Invest in Growth - Stabilize supply chain
How LOT Network Addresses the PAE Problem
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
Annual Fixed Cost to Companies
Litigation, Licensing, Settlements

$29 Billion
PAEs - hurting innovation

New PAE suits per quarter

2019: PAEs are responsible for 88% of high-tech patent litigation in the US!

PAEs greatest litigation risk to high-tech companies

PAE 88.2%
Operating Companies 11.8%

2019: PAEs are responsible for 88% of high-tech patent litigation in the US!
Where are the PAEs getting their patents?

81% of patents acquired from PAEs come from companies\(^7\)

- **Operating Company**: 81%
- **Inventor/University**: 19%

Companies provide PAEs with most of the patents
2014: LOT Network is formed as the solution

Board of Directors

redhat, Canon, Google, Dropbox, PURESTORAGE, SAP
LOT Agreement is scaling

Board of Directors

redhat, Canon, Google, JPMorgan Chase & Co., Dropbox, Tesla, SAP, PureStorage

LOT Membership over time
Today: LOT Includes the most sophisticated Global IP holders across all industries
Who is joining and why?
Some of LOT’s 700+ members

Software:

- redhat
- Google
- salesforce
- ORACLE
- Dropbox
- Microsoft
- slack
- SAP
- GitHub
- NetApp
- Symantec
- Yandex
- ARISTOCRAT
- SAS
- Tencent
- facebook
- ATLASSIAN
- NETSCOUT
- TREND MICRO
- proofpoint
- LOTNETWORK
- mozilla
- Akamai
- IBM
IBM signs up with the LOT Network

IBM has announced that it has joined the License on Transfer Network (LOT), becoming the latest major patent owner to sign up to the defensive operator.

The decision comes after the tech giant's acquisition of Red Hat closed last July. The open source pioneer was an early member of LOT and after the purchase was completed IBM had six months decide whether to join the network or to pull Red Hat out.

Soon after it announced its deal for Red Hat, IBM signaled that the merged company would remain committed to various initiatives including LOT.

The move is particularly significant as Big Blue has been one of the most active monetisers of patents, including through sales on the secondary market. Most of those deals have been with operating companies but the company has also worked with NPEs, including Finjan. In November, meanwhile, IAM revealed the divestment of over 500 assets to an entity named Daedalus Group. That transaction took Big Blue’s sale of patents in 2019 well past the 1,500 mark and followed a deal with Pure Storage involving over 1,000 rights earlier in the year.

Joining LOT does not stop companies from buying and selling patents. However, membership does place more potential encumbrances on a portfolio, potentially lowering the secondary market value of the rights within it. Under the defensive network’s terms, if a member sells patents to a patent assertion entity (PAE) then the rest of the membership automatically receives a licence to them. Sales that occurred before a party joins LOT are not covered by these rules.

LOT says an outfit is a PAE (or, as it likes to term it, a patent troll), if: “The entity (including its parent and any subsidiaries) generates more than half its total revenue from Patent Assertion in a twelve month period, or if the entity has a plan approved by senior management to do so."

Commenting on the move Jivind Krishna, a senior vice president for cloud and cognitive software at IBM said: “Through our membership in LOT Network we are joining a group of like-minded organisations, including Red Hat, that see strong value in protecting the traditional uses of patents, while fostering open innovation for today and the future.”

LOT CEO Ken Seddon welcomed Big Blue to the network’s burgeoning membership and highlighted the company’s status as a sophisticated IP player. “By joining LOT, they are providing a way for competitors to mitigate risk. We’re happy to align with and embrace the mission of LOT, strengthening our collective ability to protect essential technology globally.”

