

Invest in Growth

How LOT Network Addresses the PAE Problem

Ken Seddon
CEO, LOT Network
May 15, 2018

LOT Network CEO

Ken Seddon



Introduction of Ken Seddon

25 Years of Engineering and IP experience

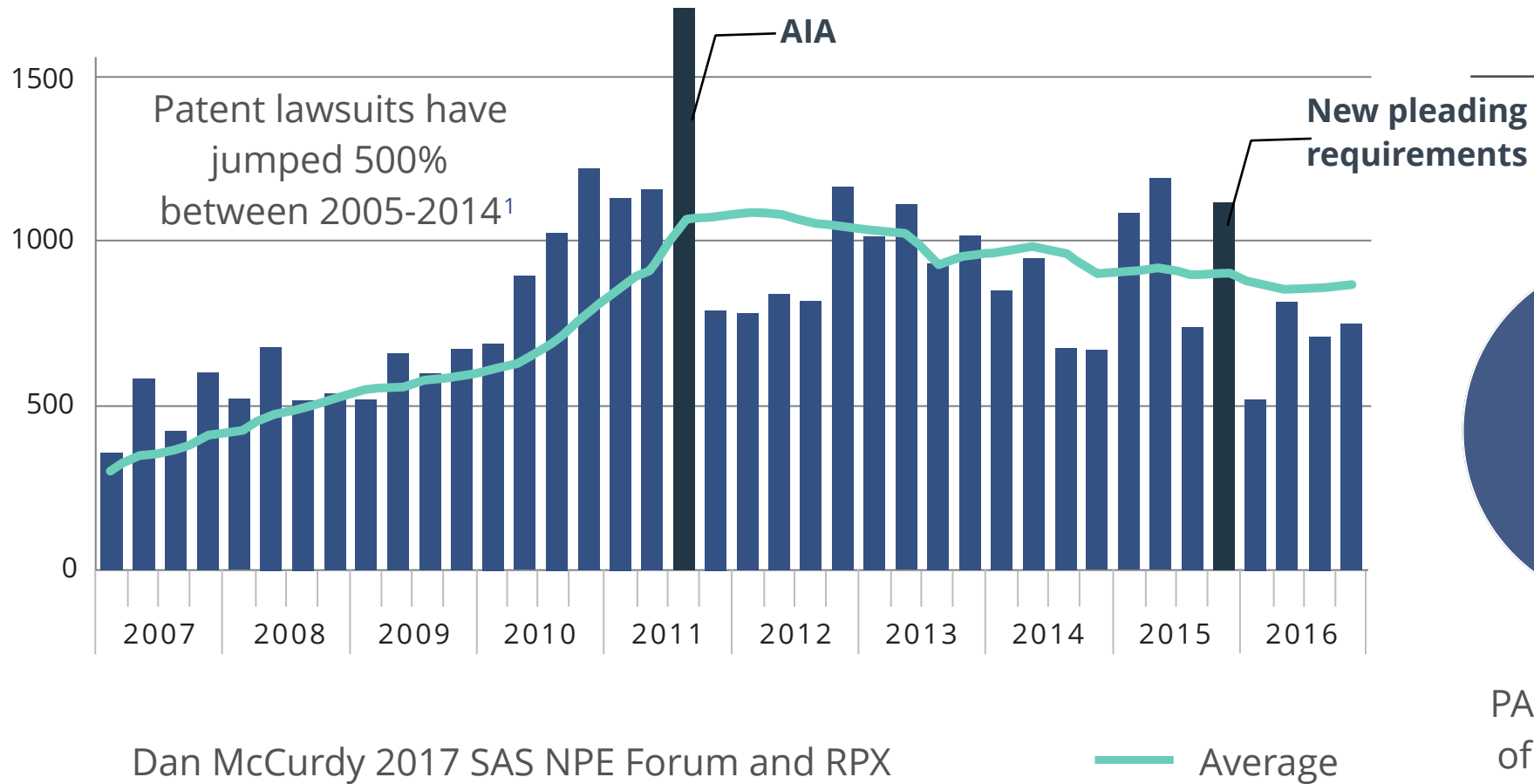
- BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU
- Motorola: engineer and patent prosecution
- Intel: Asst. Director of Patents - patent prosecution and licensing
- Numonyx: Chief IP Counsel
- Micron: Asst. General Counsel
- Apple: Strategic patent licensing, patent purchasing, NPE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

