

# Invest in Growth

## How LOT Network Addresses the PAE Problem

Ken Seddon  
CEO, LOT Network

August 30, 2018

# LOT Network CEO

Ken Seddon



## *Introduction of Ken Seddon*

### *25 Years of Engineering and IP experience*

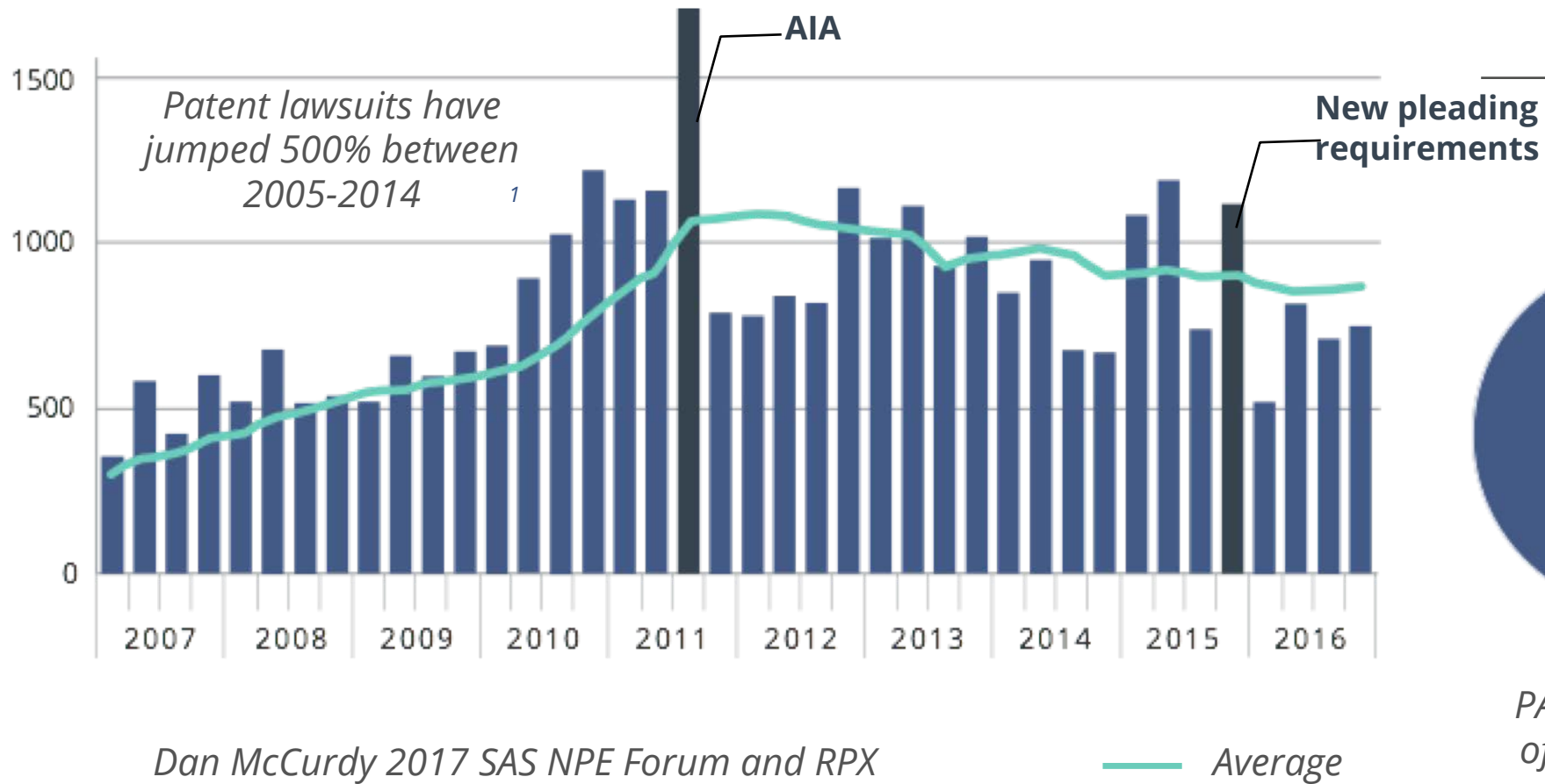
- *BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU*
- *Motorola: engineer and patent prosecution*
- *Intel: Asst. Director of Patents - patent prosecution and licensing*
- *Numonyx: Chief IP Counsel*
- *Micron: Asst. General Counsel*
- *Apple: Strategic patent licensing, patent purchasing,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

