



**LOTNETWORK**

# Invest in Growth

## How LOT Network Addresses the PAE Problem

Ken Seddon

CEO, LOT Network

March 12, 2018

# LOT Network CEO

Ken Seddon



## Introduction of Ken Seddon

### 25 Years of Engineering and IP experience

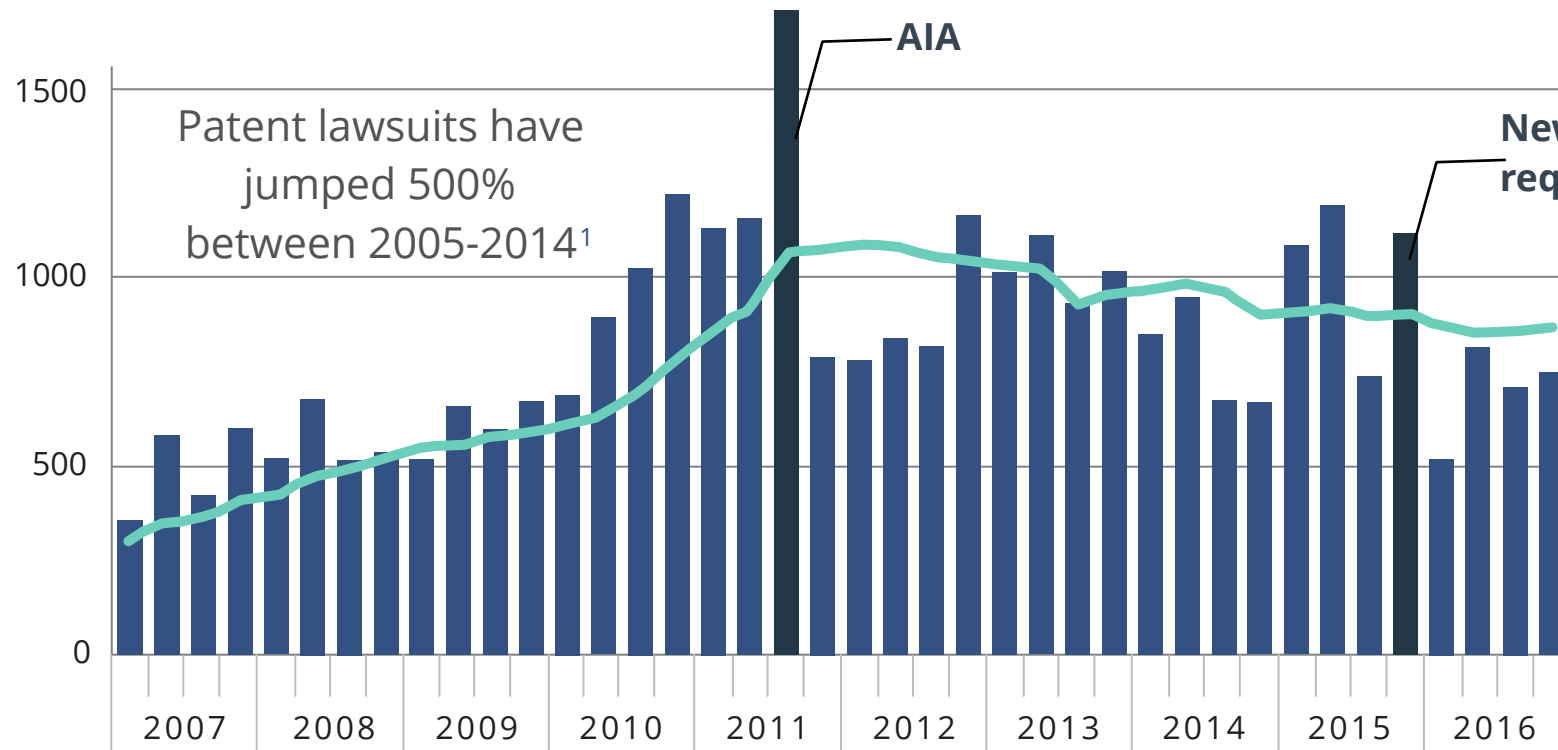
- BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU
- Motorola: engineer and patent prosecution
- Intel: Asst. Director of Patents - patent prosecution and licensing
- Numonyx: Chief IP Counsel
- Micron: Asst. General Counsel
- Apple: Strategic patent licensing, patent purchasing, NPE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