Why you should join LOT Network

\$29 Billion

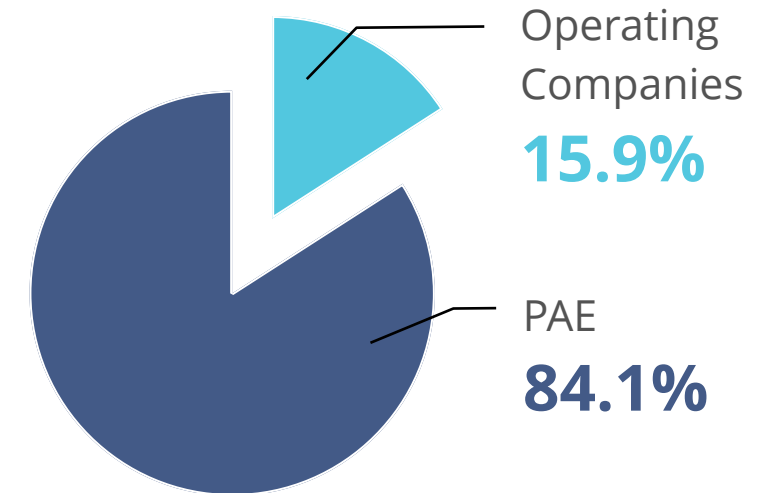
PAEs - hurting innovation

Defendants added to NPE Campaigns Quarterly



Dan McCurdy 2017 SAS NPE Forum and RPX

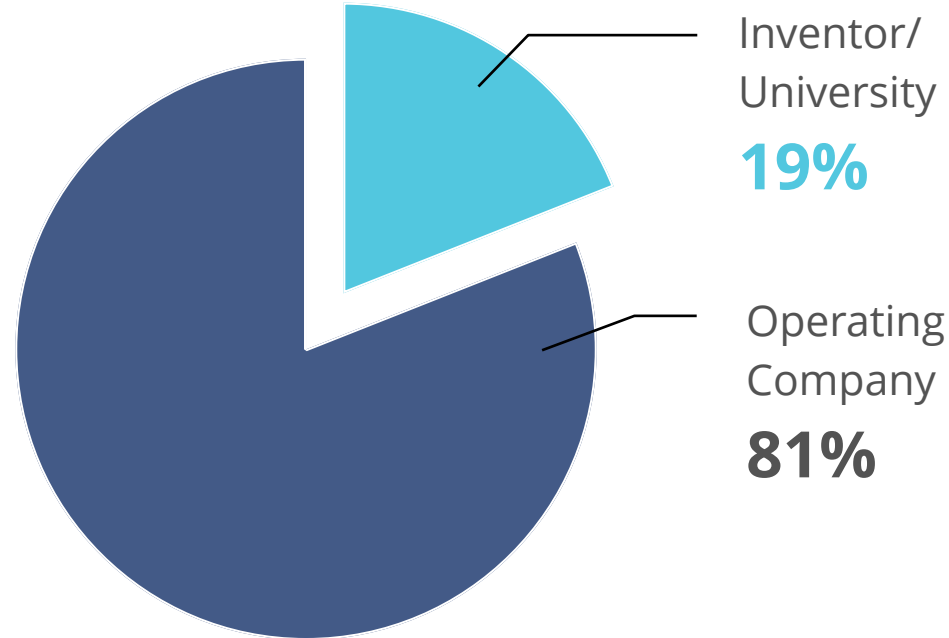
PAEs drain ~\$80B from the US economy per year, or \$1.5B a week¹⁰