# Why you should join LOT Network

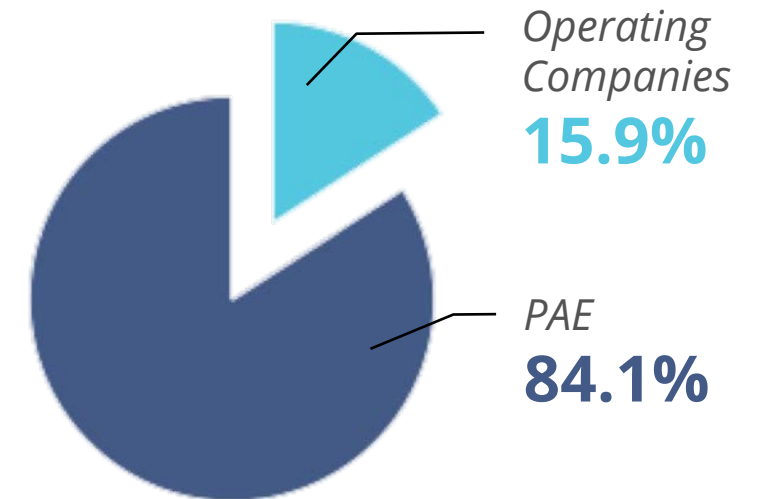
\$29 Billion

# PAEs - hurting innovation

Defendants added to NPE Campaigns Quarterly



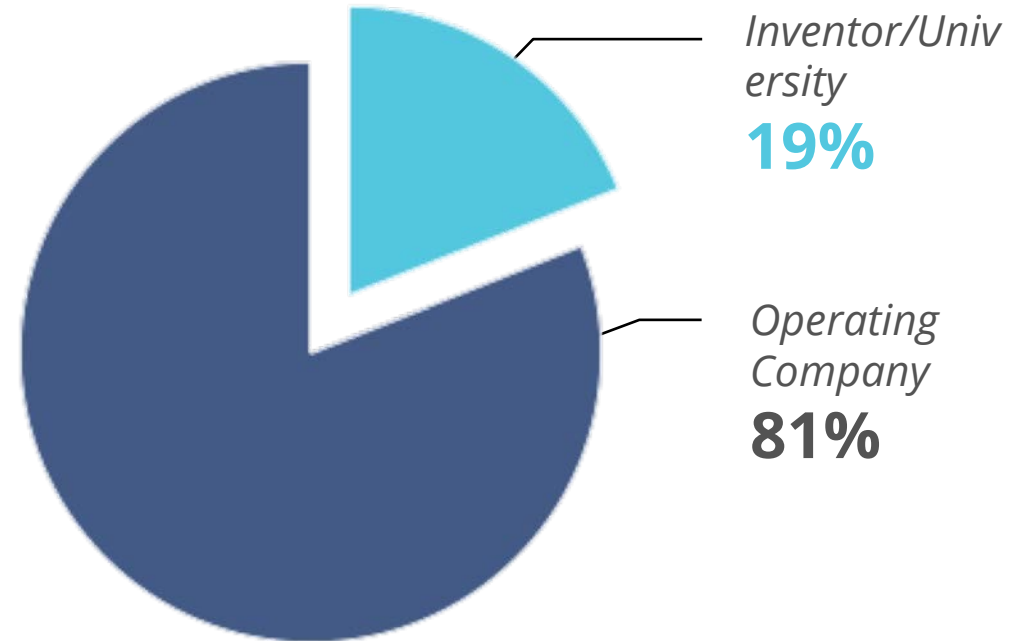
PAEs drain ~\$80B from the US economy per year, or \$1.5B a week<sup>10</sup>



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 most of the patents*

# 2014: LOT Network is formed as the solution

## Board of Directors



redhat.