# Why you should join LOT Network

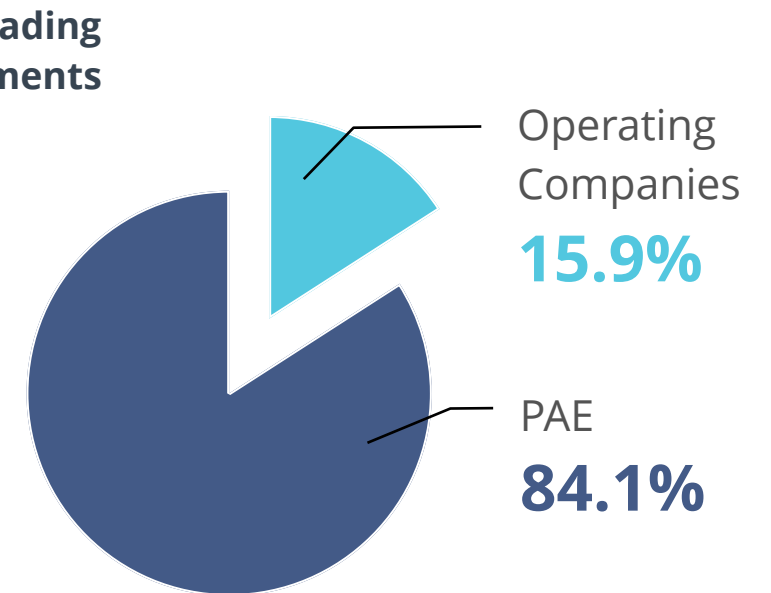
\$29 Billion

# 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>



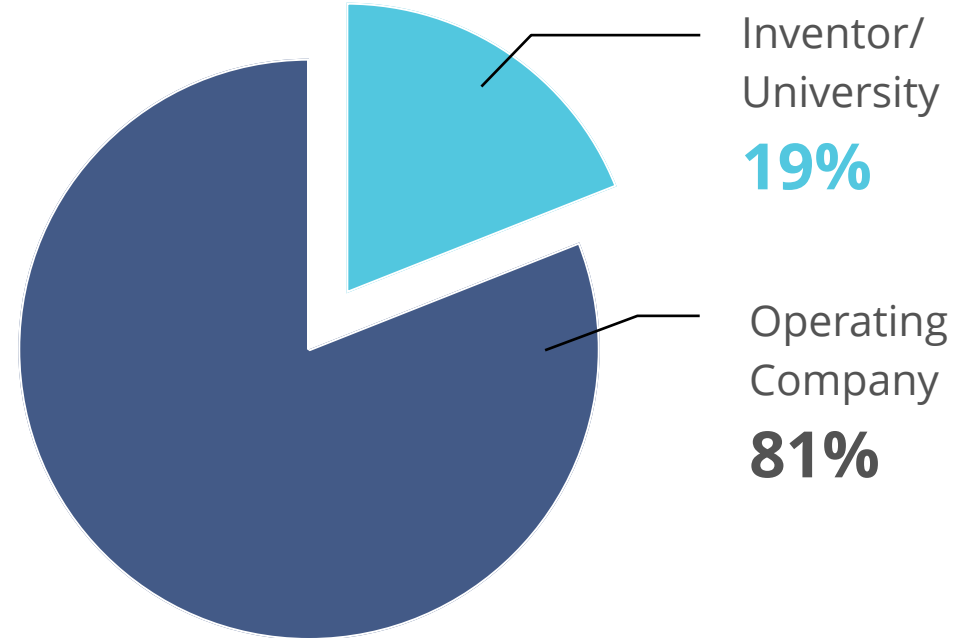
Dan McCurdy 2017 SAS NPE Forum and RPX

— Average

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

# 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



Dropbox

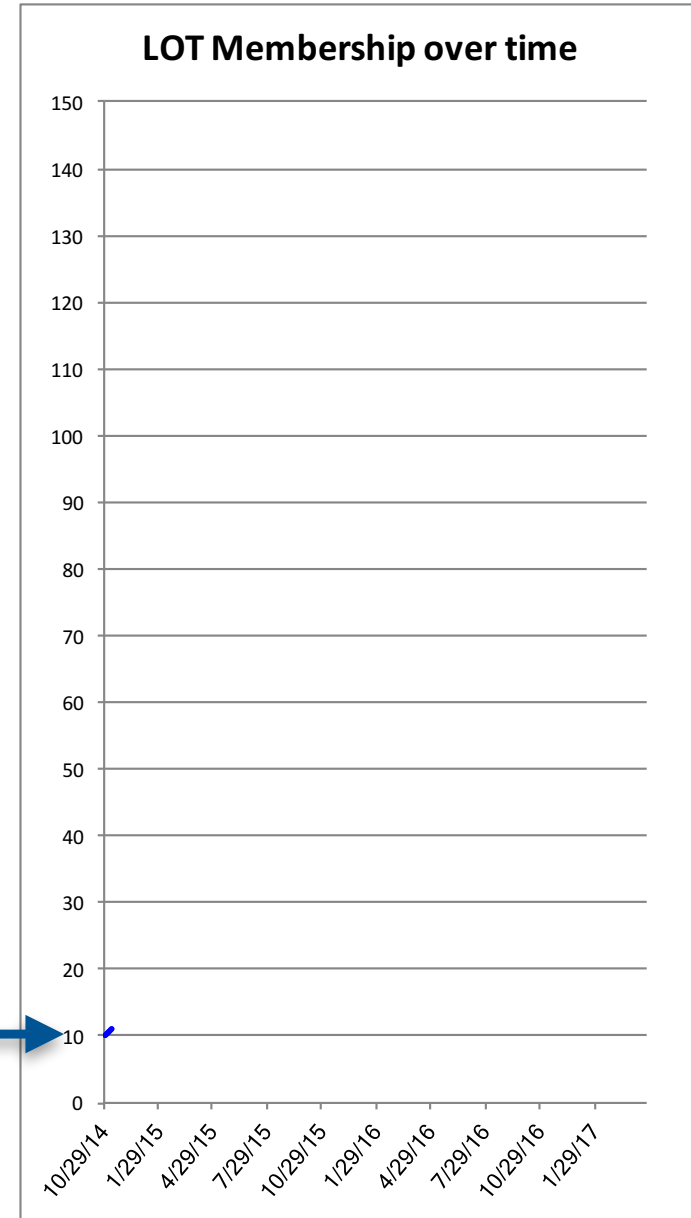


PURESTORAGE



LOTNETWORK

LOT Begins



# LOT Agreement is scaling



Canon

Google



Dropbox

JPMORGAN CHASE & CO.