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 most of the patents

2014: LOT Network is formed as solution



Canon

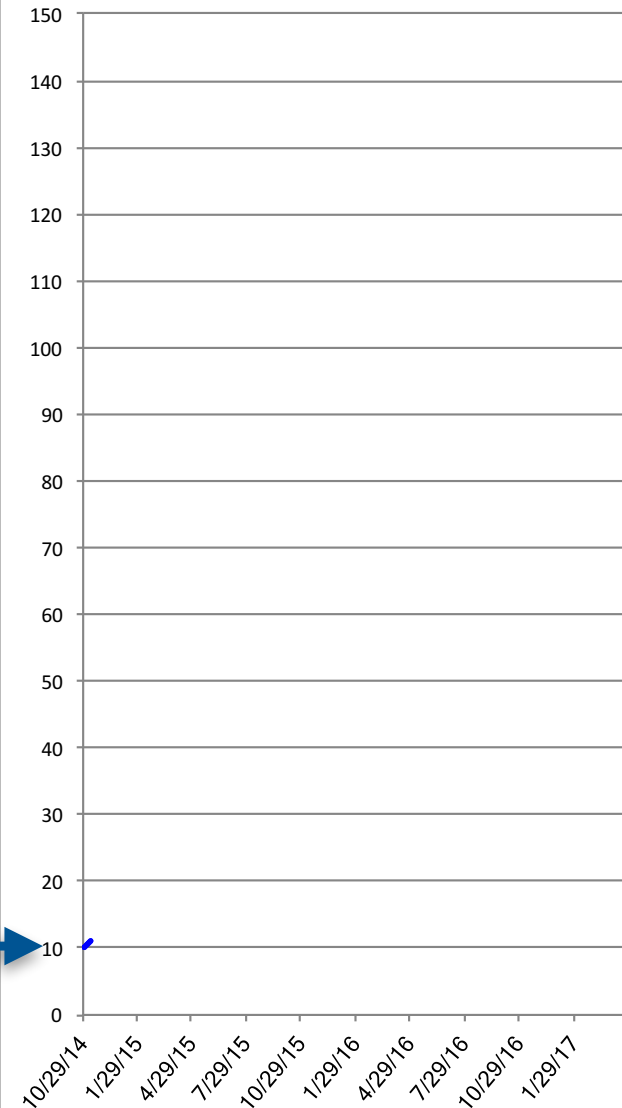
Google



LOT Begins



LOT Membership over time



LOT Agreement is scaling

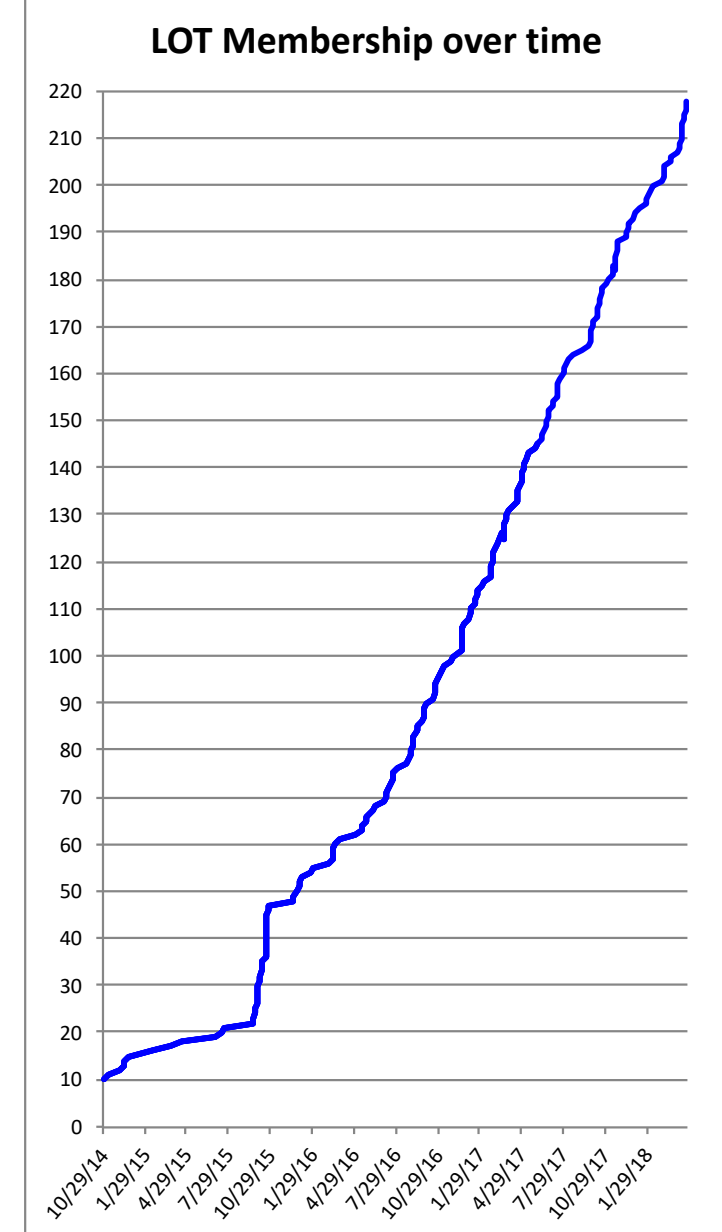


Canon

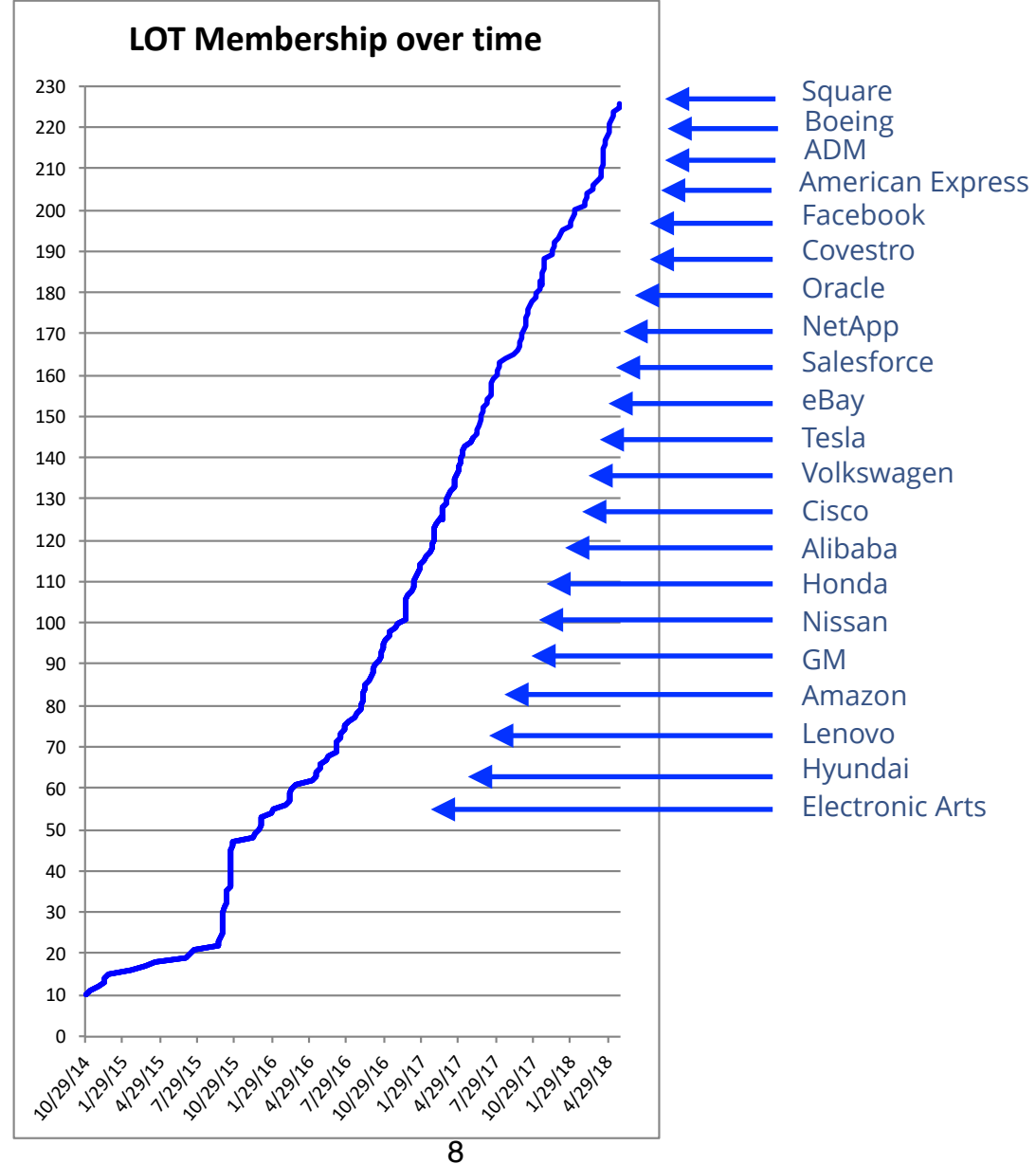
Google



JPMORGAN CHASE & CO.



LOT Agreement is scaling



Who is joining and why?

Some of LOT's 200+ members

Software:



Hardware:



Some of LOT's 200+ members

Automotive:



Financial Services



Some of LOT's 200+ members

Entertainment/media



Retail:



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[†]



Technology

Tech Giants Are Offering Startups Free Patents in a Bid to Foil Lawsuits

By [Susan Decker](#)

May 10, 2018, 8:30 AM MST

- ▶ Non-profit group seeks to keep members out of litigation
- ▶ Idea comes from lessons learned after dot-coms crashed

LISTEN TO ARTICLE

▶ 4:57

[Red Hat Inc.](#) and [Lenovo Group Ltd.](#) are giving away free patents to any startup that joins a group of more than 200 companies devoted to keeping its members and their patents out of court.

It's a carrot to entice startup companies to join the LOT Network, a non-profit created by [Alphabet Inc.](#)'s Google and [Canon Inc.](#) four years ago to combat litigation by patent assertion companies, known derisively as "trolls," that don't make any products but seek royalties by challenging patents. By joining LOT, a company agrees that if they sell patents to such firms, all group members will have a free license to them.

"You're binding yourself to the mast and saying 'I'm not going to give in to

**LOTNETWORK**

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

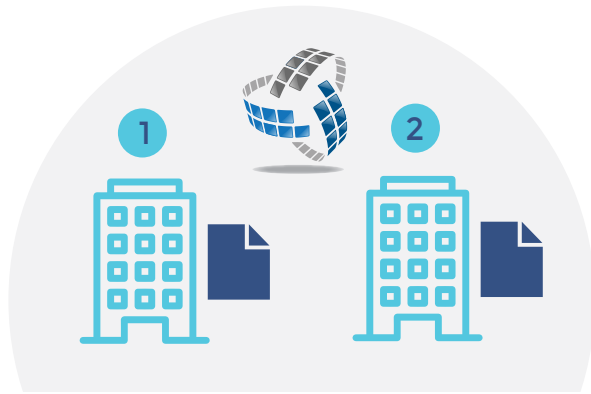
What is an assertion entity?

