



LOTNETWORK

Invest in Growth

How LOT Network Addresses the PAE Problem

Ken Seddon
CEO, LOT Network
November 28, 2017

LOT Network CEO

Ken Seddon



Introduction of Ken Seddon

25 Years of Engineering and IP experience

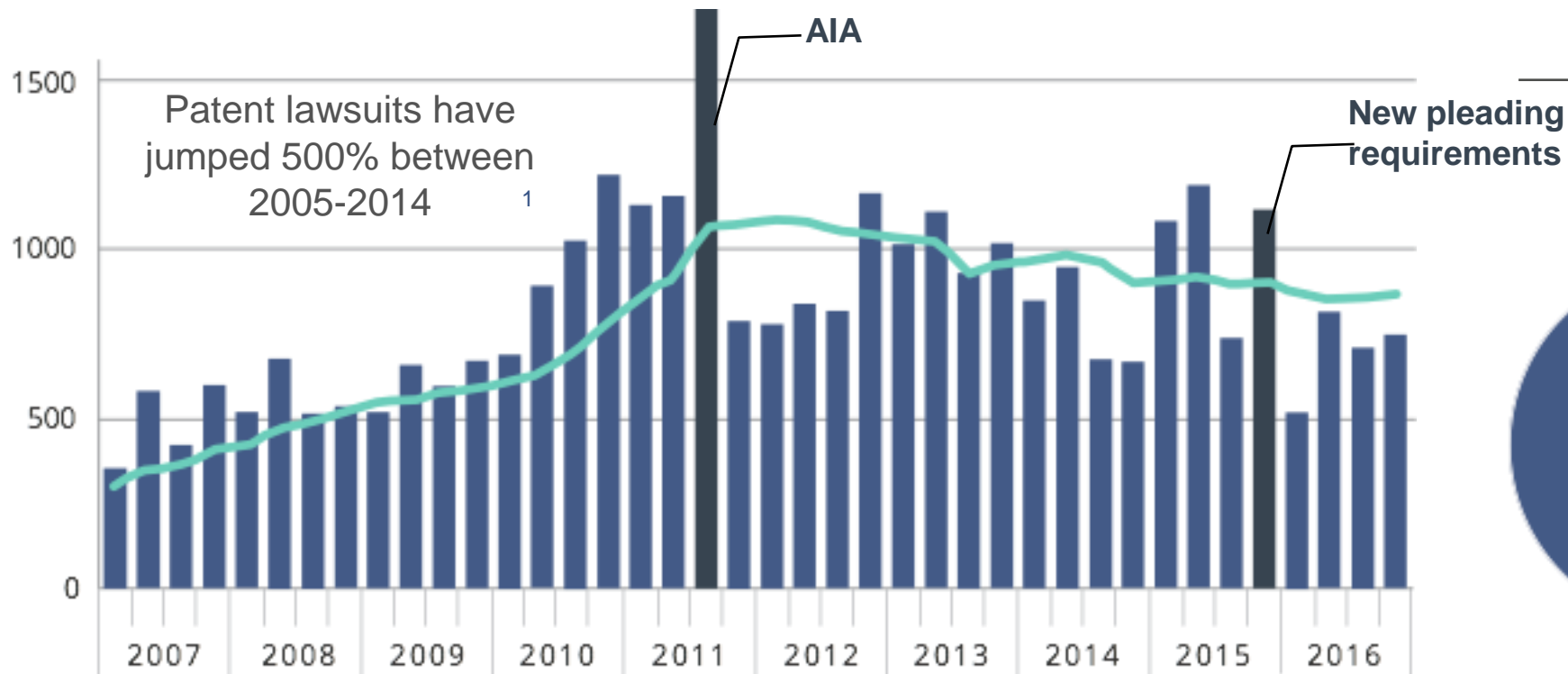
- BS. EE Georgia Tech, Master's Device Physics from ASU, JD from ASU
- Motorola: engineer and patent prosecution
- Intel: Asst. Director of Patents - patent prosecution and licensing
- Numonyx: Chief IP Counsel
- Micron: Asst. General Counsel
- Apple: Strategic patent licensing, patent purchasing, NPE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