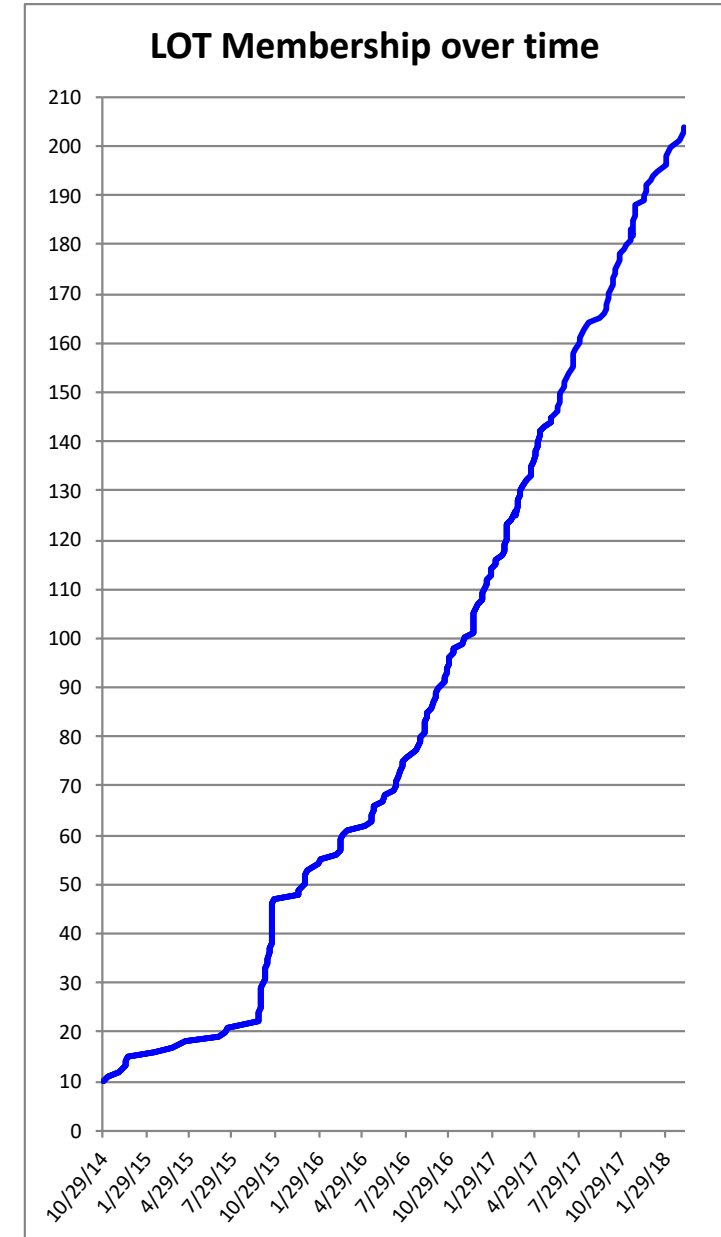
TESLA



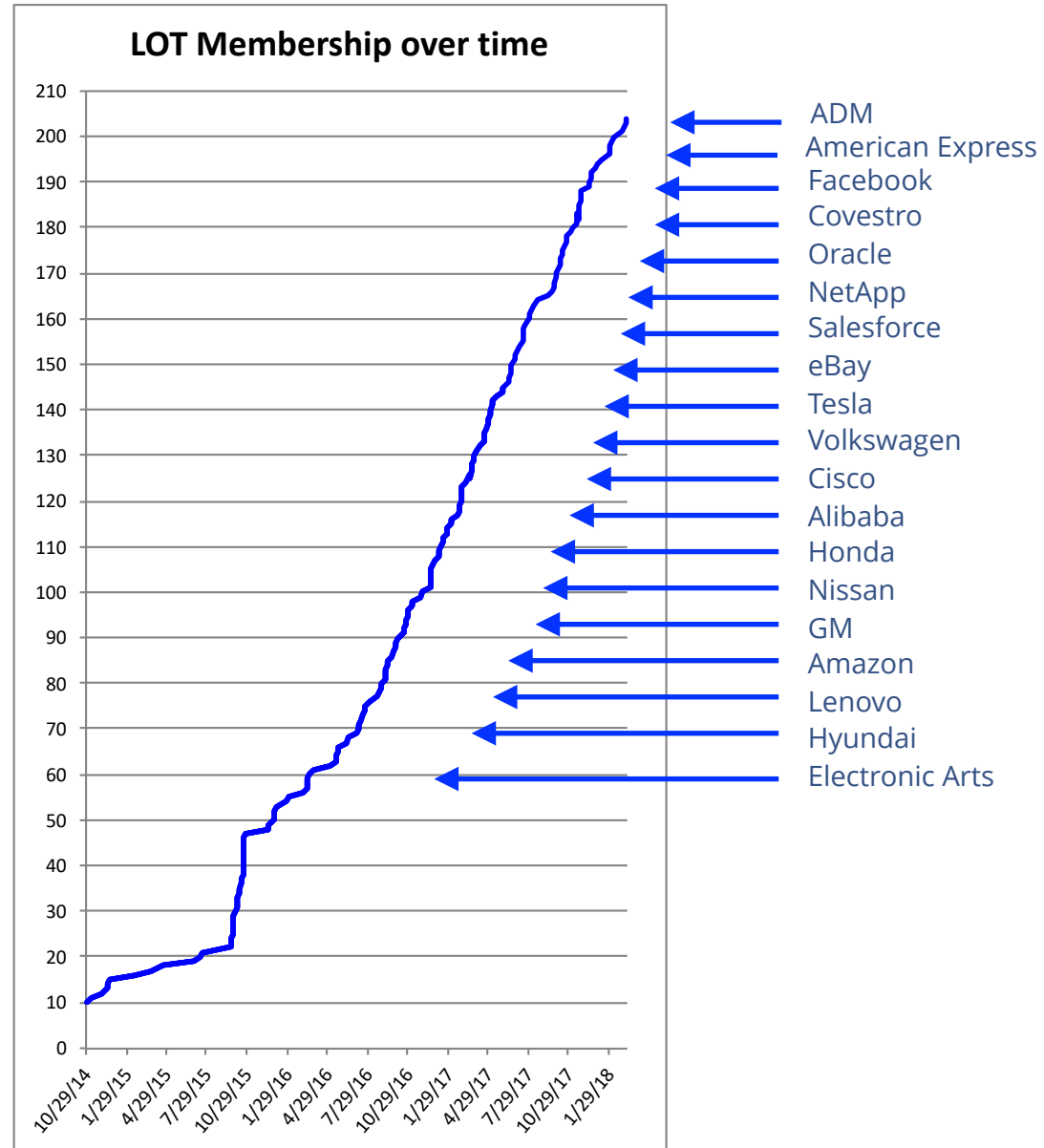
PURESTORAGE



LOTNETWORK



# LOT Agreement is scaling





# Who is joining and why?

# Some of LOT's 200+ members

## Software:



## Hardware:



# Some of LOT's 200+ members

## Automotive:



UBER



WAYMO

## Financial Services

JPMORGAN CHASE & CO.



# Some of LOT's 200+ members

## Entertainment/media

NETFLIX

SHOWTIME  
amazon



CBS

PANDORA

eHarmony

Etsy

ROKU

## Retail:

Alibaba.com  
Global trade starts here.

JCPenney

ebay

Walgreens



Crate&Barrel



★ macy's

GROUPON

BED BATH &  
BEYOND



Key Others:



# 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>



# 1/3rd 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 Burden to being a member



Don't have to  
list patents



Don't have to  
give notice



Don't have to  
report

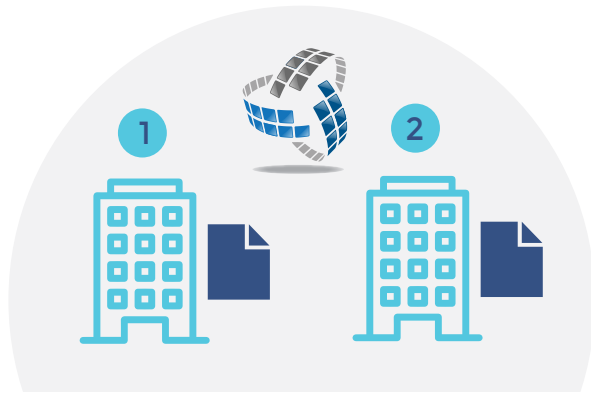
# What is an assertion entity?