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

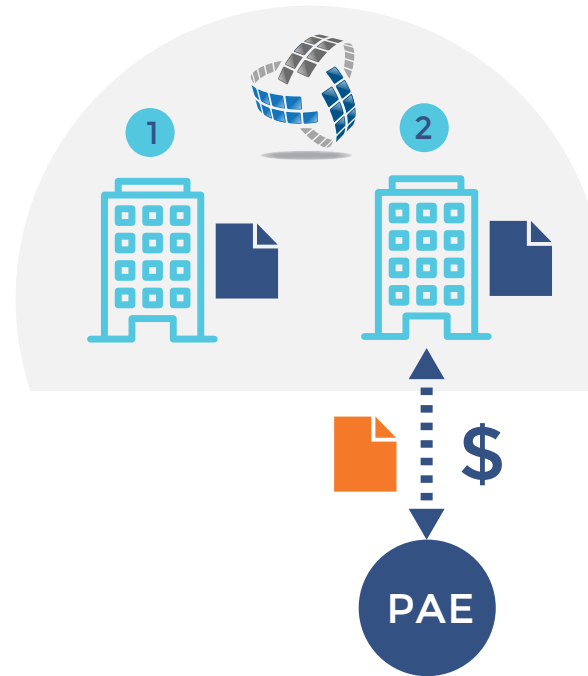
Today: Companies 1 and 2 join the LOT Network.



Over 1,118,000 WW assets
Over 250,000 US assets

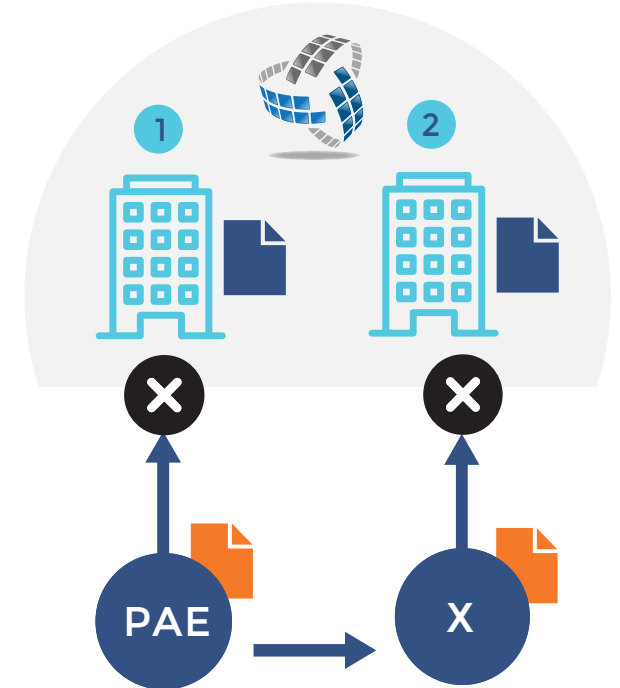


Tomorrow: Company 2 sells a patent to a Patent Assertion Entity.



License to LOT membership automatically becomes effective.

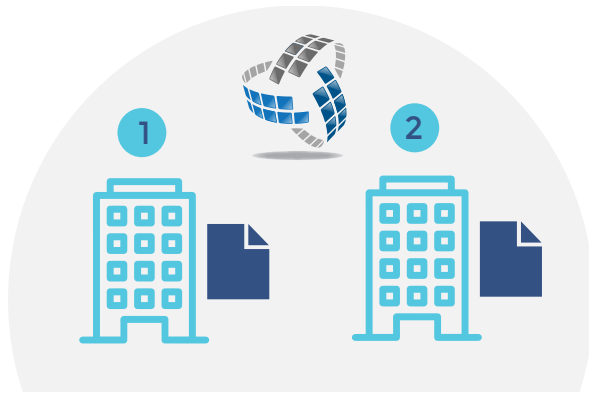
Future: LOT membership immune from patent, regardless of the owner.



Legend:
 = Transferred patent(s)

Illustration of the LOT Agreement's Operation

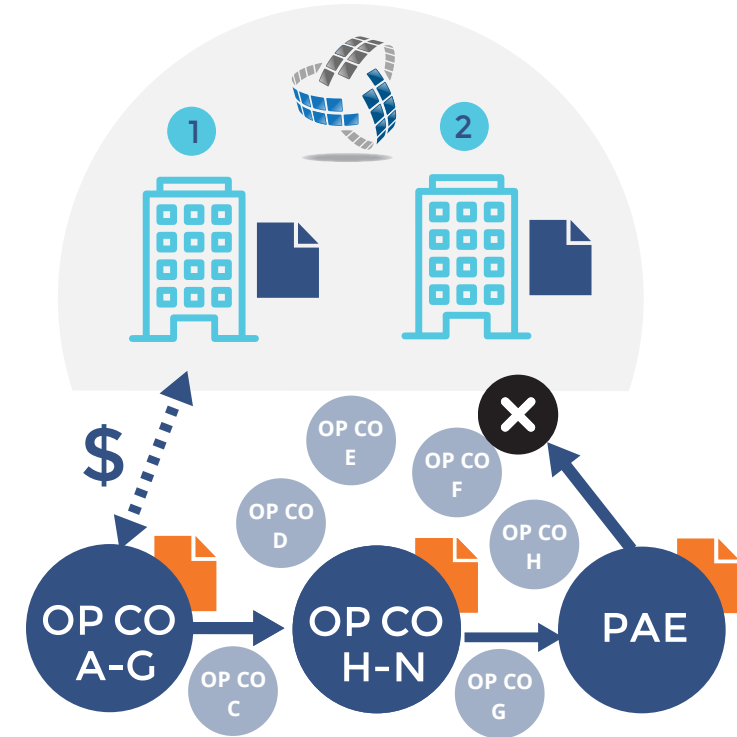
Today: Companies 1 and 2
join the LOT Network.



Over 1,118,000 WW assets
Over 250,000 US assets



Tomorrow: Company 1 sells a
patent to an Operating Company



Legend:

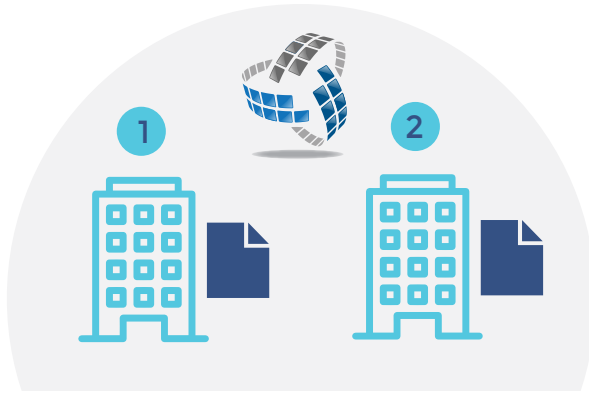


= Transferred patent(s)

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

Illustration of the LOT Agreement's Operation

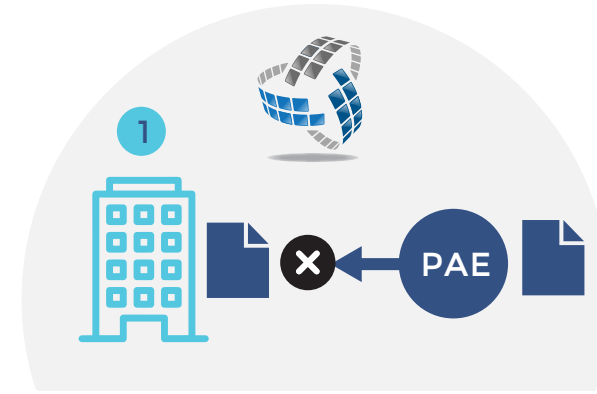
Today: Companies 1 and 2
join the LOT Network.