Canon

Google



Dropbox

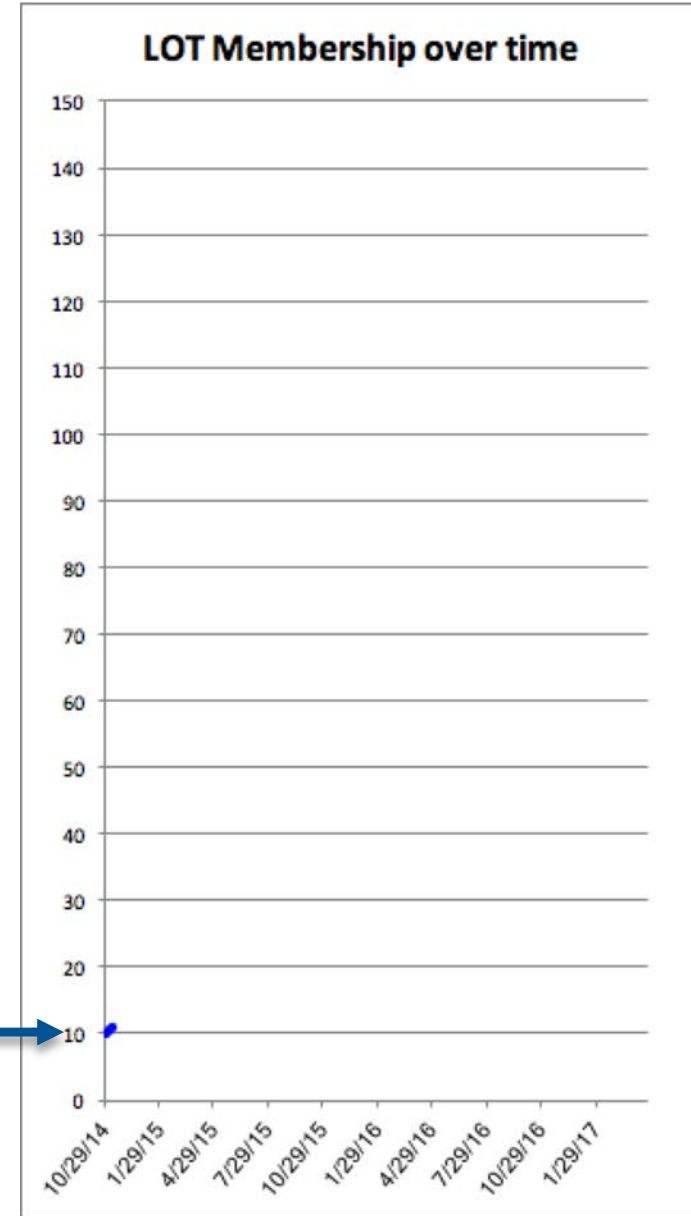


PURESTORAGE



LOTNETWORK®

LOT Begins

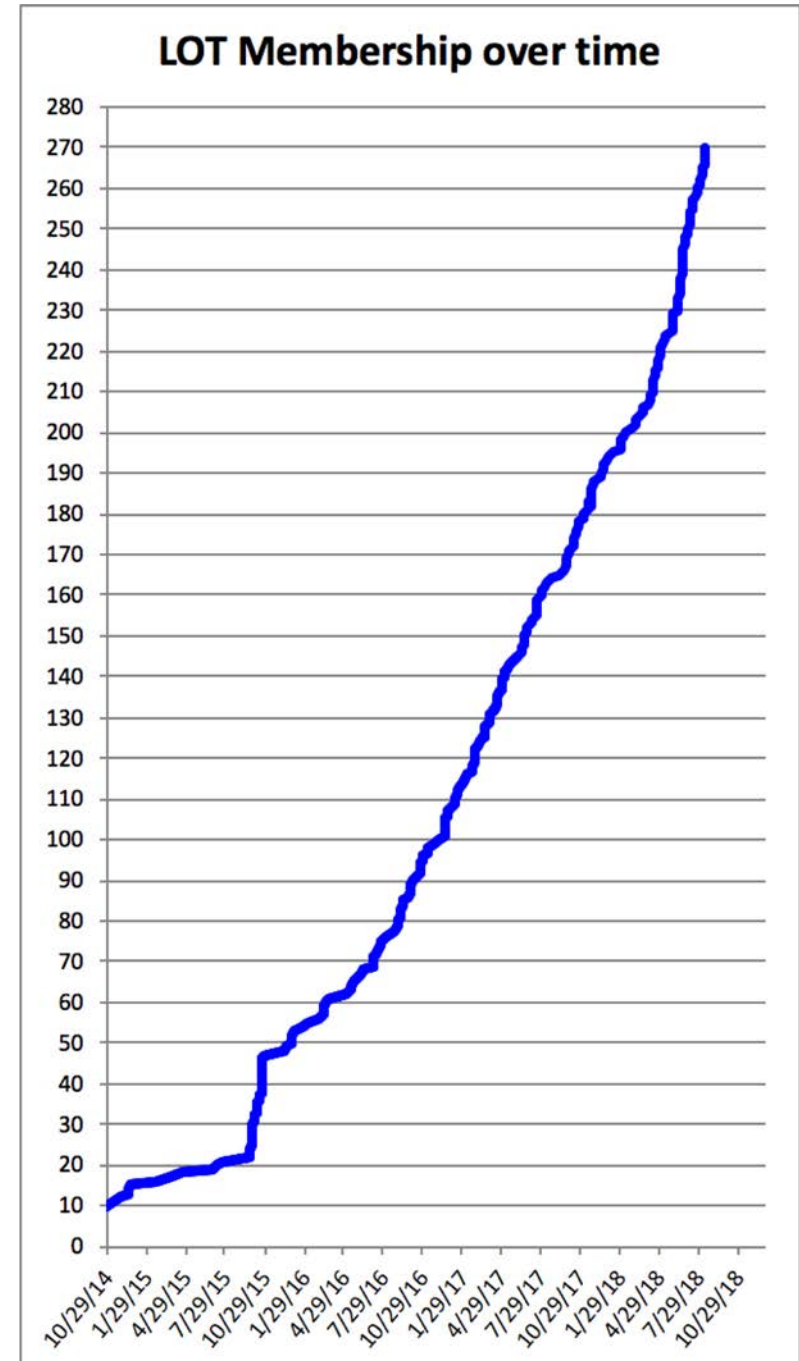


# LOT Agreement is scaling

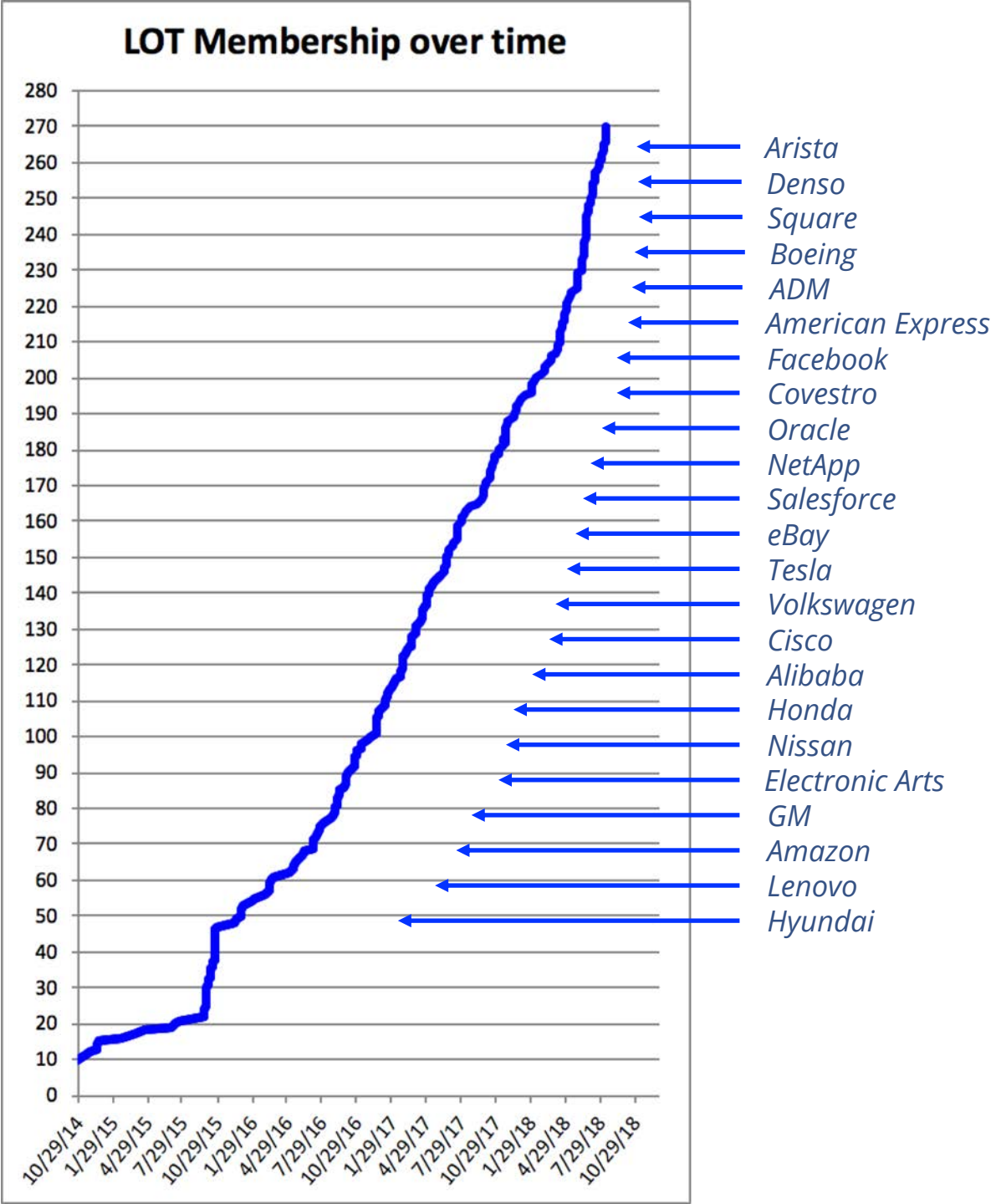
## Board of Directors



JPMORGAN CHASE & CO.