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

# How LOT works

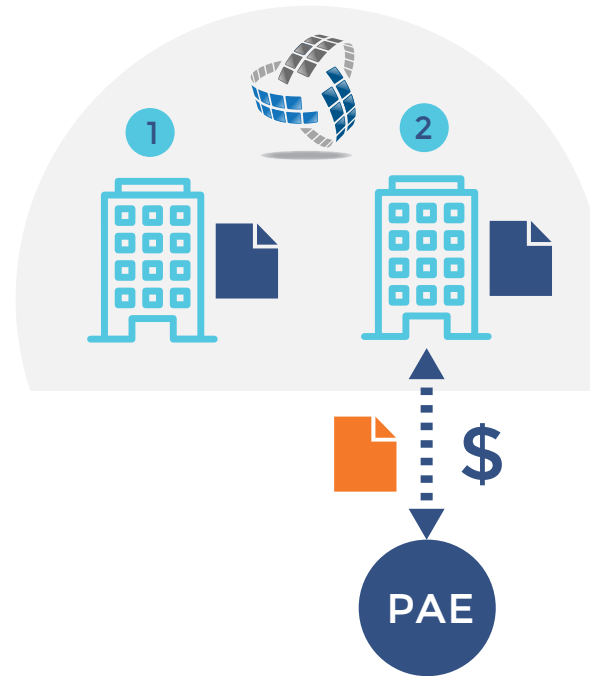
# Illustration of the LOT Agreement's Operation

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



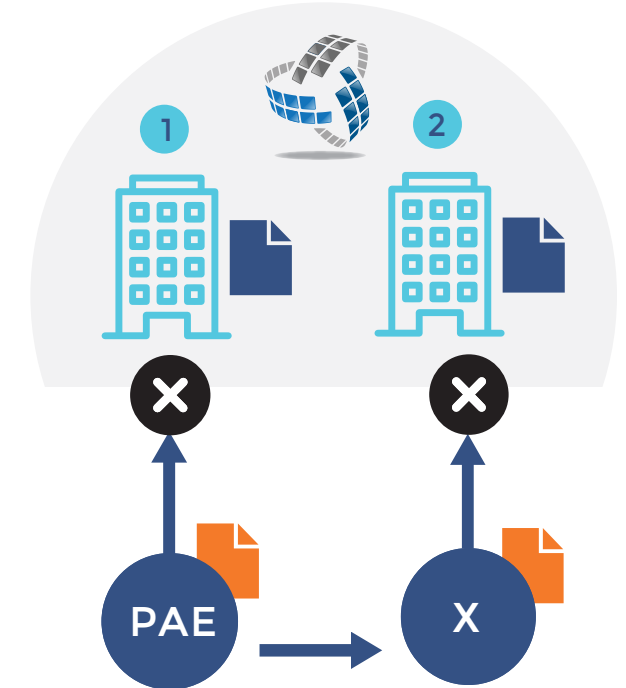
Over 819,000 WW assets  
Over 236,000 US assets

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



License to LOT membership automatically becomes effective.

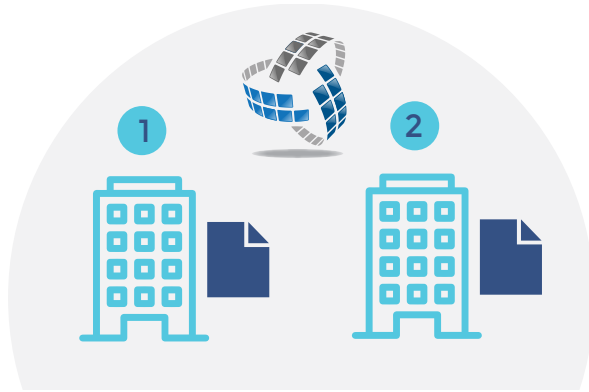
**Future:** LOT membership immune from patent, regardless of the owner.



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

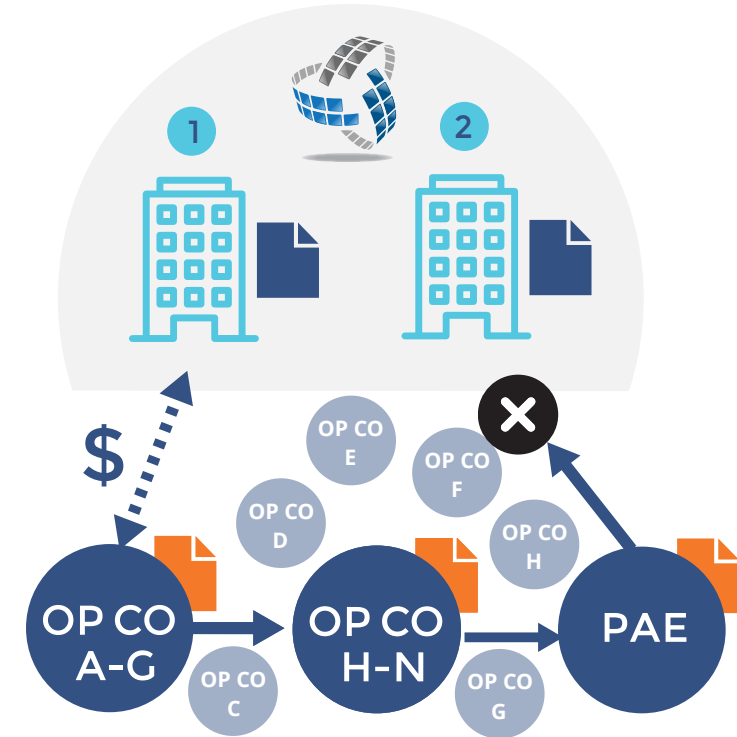
# Illustration of the LOT Agreement's Operation

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



Over 819,000 WW assets  
Over 236,000 US assets

**Tomorrow:** Company 1 sells a patent to an Operating Company

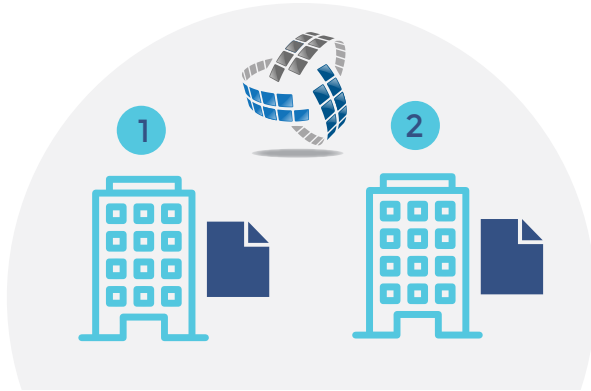


**Legend:**  
 = Transferred patent(s)

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

# Illustration of the LOT Agreement's Operation

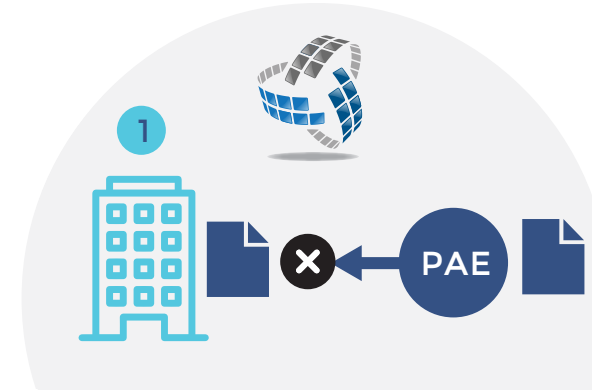
**Today:** Companies 1 and 2  
join the LOT Network.