Over 1,118,000 WW assets
Over 250,000 US assets



Tomorrow: Company 2 becomes
an assertion entity



License to LOT membership
automatically becomes effective.

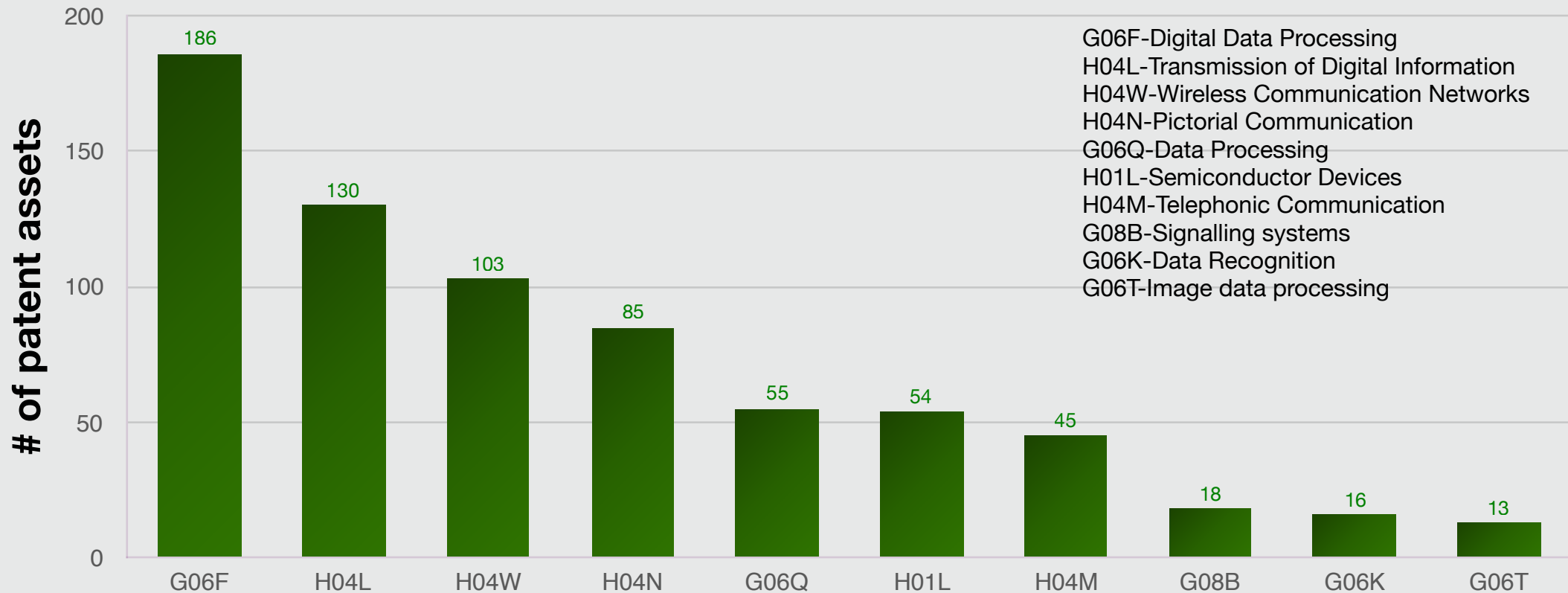
LOT Network is non-profit: Annual Fee

LOT Member's Annual Revenue	Annual Membership Fee
Less than \$5 million	Free
Between \$5 and \$10 million	Free - as of 5/1/2018
Between \$10 and \$25 million	Free - as of 5/1/2018
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)