Today: LOT Includes the most sophisticated Global IP holders across all industries





# Who is joining and why?

# Some of LOT's 270+ members

## Software:



## Hardware:



# Some of LOT's 270+ members

## Automotive:



## Financial Services

JPMORGAN CHASE & CO.



# Some of LOT's 270+ members

## Entertainment/media

NETFLIX

SHOWTIME  
amazon



CBS

PANDORA®

Etsy

eHarmony®

ROKU

## Retail:

Alibaba.com  
Global trade starts here.™

JCPenney

ebay™

Walgreens



Crate&Barrel



★ macy's

GROUPON®

BED BATH &  
BEYOND®



priceline®

## Key Others:



SPACEX



# 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



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®**

# 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

LOT Members involved in recent IP disputes:

Cisco

Arista

Waymo

Uber

Google

Oracle

# No Burden to being a member



*Don't have to  
list patents*



*Don't have to  
give notice*



*Don't have to  
report*

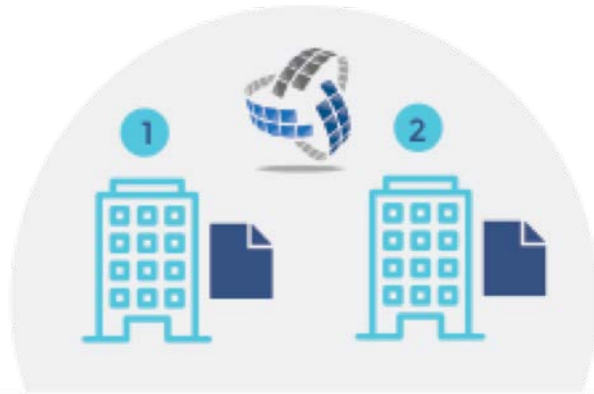
# What is an assertion entity?

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

# How LOT works

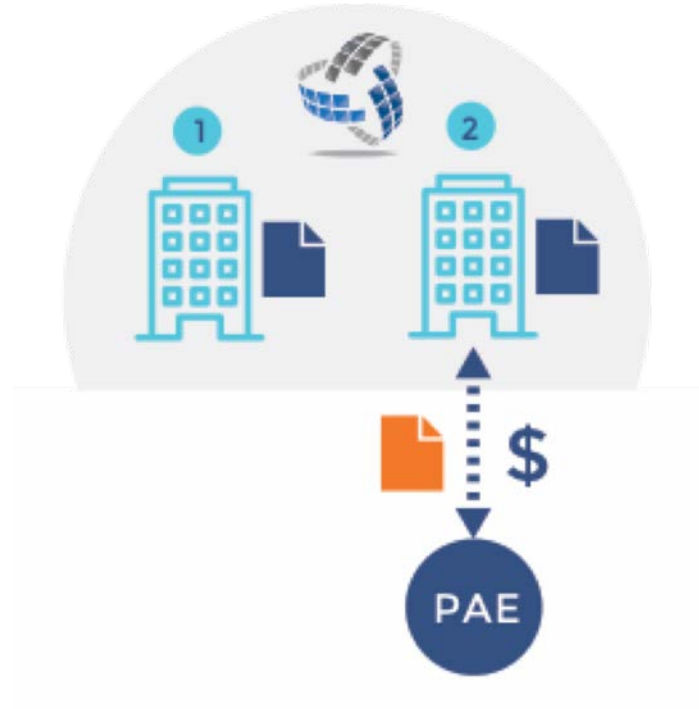
# Illustration of the LOT Agreement's Operation

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



Over 1,198,000 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.

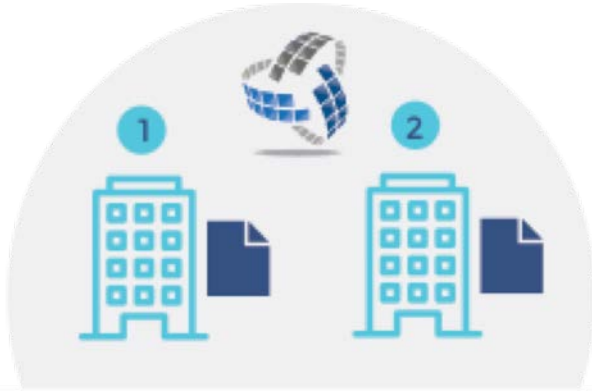
**Future:** LOT membership immune from patent, regardless of the owner.



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

# Illustration of the LOT Agreement's Operation

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



Over 1,198,000 WW assets  
Over 250,000 US assets



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



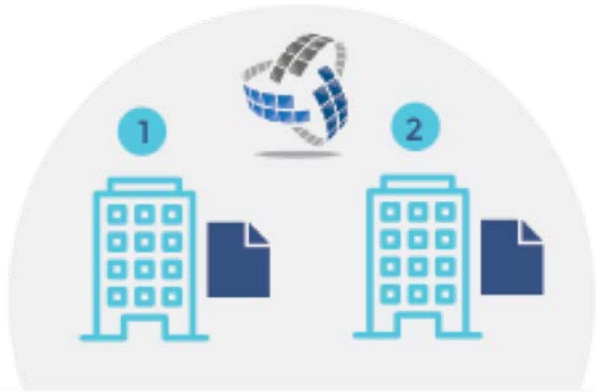
**Legend:**  
= Transferred patent(s)

*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 1,198,000 WW assets  
Over 250,000 US assets

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



License to LOT membership  
automatically becomes effective.