Over 819,000 WW assets  
Over 236,000 US assets



**Tomorrow:** Company 2 becomes  
an assertion entity



License to LOT membership  
automatically becomes effective.

# LOT Network is non-profit: Annual Fee

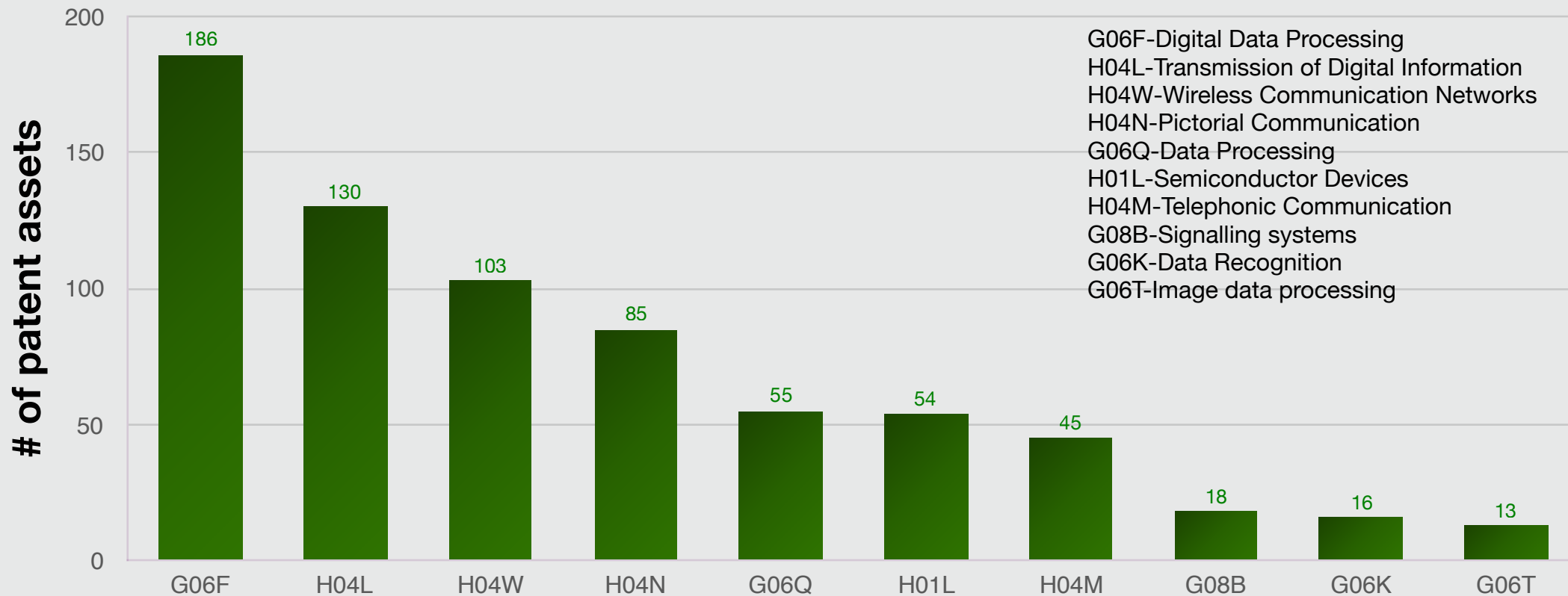
LOT Member's Annual Revenue	Annual Membership Fee
Less than \$5 million	Free
Between \$5 and \$10 million	\$1,500
Between \$10 and \$25 million	\$2,500
Between \$25 and \$50 million	\$5,000
Between \$50 and \$100 million	\$10,000
Between \$100 million and \$1 billion	\$15,000
Greater than \$1 billion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