Why you should join LOT Network

\$29 Billion

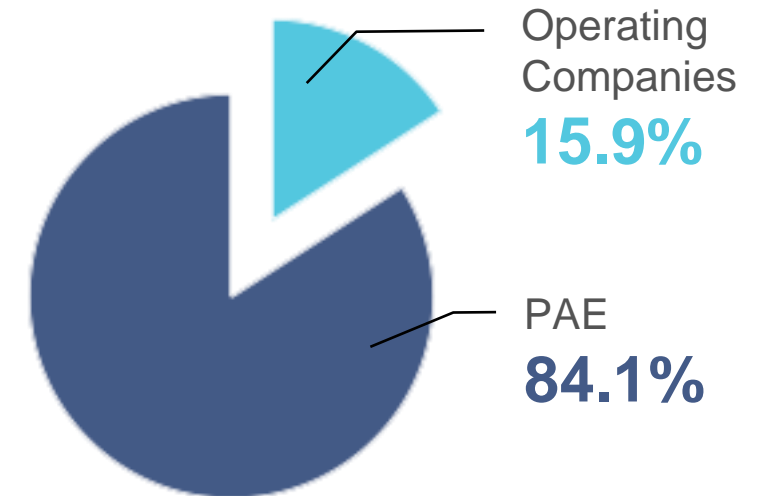
PAEs - hurting innovation

Defendants added to NPE Campaigns Quarterly



Dan McCurdy 2017 SAS NPE Forum and RPX

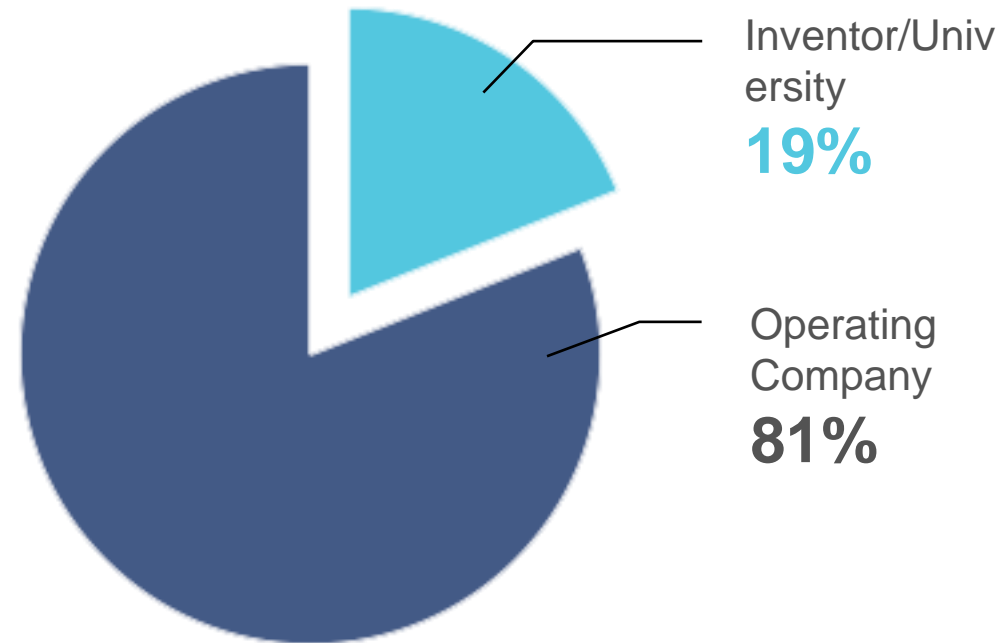
PAEs drain ~\$80B from the US economy per year, or \$1.5B a week¹⁰