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Some of LOT’s 700+ members

Hardware:

- Canon
- Lenovo
- Cisco
- Lumentum
- Seagate
- Juniper Networks
- GoPro
- Vtech
- PureStorage
- Laird Technologies
- Logitech
- KDDI
- HIKVISION
- Palo Alto Networks
- Alcatel-Lucent Enterprise
- Vizio
- Yamaha
- Compaq
- AT
c
-
- Taiyo Yuden
- Cxmt
- Netgear
- Arista
- UNV
- Mi
Some of LOT’s 700+ members

Automotive:
Some of LOT’s 700+ members

Financial Services

- JPMorgan Chase & Co.
- Alibaba.com
- Fidelity
- Wells Fargo
- TD Bank
- Nationwide
- FIS
- Ant Financial
- American Express
- BMO Harris Bank
- Vanguard
- JD Finance
- Stripe
- U.S. Bank
- Visa
- Square
- Equifax
- Erie Insurance
- AIG
- Prudential
- LOT Network
- Citi
- Standard & Poor’s
- Aon
- Marqeta
Some of LOT’s 700+ members

Entertainment/media

Netflix
The Walt Disney Company
EA Sports
Pandora
Etsy

Amazon
CBS
eHarmony
Roku

T2
YY.com
Square Enix
Showtime

IAC
Twitter
Comcast

LOTNETWORK
Some of LOT’s 700+ members

Retail:

- Alibaba.com
- JCPenney
- eBay
- Walgreens
- Newegg.com
- Target
- Macy’s
- Groupon
- Bed Bath & Beyond
- Papa Johns
- JD.COM
- Shopify
- Ocado
- Priceline
- Crate & Barrel
- Bill.com
- 7-Eleven
- Coca-Cola

Key Others:

- LOT Network
- Itron
- SpaceX
- Boeing
- Covestro
Some of LOT’s 700+ members in China
EconSight: LOT Network has 12 of largest AI Patent holders
LOT Network includes 11 of the largest holders of Blockchain IP

https://www.jdsupra.com/legalnews/overview-of-the-patent-landscape-in-the-40312/
What is LOT Network?

LOT - community providing PAE immunization

Non-Profit

Community

Protecting Innovation
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:
  IBM v. Airbnb
  Cisco v. Arista
  Waymo v. Uber
  Google v. Oracle
IBM v. Airbnb: No effect on traditional uses of patents

by hundreds of IBM software patents for those working on open source software. And early in 2020, IBM joined the License on Transfer Network (“LOT Network”), a non-profit community of companies that supports open innovation and responsible stewardship of technology. LOT Network affirms the traditional use of patents—safeguarding the innovations of companies who research, develop, and sell new technologies—while protecting its members against companies who purchase or acquire patents from others.
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
**Today:** Companies 1 and 2 join the LOT Network.

- Over 2,381,000 WW assets
- Over 651,000 US assets

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

License to LOT membership automatically becomes effective.

Future: LOT membership is immune from patent, regardless of the owner.
Illustration of the LOT Agreement's Operation

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

- Over 2,381,000 WW assets
- Over 651,000 US assets

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

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

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 2,381,000 WW assets
- Over 651,000 US assets

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

License to LOT membership automatically becomes effective.
LOT Network is non-profit: Annual Fee

<table>
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<tr>
<th>LOT Member’s Annual Revenue</th>
<th>Annual Membership Fee</th>
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<tbody>
<tr>
<td>Less than $5 million</td>
<td>Free</td>
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<tr>
<td>Between $5 and $10 million</td>
<td>Free</td>
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<tr>
<td>Between $10 and $25 million</td>
<td>Free</td>
</tr>
<tr>
<td>Between $25 and $50 million</td>
<td>$5,000</td>
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<tr>
<td>Between $50 and $100 million</td>
<td>$10,000</td>
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<tr>
<td>Between $100 million and $1 billion</td>
<td>$15,000</td>
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<tr>
<td>Greater than $1 billion</td>
<td>$20,000 (cap)</td>
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LOT provides value to its members
Analysis of assets litigated by PAEs
What type of patents did PAEs assert in 2019?
(2,072 litigations using 1,188 patents worldwide)

G06F: Electrical Data Processing
H04L: Transmission of Digital Information
H04N: Pictorial Communications
H04W: Wireless Communication Networks
H04B: Transmission
G06Q: Data Processing Systems
H04M: Telephonic Communications
H01L: Semiconductor Devices
G06K: Data Recognition
G06T: Image Data Processing
LOT has 1.7 million patents like the patents that PAEs assert worldwide.