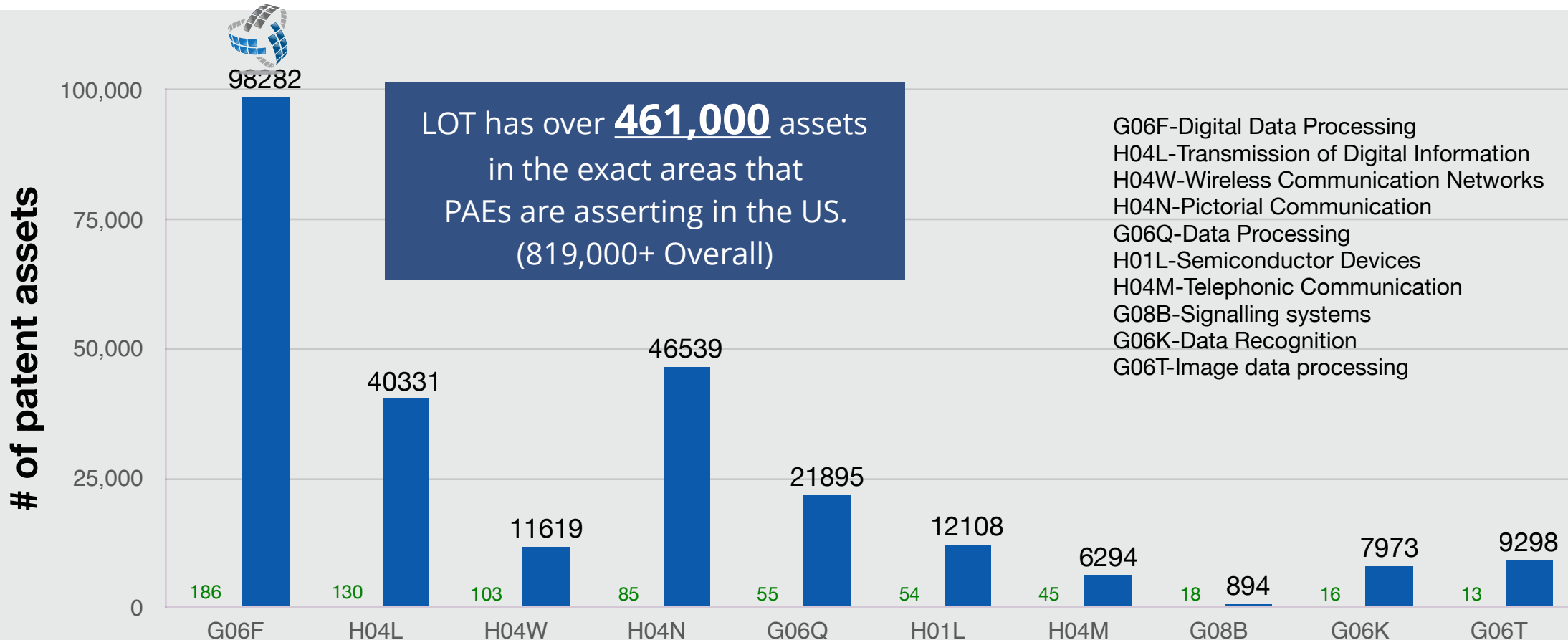
LOT provides value to its members

# Analysis of assets litigated by PAEs

# What types of patents did PAEs use to sue in the US (1,796 litigations)

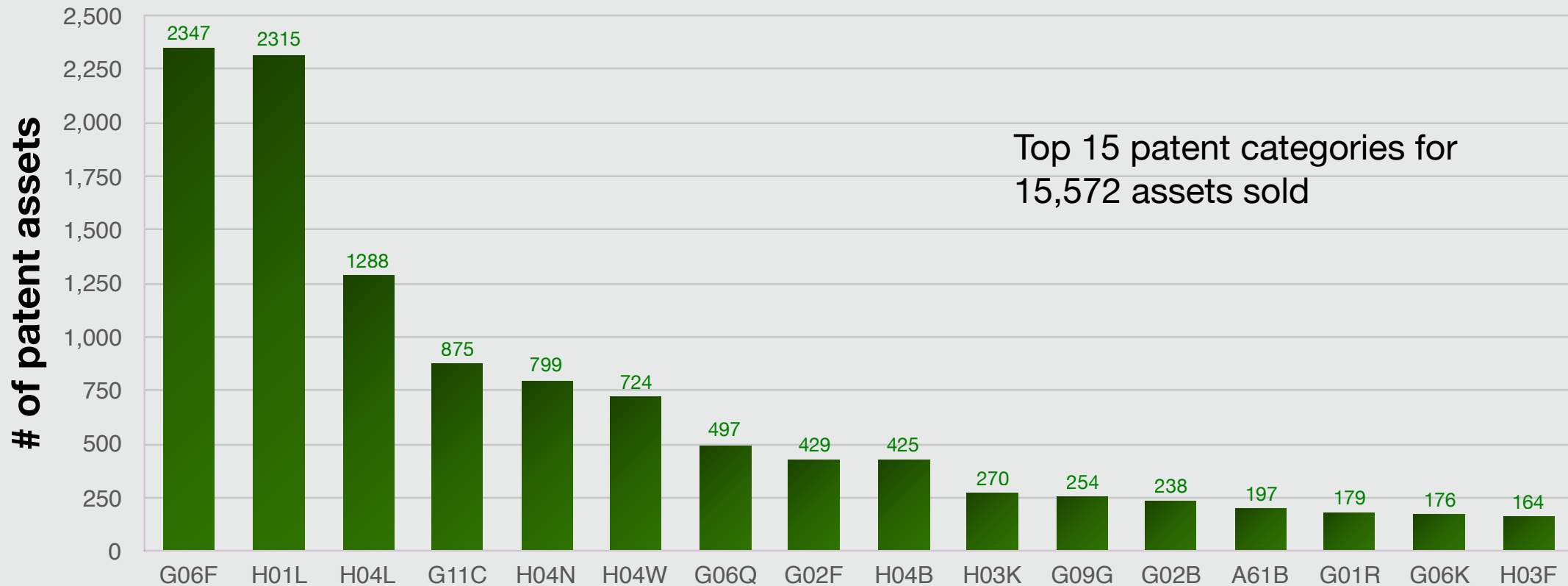


# LOT has thousands of patents in the same areas as those PAEs are asserting in the US

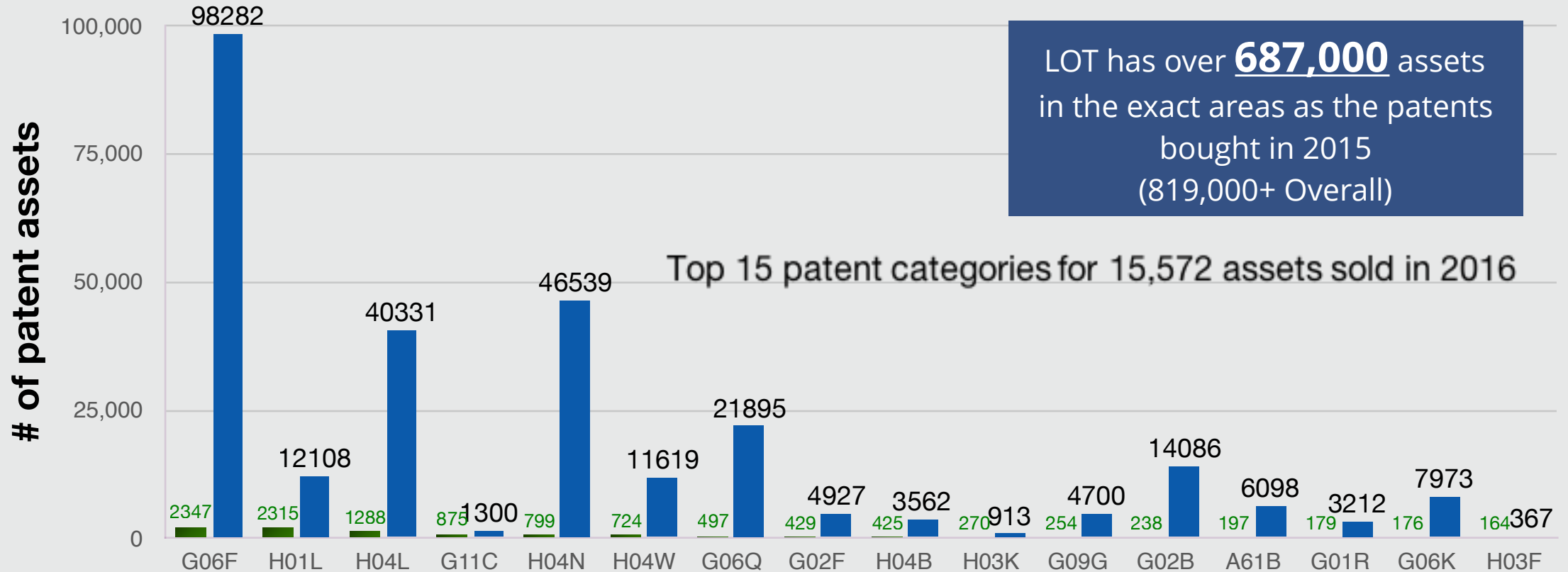


# Analysis of assets bought

# Patent sales: Forecast of future litigation



# Patent sales: Forecast of future litigation

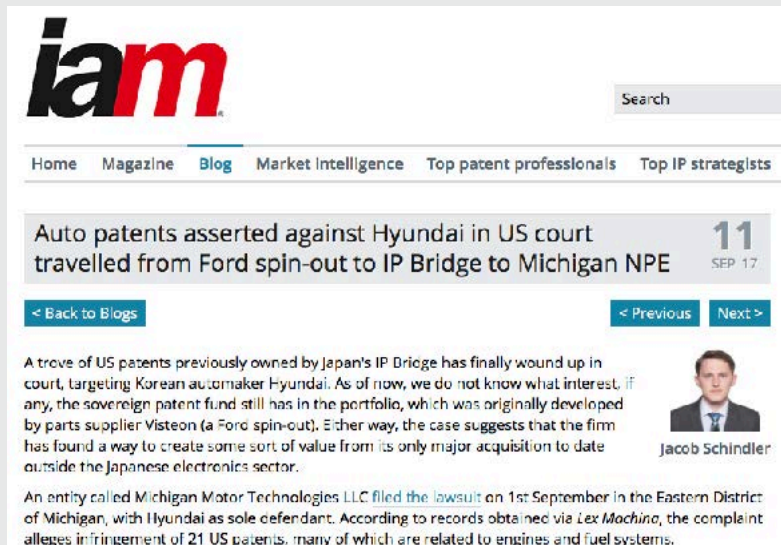