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 the most of the patents

LOT Agreement is scaling

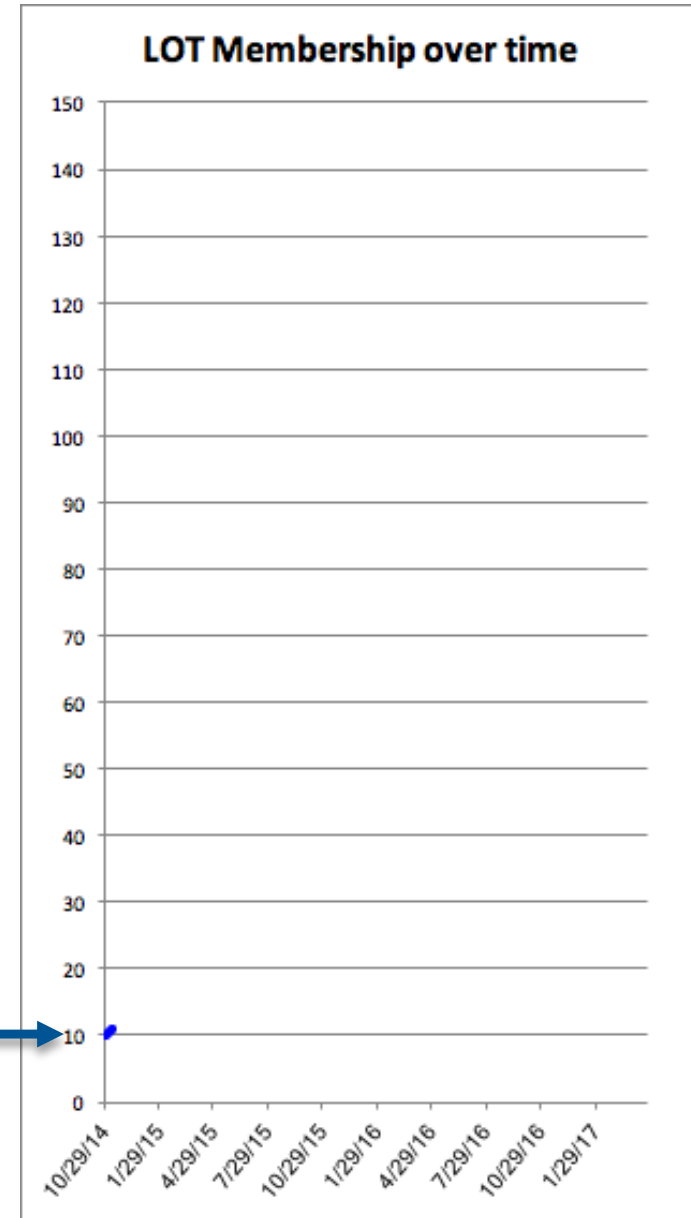


Canon

Google



LOT Begins



LOT Agreement is scaling

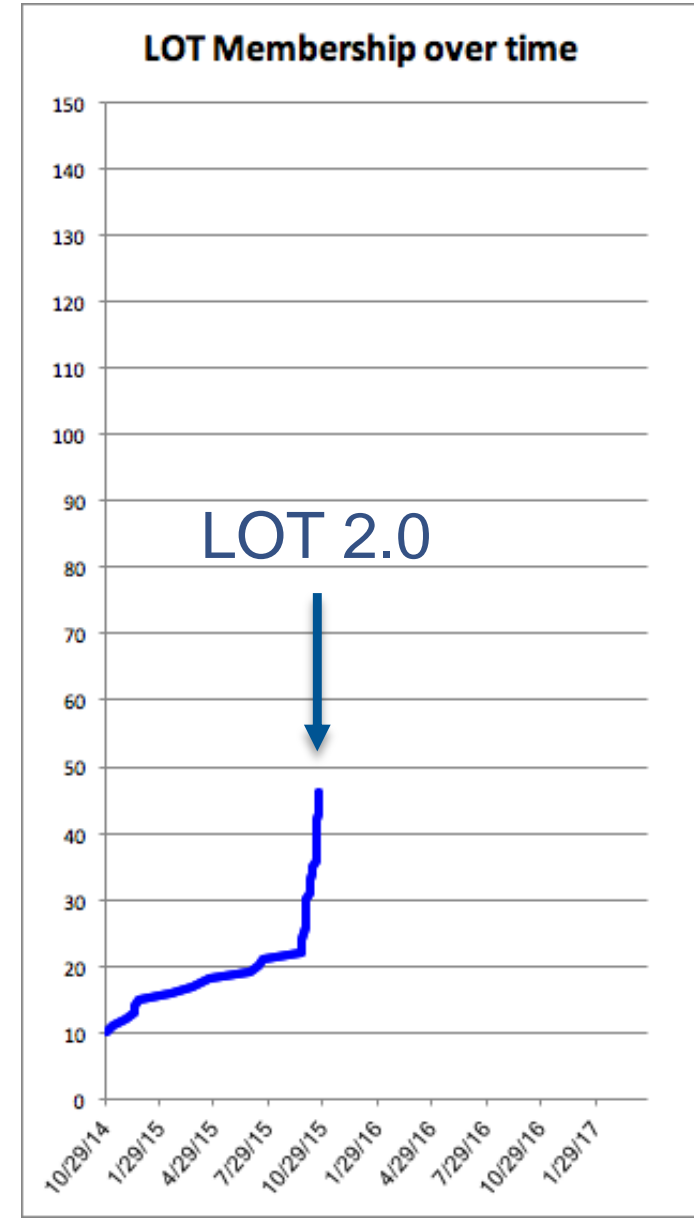


Canon



Dropbox

JPMORGAN CHASE & CO.