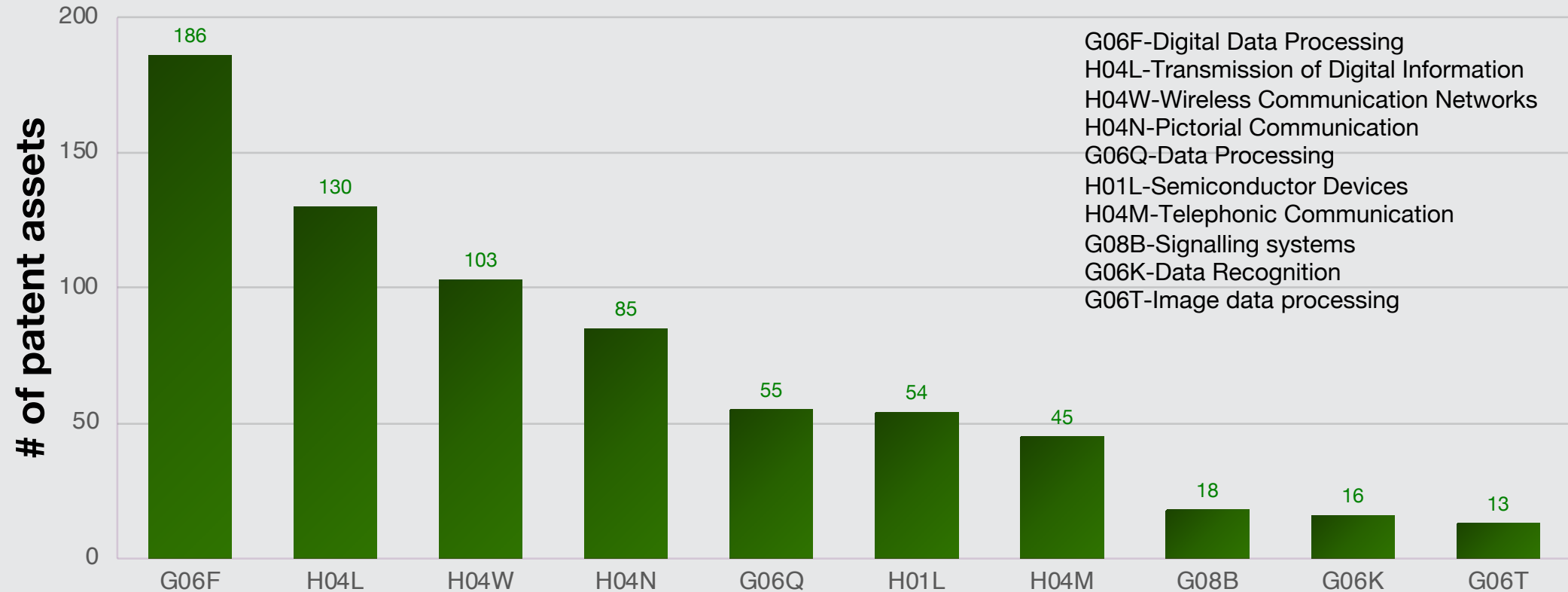
# LOT Network is non-profit: Annual Fee

LOT Member's Annual Revenue	Annual Membership Fee
Less than \$5 million	Free
Between \$5 and \$10 million	Free
Between \$10 and \$25 million	Free
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)