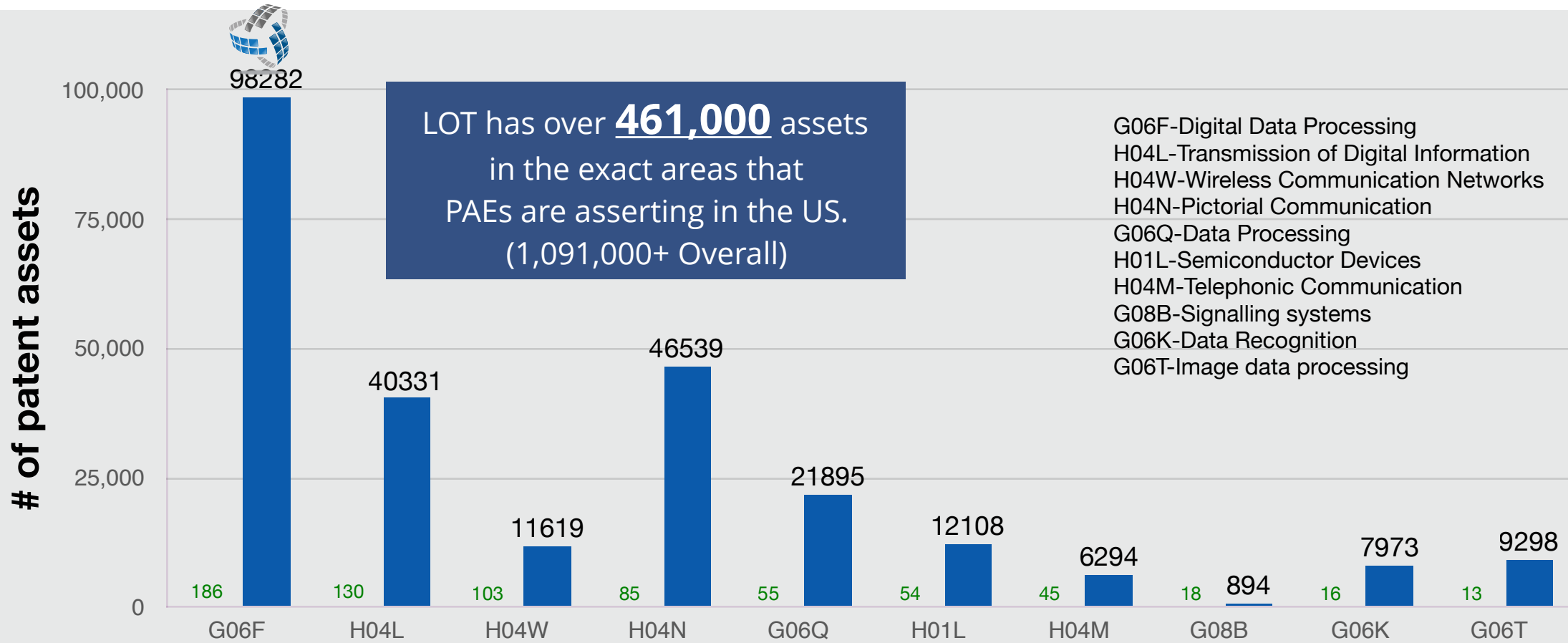
LOT provides value to its members

Analysis of assets litigated by PAEs

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

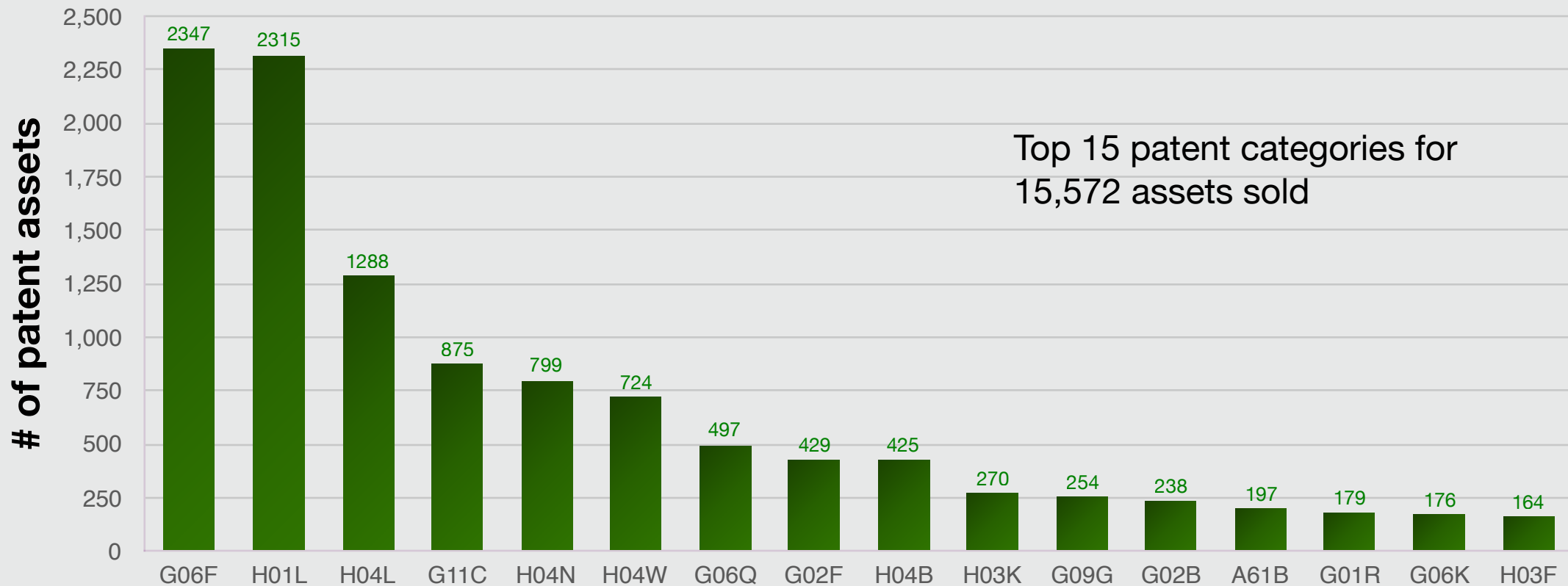


LOT has thousands of patents in the same areas as those PAEs are asserting in the US

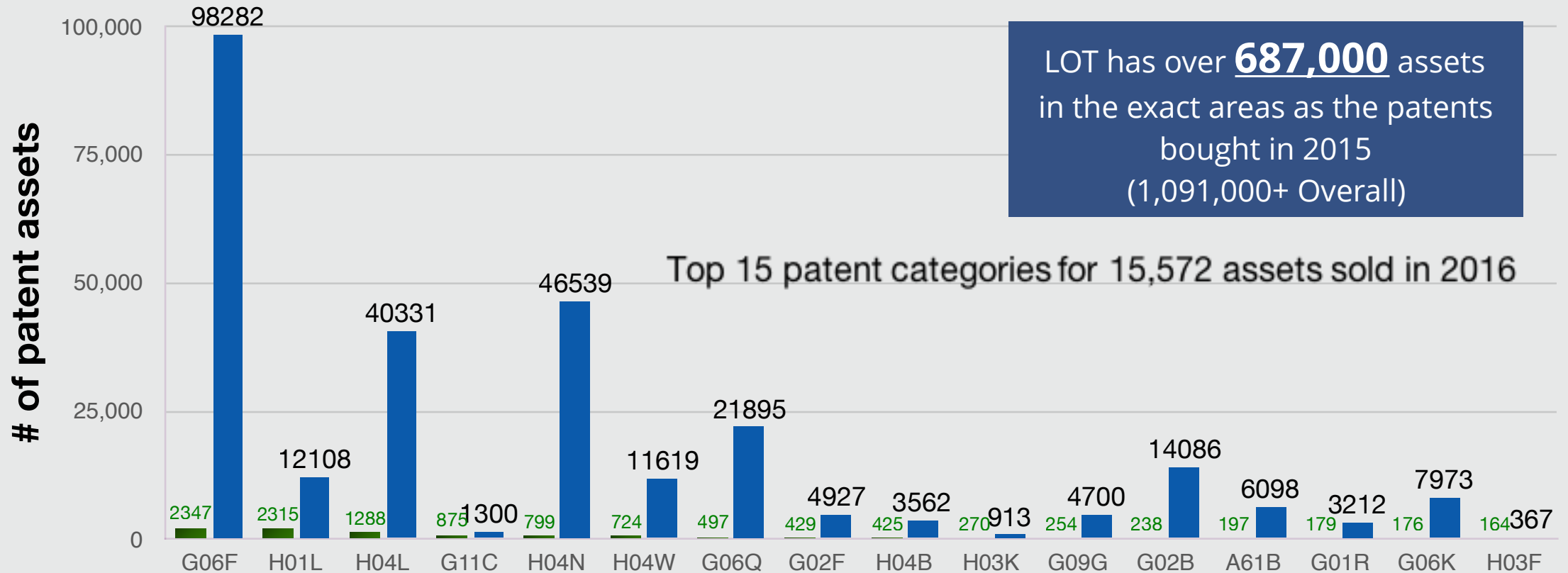


Analysis of assets bought

Patent sales: Forecast of future litigation



Patent sales: Forecast of future litigation



Yeah, but does LOT REALLY work?