LOT Agreement is scaling



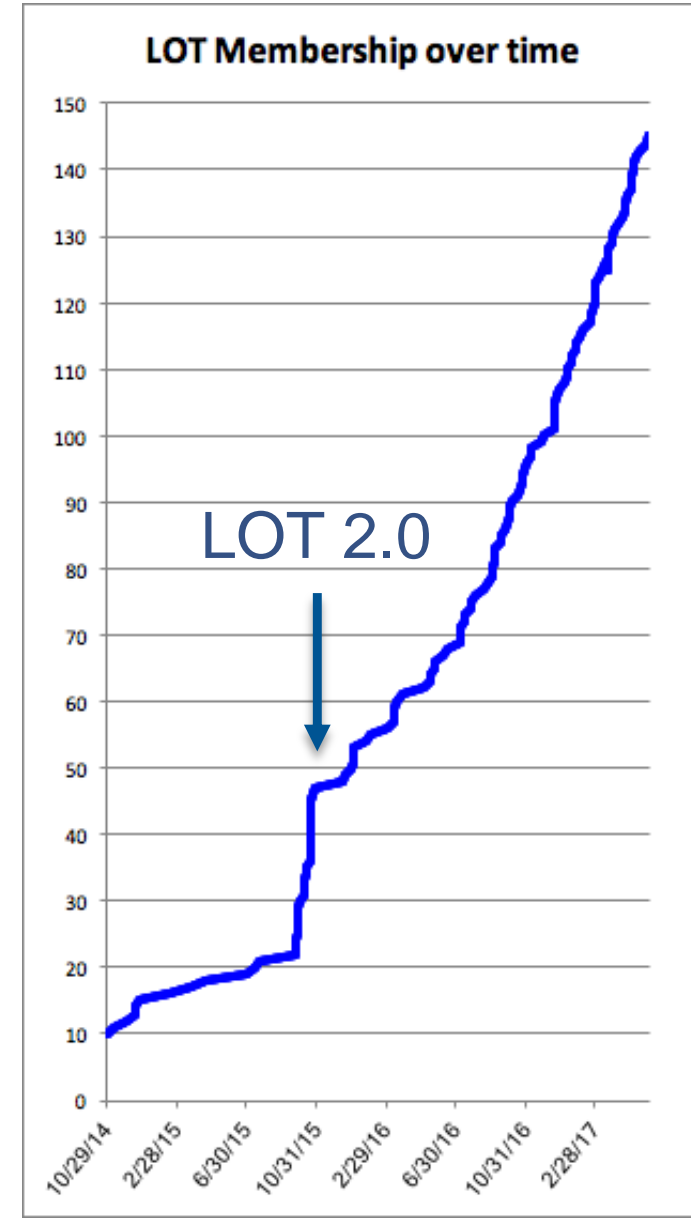
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Google