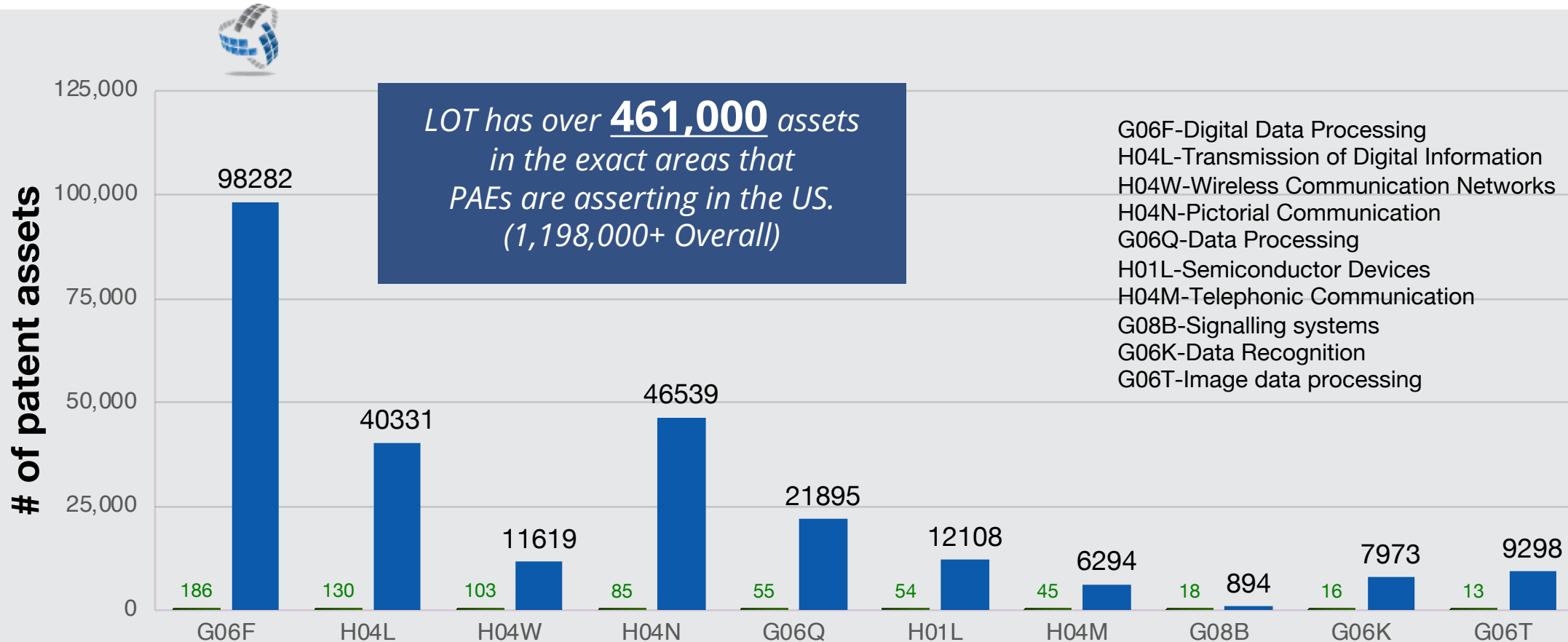
LOT provides value to its members

# Analysis of assets litigated by PAEs

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

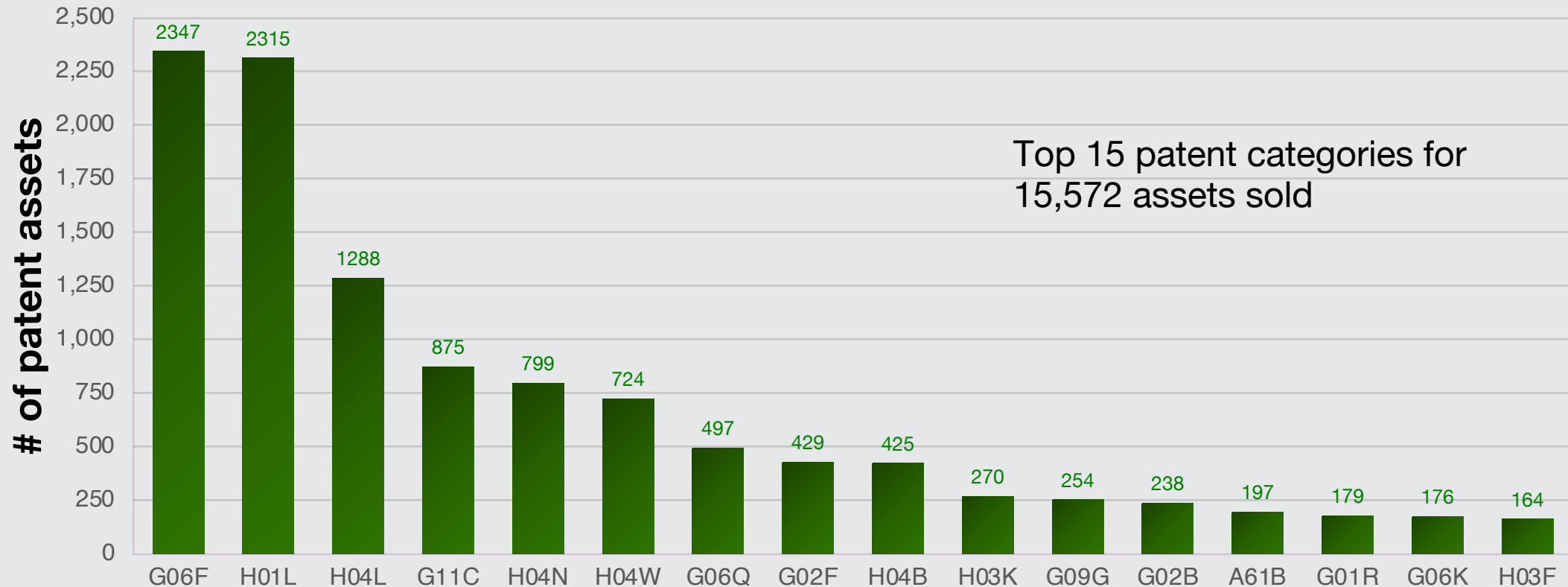


# LOT has thousands of patents in the same areas as those PAEs are asserting in the US



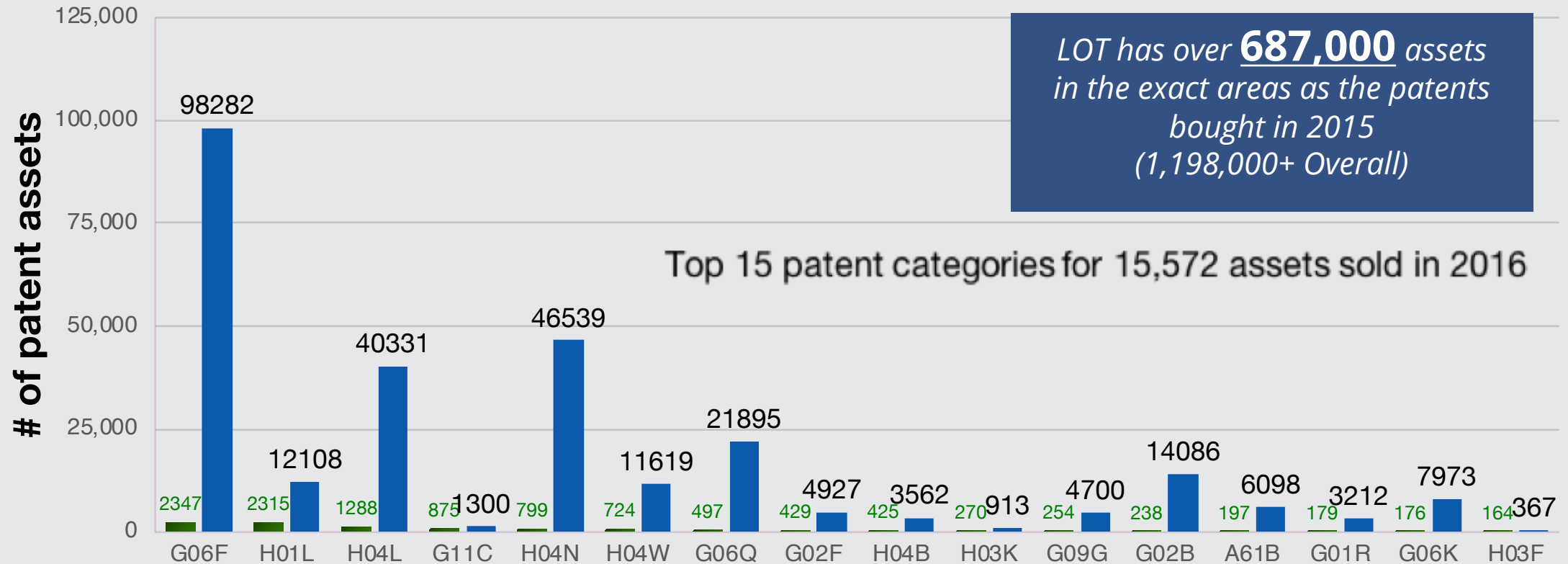
# Analysis of assets bought

# Patent sales: Forecast of future litigation





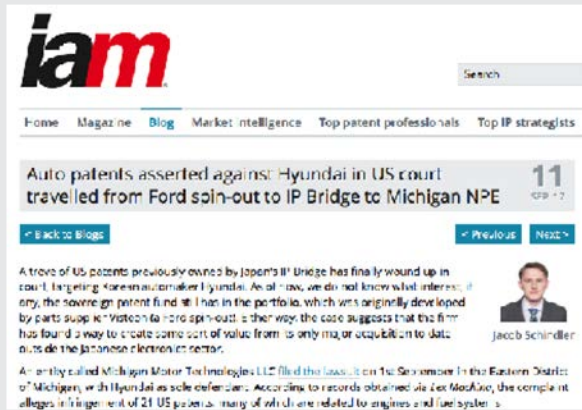