Yeah, but does LOT REALLY work?



# LOT Members have divested assets, but...

- 35 of those assets have landed in the hands of 8 different PAEs
- One of those PAEs is Intellectual Ventures



# 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 S&P 500<sup>®</sup> by 90% in last year



# Monetizers

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

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

Monetizers lag S&P 500<sup>®</sup> by 87% in the last year



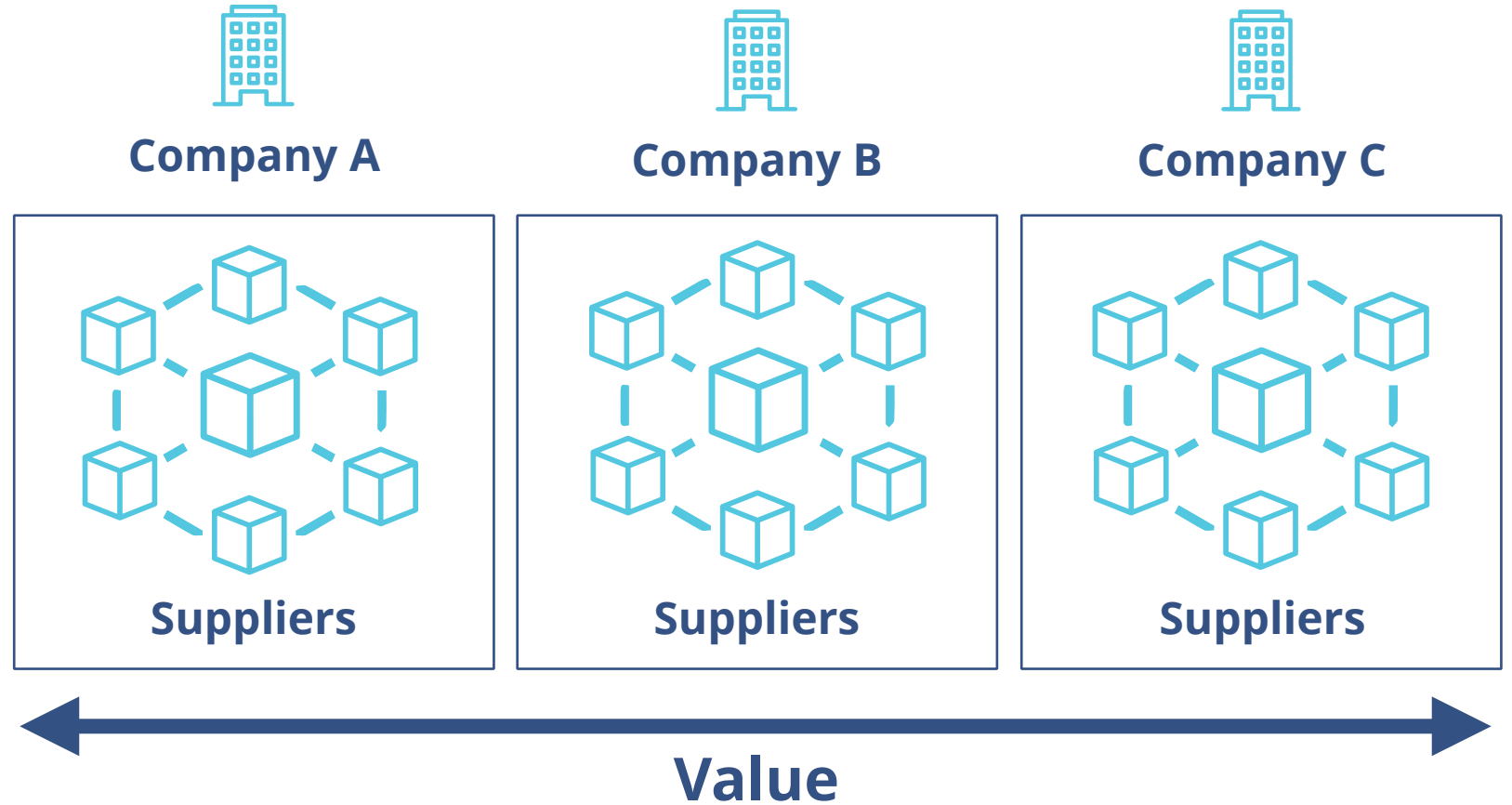
# Are you a LOTimist?