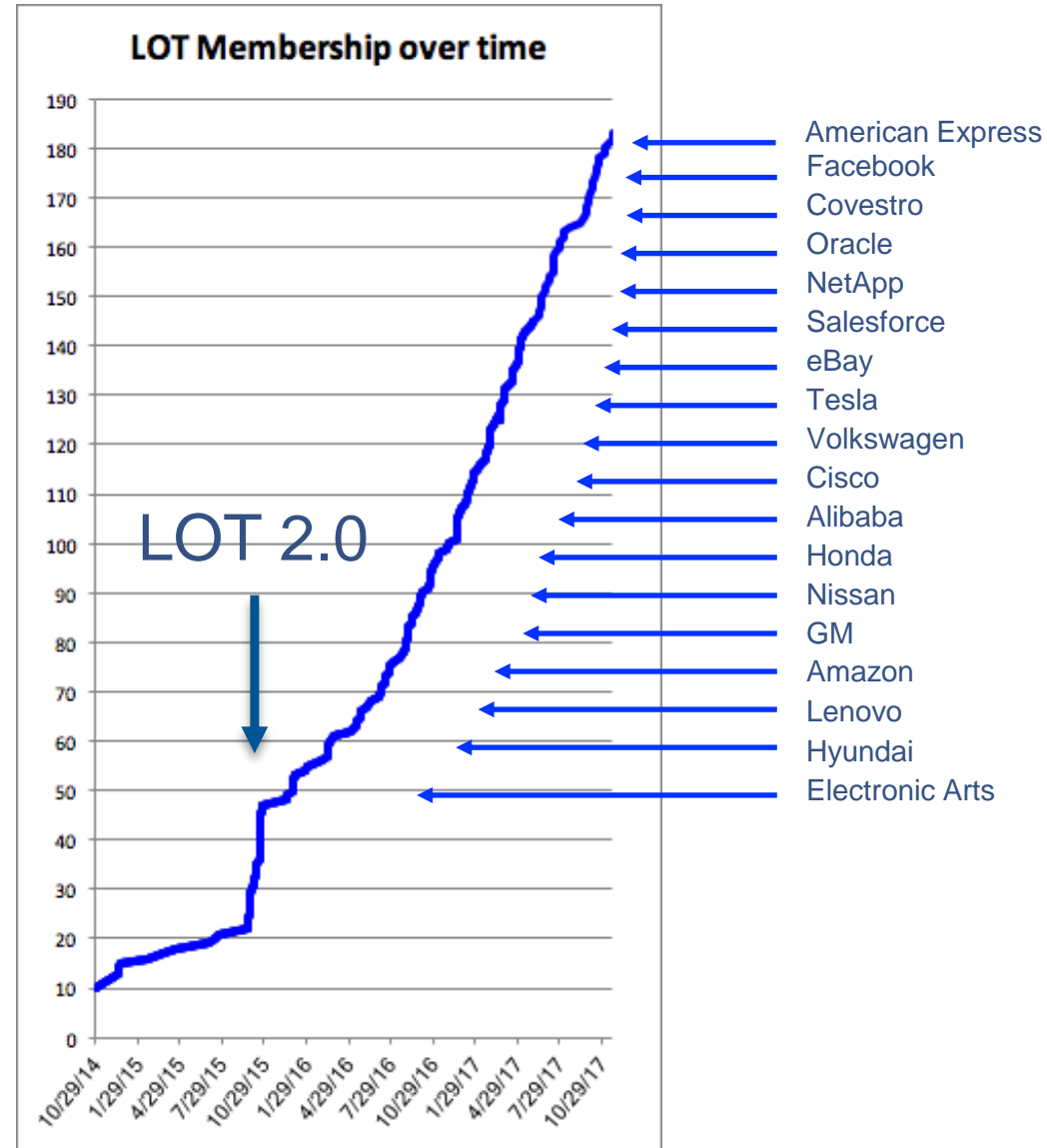


Dropbox

JPMORGAN CHASE & CO.



LOT Agreement is scaling



Who is joining and why?

Some of LOT's 187 members

Software:



Hardware:



Some of LOT's 187 members

Automotive:



Financial Services

JPMORGAN CHASE & CO.

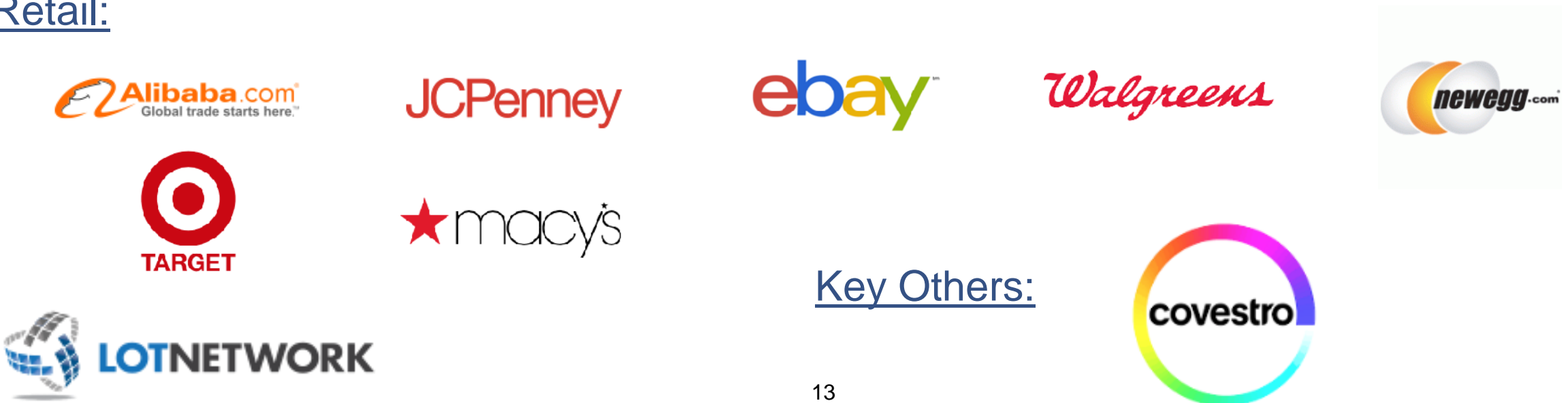


Some of LOT's 187 members

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[†]



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 effect on traditional uses of patents



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 805,000 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

