Invest in Growth
How LOT Network Addresses the PAE Problem

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Any Operating Company using technology is an PAE Target

Patent trolls (or Patent Assertion Entities, PAEs) make money by buying patents and suing companies in order to monetize them.

PAEs do not make product. They leverage the costs and risks of litigation to extract money from you...money in their pockets that you’re no longer able to use on R&D, improved manufacturing, or returning value to shareholders.
...even if you don’t own any patents

- PAEs can sue you based on third party technology that you use for everyday business
- Average cost to defend a PAE lawsuit is $3.2 million
- Over 10,000 companies have been sued at least once by a patent troll
PAEs - hurting innovation

Patent lawsuits have jumped 500% between 2005-2014

Defendants added to NPE Campaigns Quarterly

PAEs are responsible for 84% of high-tech patent litigation in the US!³

PAEs drain ~$80B from the US economy per year, or $1.5B a week⁵

Dan McCurdy 2017 SAS NPE Forum and RPX

 Avg. AIA

Operating Companies

PAE

PAEs are responsible for 84% of high-tech patent litigation in the US!³
LOT Agreement is scaling

LOT Membership over time

LOT 2.0

redhat, Canon, Google, JPMorgan Chase & Co., Dropbox, SAP, Pure Storage, LOT Network
What is LOT Network?

LOT - community providing PAE immunization

Non-Profit
Community
Protecting Innovation
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 Burden to being a member

- Don’t have to give notice
- Don’t have to list patents
- Don’t have to report
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)
LOT Network is non-profit: Annual Fee

<table>
<thead>
<tr>
<th>LOT Member’s Annual Revenue</th>
<th>Annual Membership Fee</th>
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</thead>
<tbody>
<tr>
<td>Less than $5 million</td>
<td>Free</td>
</tr>
<tr>
<td>Between $5 and $10 million</td>
<td>$1,500</td>
</tr>
<tr>
<td>Between $10 and $25 million</td>
<td>$2,500</td>
</tr>
<tr>
<td>Between $25 and $50 million</td>
<td>$5,000</td>
</tr>
<tr>
<td>Between $50 and $100 million</td>
<td>$10,000</td>
</tr>
<tr>
<td>Between $100 million and $1 billion</td>
<td>$15,000</td>
</tr>
<tr>
<td>Greater than $1 billion</td>
<td>$20,000 (cap)</td>
</tr>
</tbody>
</table>
References

1. Patent Freedom
   - https://www.patentfreedom.com/about-npes/litigations/
3. Dan McCurdy, RPX presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.
4. Kevin Jakel, Unified Patents presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.