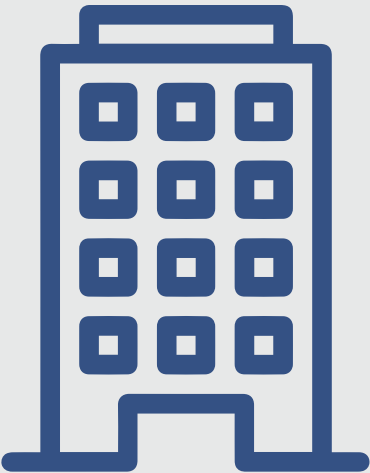
# Significant Value in adding suppliers to Membership

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



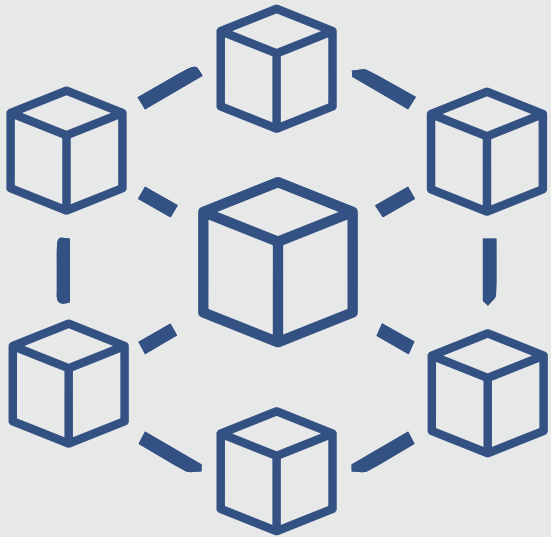
Help save  
\$29 billion



Stabilize  
supply chain



# Why LOT is good for SUPPLIERS



Reduce indemnification costs



Gain access to IP



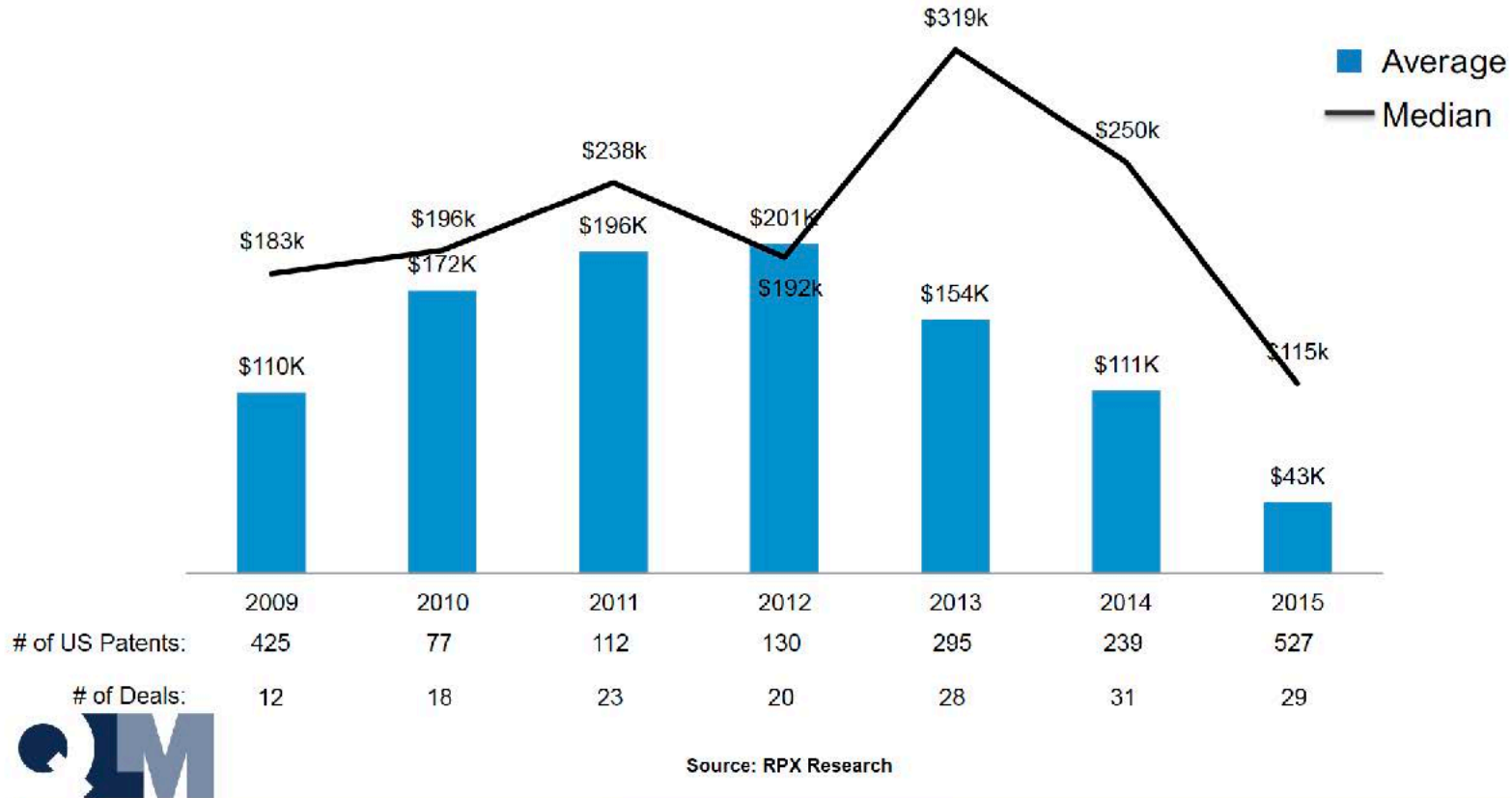
Become "preferred" supplier



Program voluntary

# RPX price paid for patents purchased from open market declining

## Average and Median RPX Price Paid per US Patent



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# Backup

## 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.

# References

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## Introducing IPwe

While tempted to just trade, at some point in 2016, it occurred to me that blockchain could have a massively beneficial impact on the patent industry and patent asset class. I had some positively stupid initial ideas, but by 2017, the crazy ideas started to slow down and the better ones took over. I began assembling the team of programmers, data scientists, communications specialists and patent wonks we would need to implement and create a new business model that intelligently captures the power of blockchain in the patent space. Today, we start to reveal our newest creation: [www.IPwe.com](http://www.IPwe.com)

We have a team of 20 full time people at IPwe and a diverse group of consultants that are working tirelessly to refine and implement the many solutions we will begin to offer the market starting next month. We have been fortunate to obtain strong financial backing that has permitted us to develop what some are only beginning to contemplate or conceptualize about (you see a lot of this in the space these days—big dreams, little execution and a really nice White Paper). Applying blockchain, artificial intelligence and predictive analytics to improve patents, the industry and the asset class is our mission. It is a curious path how a collection of misfit trolls, geeks and wonks ended up here—**but we are going to crush it and make a fortune**, improve the patent asset class and benefit the patent ecosystem and society at the same time. We look forward to introducing you to IPwe.

Erich Spangenberg

Co-Founder

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