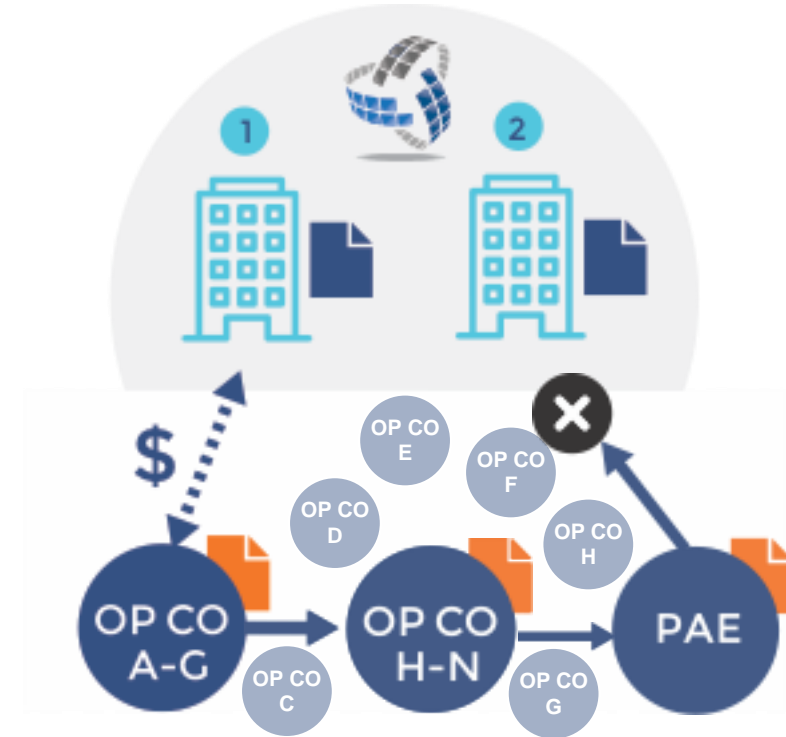
Today: Companies 1 and 2
join the LOT Network.



Over 805,000 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 805,000 WW assets
Over 236,000 US assets

Tomorrow: Company 2 becomes an
assertion entity



License to LOT membership
automatically becomes effective.

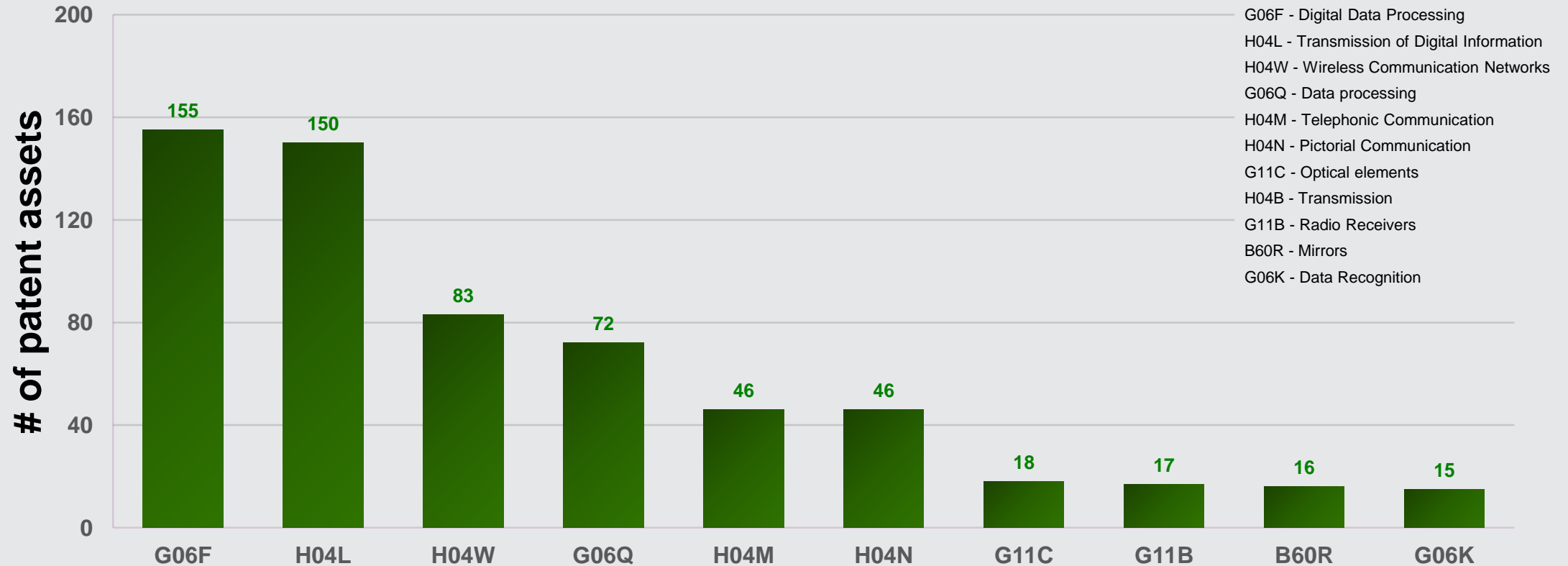
LOT Network is non-profit: Annual Fee

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)