LOT Members have divested assets, but...

- Over 26,000 have left LOT Network
- 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® 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® by 87% in the last year



Are you a LOTimist?



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.IP1 U Index		97) Settings		Page 1/36 Comparative Returns	
Range	05/13/2016 - 05/08/2018	Period	Daily	No. of Period	725 Day(s)
Security	Currency	Price Change	Total Return	Difference	Annual E
1) .IP1 Index		2.31%	2.31% *	-33.52%	1.16
2) SPX Index	USD	30.55%	35.83%		16.67
3) .IP2 Index		82.55%	82.55% *	46.71%	35.39

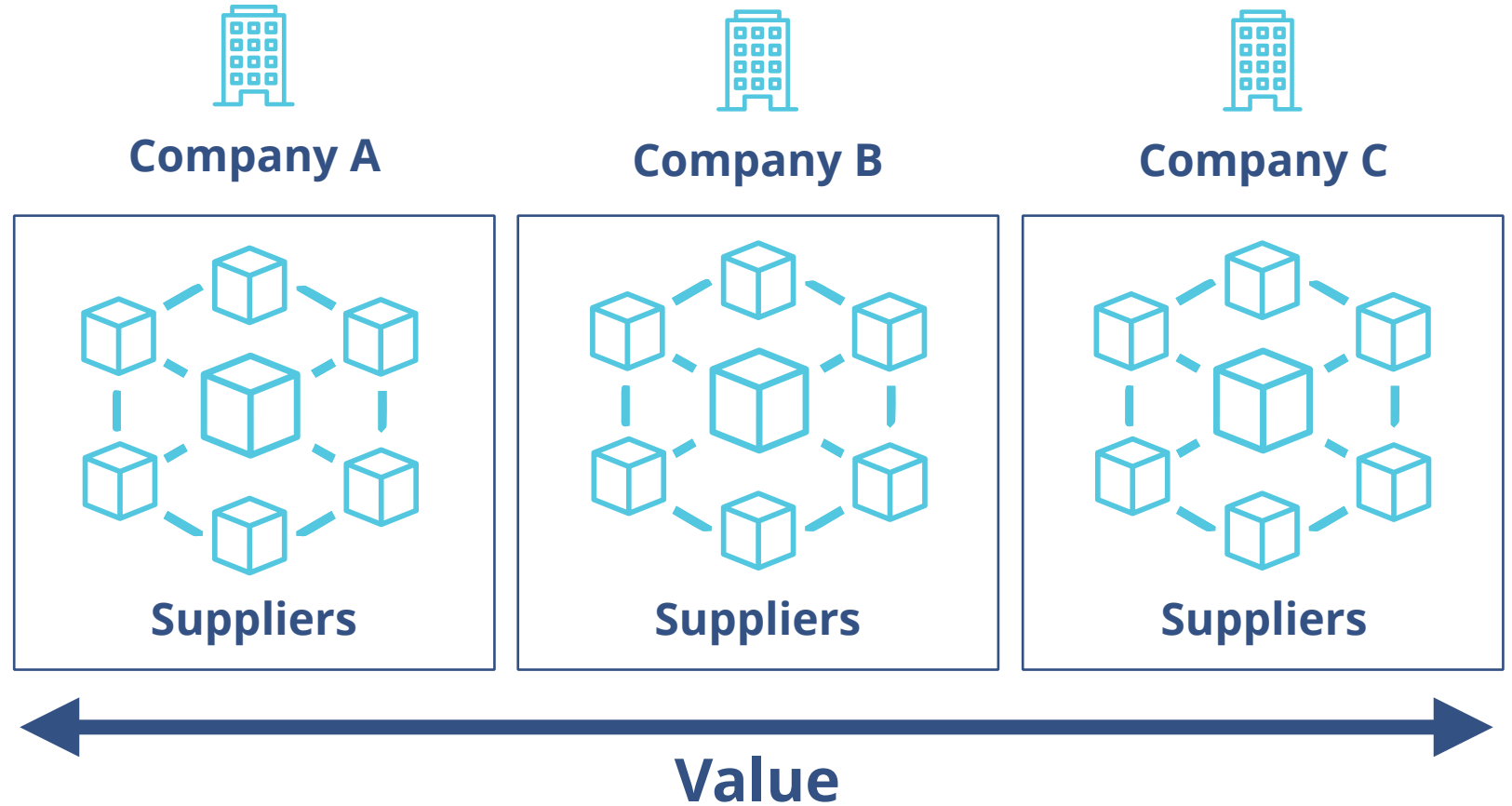
*No Dividends or Coupons



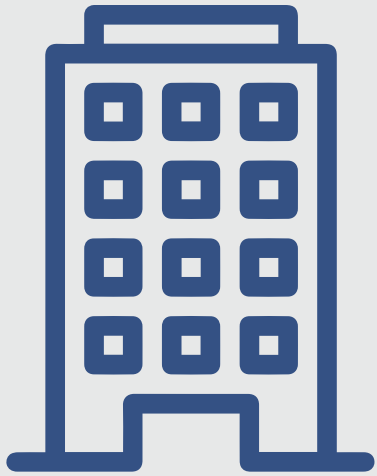
Significant Value in adding suppliers to Membership

