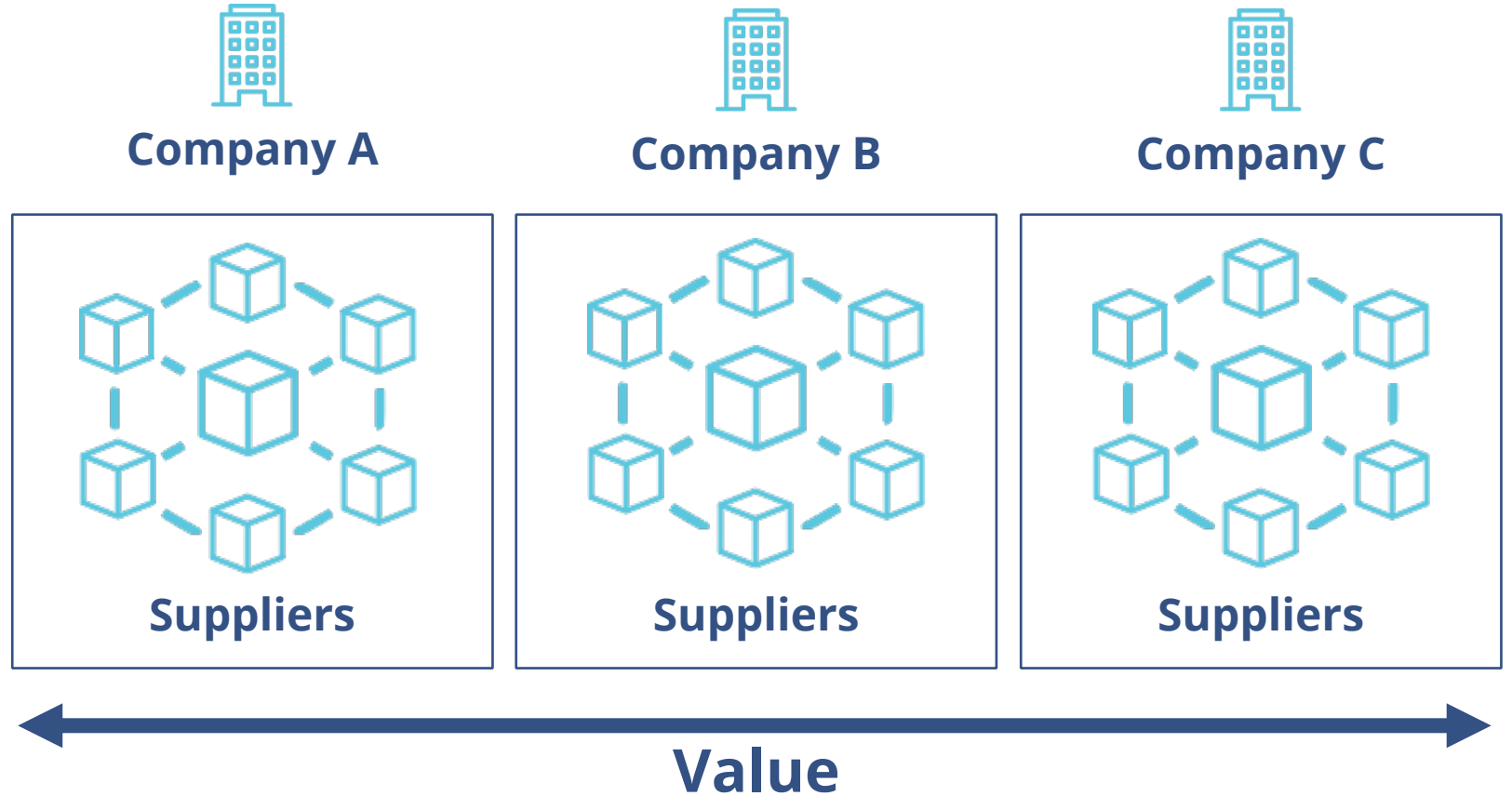
- 42 different LOT Members have divested over 42,000 assets since LOT was founded
- 35 of those assets have landed in the hands of 8 different PAEs
- One of those PAEs is Intellectual Ventures