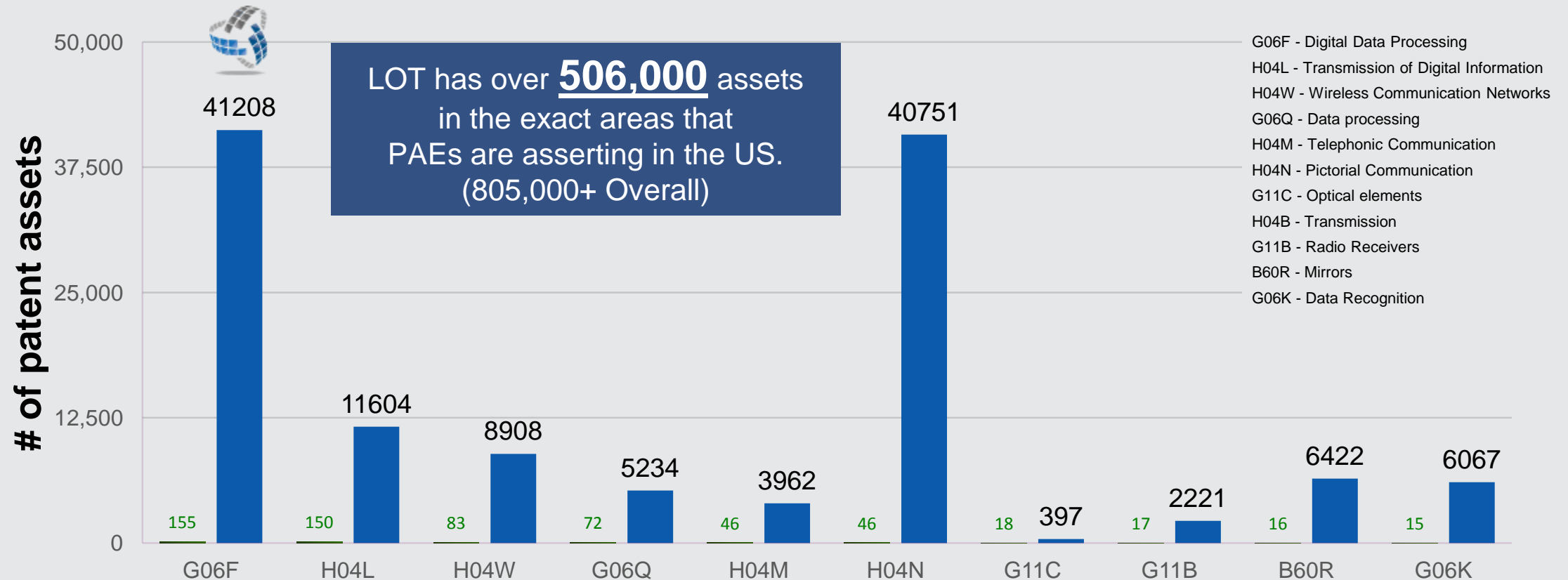
LOT provides value to its members

Analysis of assets litigated by PAEs

What types of patents did trolls use to sue in the US in 2015? (3,608 litigations)