# Patent sales: Forecast of future litigation



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<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*



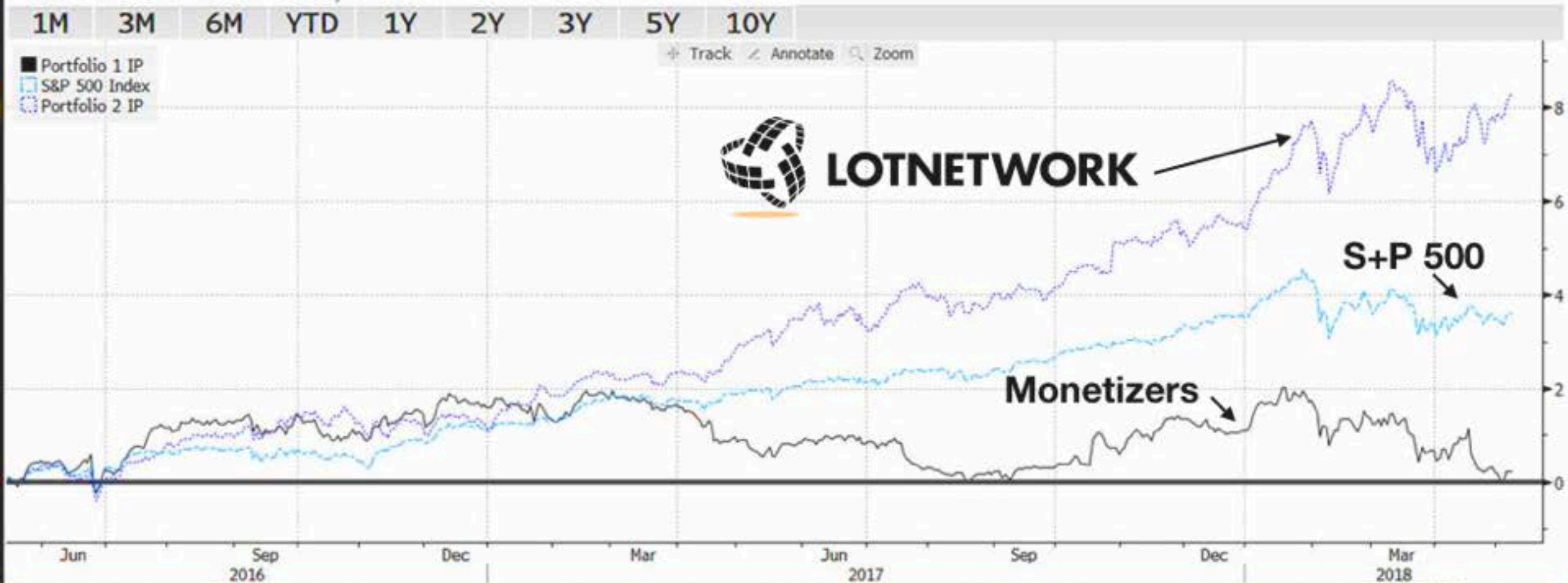
# Are you a LOTimist?





.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

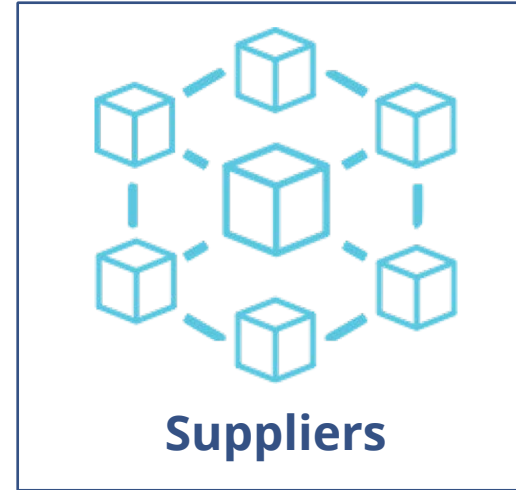
*Significant value in adding some Suppliers*

*Both Suppliers and Customers get protection from patents outside their bilateral ecosystems*