# 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

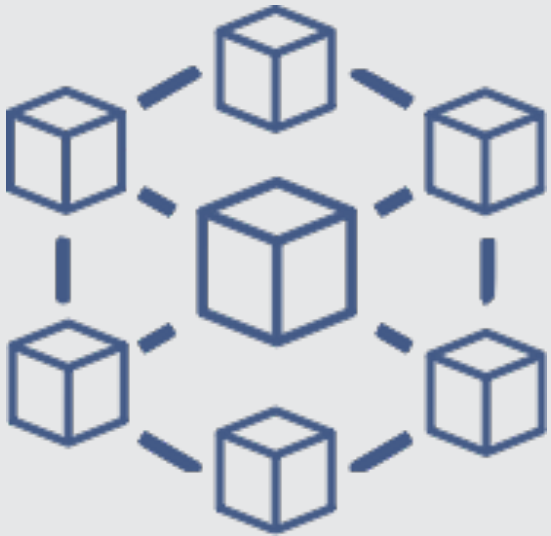


Help save  
\$29 billion



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%

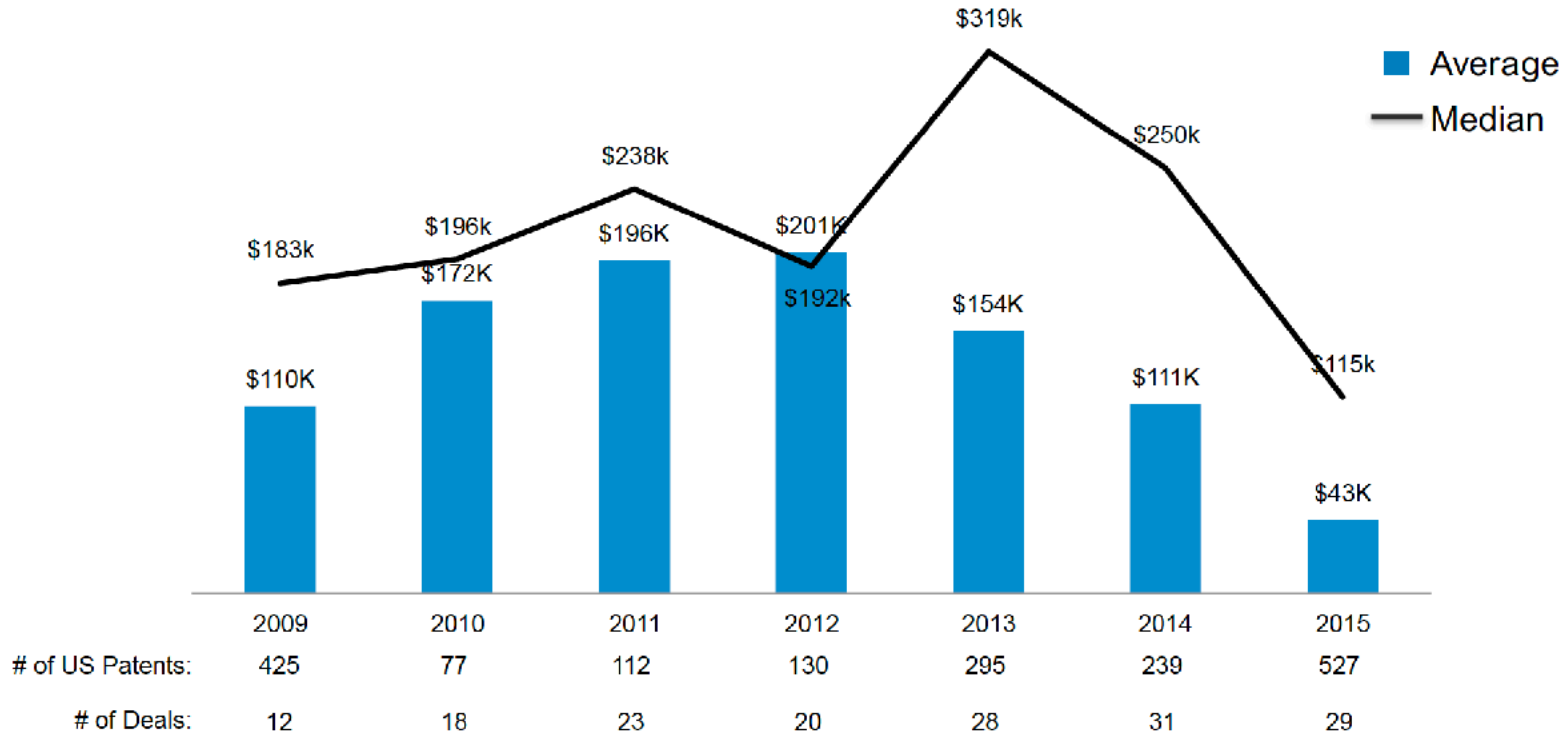


# Are you a LOTimist?



# RPX price paid for patents purchased from open market declining

## Average and Median RPX Price Paid per US Patent



Source: RPX Research

## Top buyer Intellectual Ventures announces cessation of patent purchasing activities, leaving the secondary market in limbo

Intellectual Ventures (IV) has confirmed to *IAM* Magazine that it is winding down acquisitions for its most recently established patent aggregation fund. The impending exit of the patent market's top buyer could have a significant impact on pricing and deal flow in the wider marketplace.

## Another major buyer pulls back from patent market as WiLAN plots new business direction

WiLAN announced last week that it will shift from being a patent pure play to become a diversified holding company, enabling it to invest in businesses beyond IP monetisation. While the Canadian NPE is not exiting the scene altogether, its move represents another blow for the secondary market after Intellectual Ventures (IV) confirmed the cessation of its patent buying activities earlier this month.

# CLIENT ALERT

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June 12, 2017

## **SUPREME COURT TO HEAR CONSTITUTIONAL CHALLENGE TO IPRS AND OTHER POST-GRANT PATENT REVIEWS**

The Supreme Court has agreed to decide whether inter partes review, the procedure that allows a Patent and Trademark Office tribunal to invalidate patents, is unconstitutional. A decision agreeing with the constitutional challenge would potentially strike down all of the post-grant proceedings created by the America Invents Act in 2011. The litigant in the Supreme Court is arguing that under the Constitution, once a patent is issued, a challenge to its validity must be heard by a life-tenured federal judge, with any factual disputes potentially resolved by a jury. The Supreme Court will receive briefing over the summer, hear argument in the fall and render a decision in early 2018.

# Backup

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