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

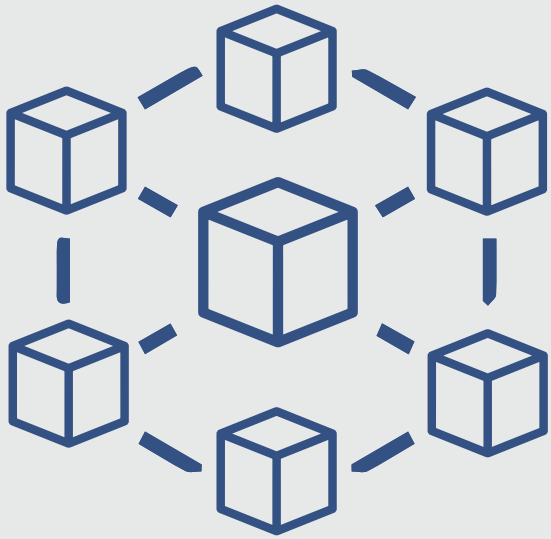


Help save
\$29 billion



Stabilize
supply chain

Why LOT is good for SUPPLIERS



Reduce
indemnification
costs



Gain access
to IP



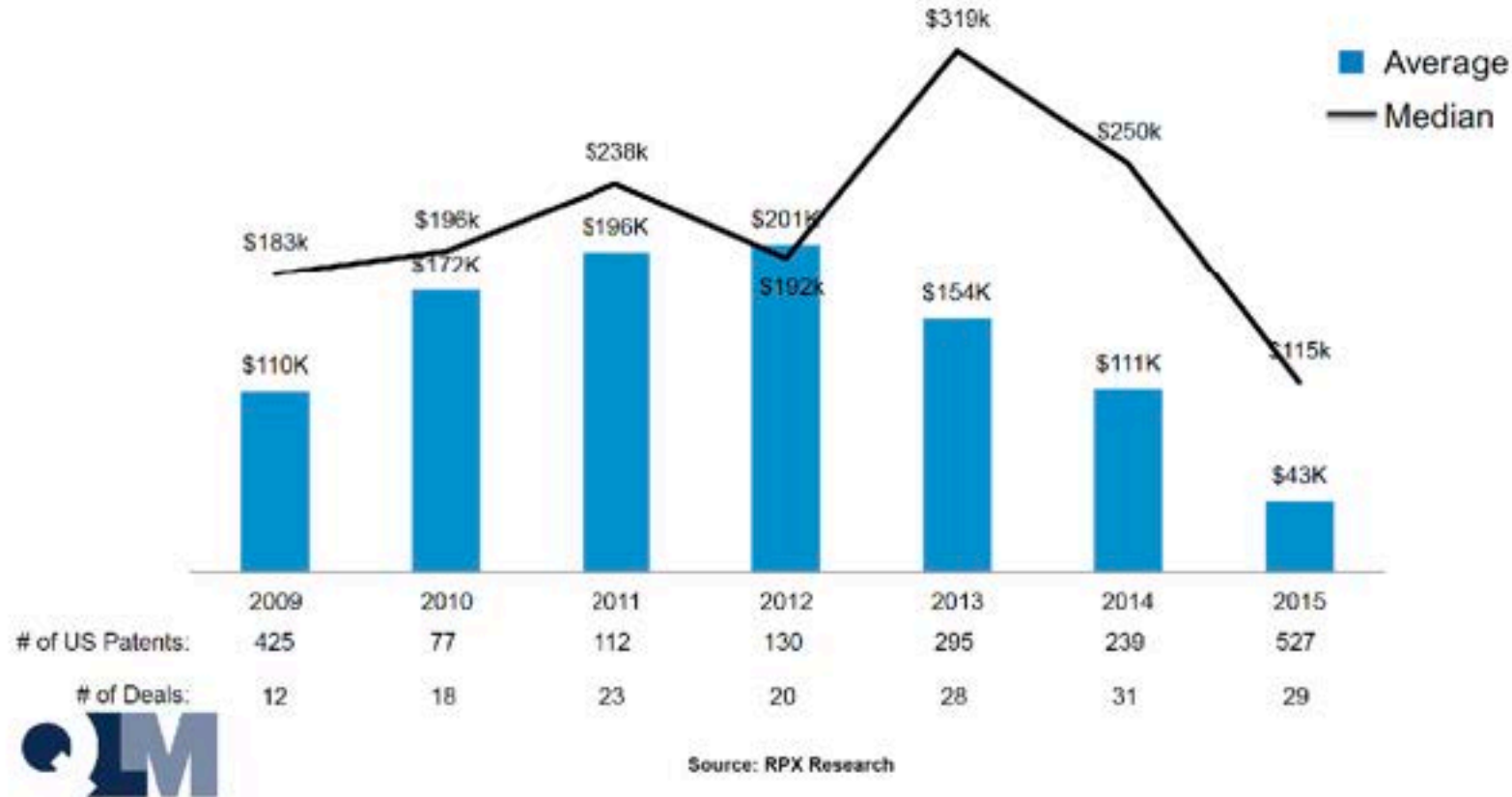
Become
“preferred”
supplier



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

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28,276 assets



AN OFFICIAL PRESS RELEASE FROM
284 Partners, LLC

284 Partners to License Major Aerospace Portfolio to Auto Industry

PRESS RELEASE **UPDATED: MAR 14, 2017 07:37 EDT**

Ann Arbor-based firm serves as the only automotive licensing agent for Boeing intellectual property

Ann Arbor, Michigan, March 14, 2017 (Newswire.com) - 284 Partners, an Ann Arbor-based intellectual property consulting firm, has become the only licensing agent within the automotive industry for Boeing's broad IP portfolio.

"Boeing leadership in the aerospace, defense, space and security markets has resulted in an intellectual property portfolio that has broad application to the current and future automotive landscape. Whether it is weight savings, collision avoidance or ad-hoc networking, Boeing has unique assets that are important to companies within the automotive industry," said Mike Lasinski, CEO and Managing Director of 284 Partners, LLC.

Boeing offers extensive technologies useful to auto manufacturers, suppliers, specialty component makers and mobile communications firms seeking to gain competitive advantage over their rivals.

The Power of Blockchain and Divorce— How We Got to IPwe



By Erich Spangenberg
November 27, 2017

 Print Article  4

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 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. ... We have been fortunate to obtain strong financial backing ... 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.

Erich Spangenberg
Co-Founder
els@ipwe.com



Reasons to join LOT Network



Benefits for startups

- It's free for companies with up to \$25 million in annual revenue
- You become immunized to 1.1 million patents
- Opportunity to be an equal with industry leaders
- And now free patents!

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"You're binding yourself to the mast and saying 'I'm not going to give in to

**LOTNETWORK**



Free Patents for startups

- Canon, Lenovo, Red Hat, Google, SAP, Dropbox, GM, Ford, and other have committed to donate thousands of patents to LOT
- To qualify:
 - can't be a PAE
 - must have between \$500k and \$25M in annual revenue, OR \$500k and \$25M in funding over the last 18 months
- You can select your technology area
- LOT will recommend 5 highest rated assets available
- You can pick 3
 - You can earn an additional 2 more by getting a peer to join LOT
- Companies that follow you into LOT are not licensed to the assets