  
**Company A**



  
**Company B**

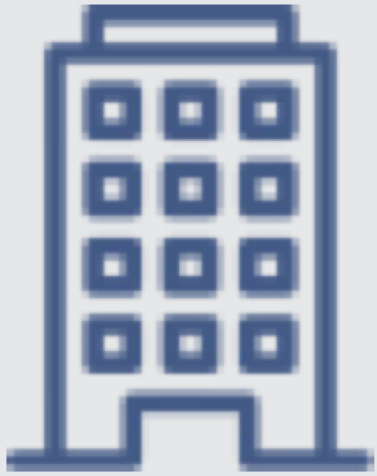


  
**Company C**



  
**Value**

# Why LOT is good for BUYERS



*Can trust  
suppliers*

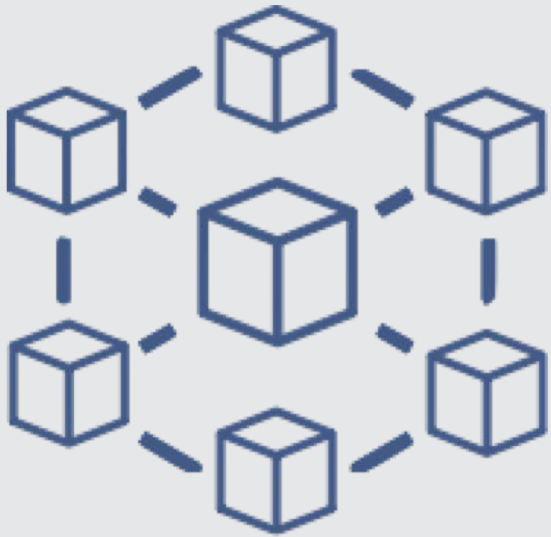


*Help save  
\$29 billion*



*Stabilize  
supply chain*

# Why LOT is good for SUPPLIERS



*Reduce  
indemnification  
costs*



*Gain access  
to IP*



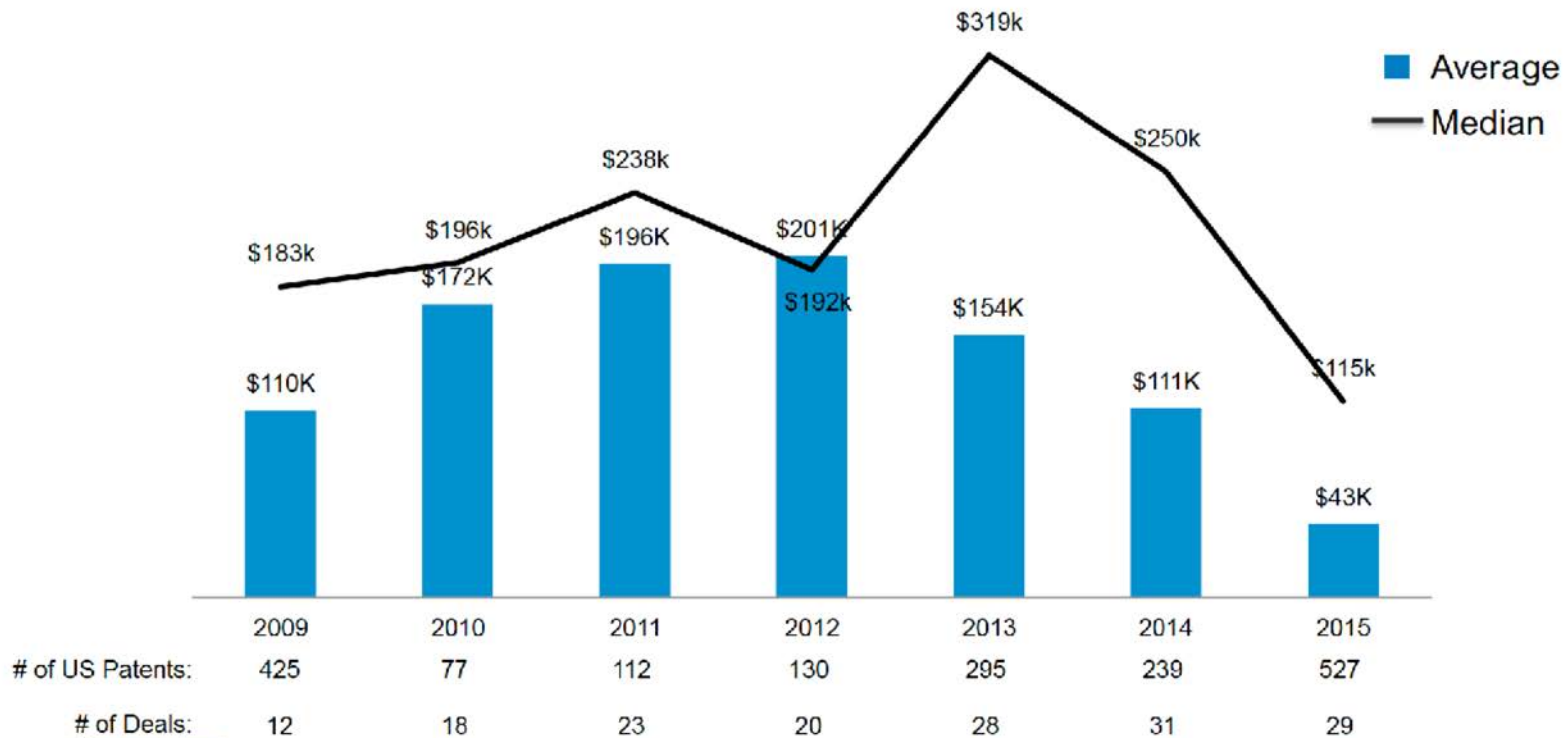
*Become  
“preferred”  
supplier*



*Program  
voluntary*

# RPX price paid for patents purchased from open market declining

## Average and Median RPX Price Paid per US Patent



Source: RPX Research

# Backup

# References

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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 works 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 works 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](mailto: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!

Technology

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

By [Susan Decker](#)

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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