LOT has over **1,741,000** assets in the exact areas as assets that PAEs use to sue (2,381,000+ Overall)

- G06F: Electrical Data Processing
- H04L: Transmission of Digital Information
- H04N: Pictorial Communications
- H04W: Wireless Communication Networks
- H04B: Transmission
- G06Q: Data Processing Systems
- H04M: Telephonic Communications
- H01L: Semiconductor Devices
- G06K: Data Recognition
- G06T: Image Data Processing

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<table>
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<th>Category</th>
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<tr>
<td>G06K</td>
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</tr>
<tr>
<td>G06T</td>
<td>28904</td>
</tr>
</tbody>
</table>

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Analysis of assets bought
Patent sales: Forecast of future litigation

Top 10 patent categories of 12,835 assets sold

- G06F: Electrical Data Processing
- H01L: Semiconductor Devices
- H04L: Transmission of Digital Information
- H04W: Wireless Communication Networks
- G02B: Optical Elements
- H04N: Pictorial Communications
- G06Q: Data Processing Systems
- G11C: Static Stores
- A61B: Diagnosis
- G06K: Data Recognition

Source: AST Patent Deals Report, Feb 2020
LOT has over 2,112,000 assets in the same areas as the assets sold in 2019 (2,381,000+ Overall)

Source: AST Patent Deals Report, Feb 2020
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

No LOT Member has ever been sued by an asset that has left the Network

Data from: INNOGRAPHY
Who should sign the LOT Agreement?

The ultimate corporate parent should sign to ensure:
- As many subsidiaries across the globe as possible enjoy the benefits of LOT Network
- All patents owned by the entity are properly subject to the LOT Agreement

LOT Agreement covers all subsidiaries if a parent entity owns more than 50% of the subsidiary
- Affiliates include all entities (up and down, and across)
- Entities that are 50% owned (or less) will need to sign their own LOT Agreement

Inter company agreements and distributed patent holdings can complicate decision who should be the LOT User (signing party)
Backup
References

1. Patent Freedom
   - https://www.patentfreedom.com/about-npes/litigations/
4. US Patent and Trademark Office
5. ROL Group
6. Linda Biel, AST
7. Dan McCurdy, RPX presentation at 2017 IP Counsel Cafe spring meeting, Palo Alto, CA.
8. Kevin Jakel, Unified Patents presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.
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†

2/3rds 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

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
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

Suppliers

Suppliers

Suppliers

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
- Become “preferred” supplier
- Gain access to IP
- Program voluntary
Today: LOT Includes the most sophisticated Global IP holders across all industries
Who’s next?

IN THE LAST 15 YEARS, 52% OF FORTUNE 500 COMPANIES HAVE DISAPPEARED

1955
Average life expectancy
75 Years

2015
Average life expectancy
15 Years
Some of LOT’s 650+ members in Cybersecurity
Some of LOT’s 700+ members

- redhat
- Canon
- Google
- ORACLE
- Dropbox
- facebook
- Alibaba.com
- Fidelity
- WELLS FARGO
- TOYOTA
- Microsoft
- slack
- SAP
- GitHub
- UBER
- JPMORGAN CHASE & CO.
- Logitech
- Lenovo
- CISCO
- LUMENTUM
- NetApp
- TESLA
- FIS
- Vanguard
- BMO Harris Bank
- Square
- COMCAST
- GoPro
- vtech
- PURESTORAGE
- HYUNDAI MOTOR GROUP
- salesforce
- NVIDIA
- TD Bank
- American Most Convenient Bank
- John Deere
- Sango
- TCL
- VIZIO
- Alcatel-Lucent
- Honda
- SEAGATE
- TARGET
- PANDORA
- DENSO
- TCL
- VIZIO
- Alcatel-Lucent
- Honda
- SEAGATE
- TARGET
- PANDORA
- DENSO
- DAIMLER
- Ford
- NISSAN
- Mazda
- NETFLIX
- Amazon
- eBay
- WAYMO
- Volkswagen
- AON
- KIA
- GM
- SUBARU
- Garmin
- JCPenney
- priceline
- Walgreens
- BOEING
- AIG
- JD Finance
- ARISTA
- stripe
- Tencent
- Epic Games
- Symantec
- JD.COM
- HIKVISION
- KDDI
- The Walt Disney Company
- TRENDS MICRO
- VISA
- YAMAHA
- Meituan Dianping
- CATERPILLAR
- Synchrony
- Juniper Networks
- NortonLifeLock
- LOTNETWORK
- Coca-Cola
- IBM