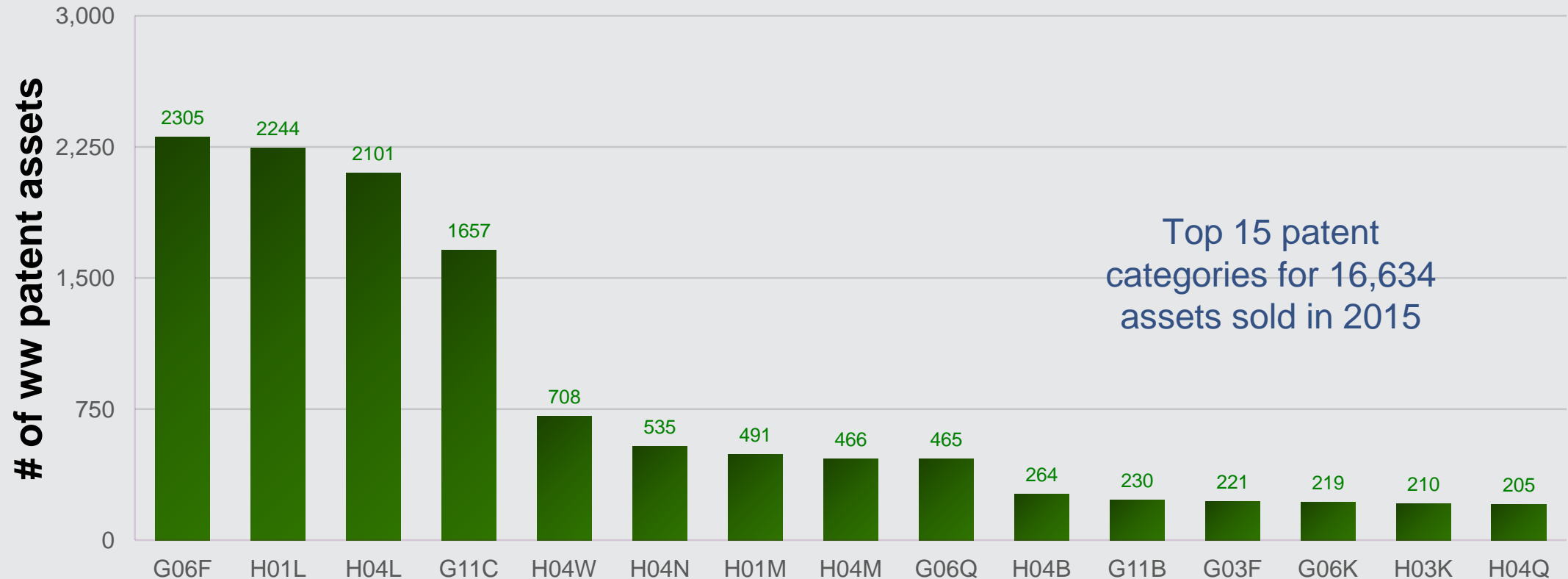


LOT has thousands of patents in the same areas as those PAEs are asserting in the US

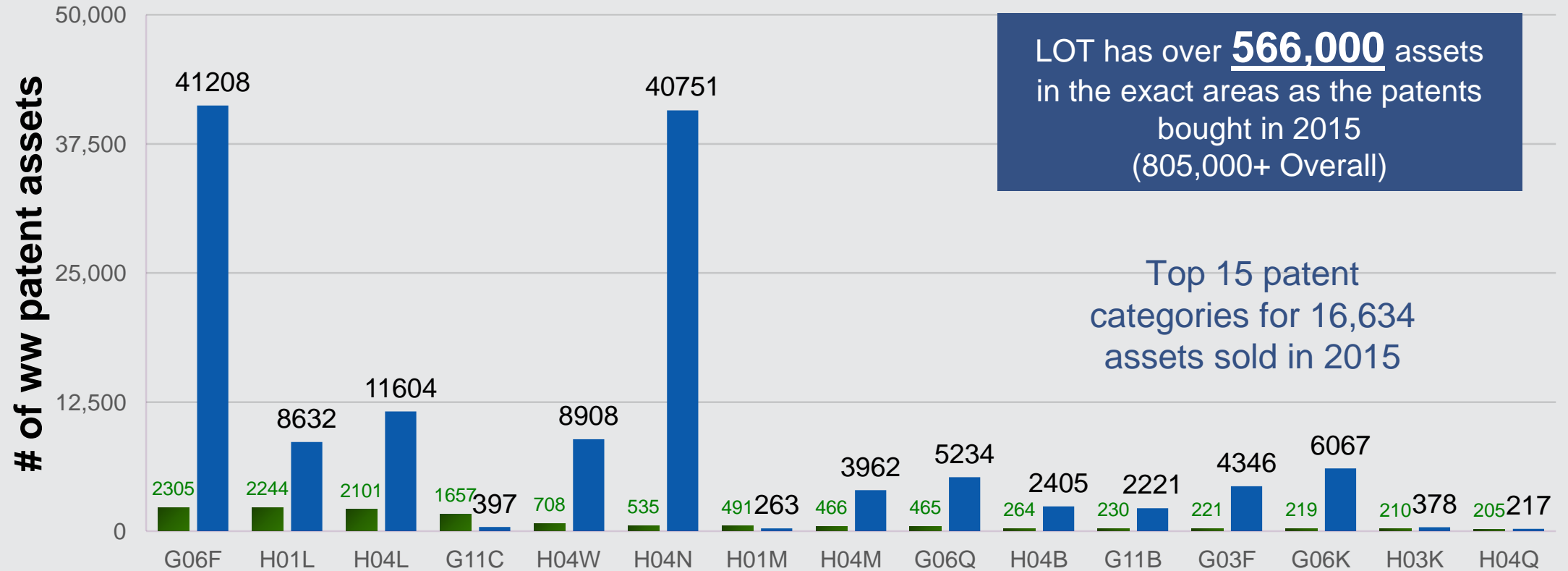


Analysis of assets bought

2015 Patent sales: Forecast of future litigation



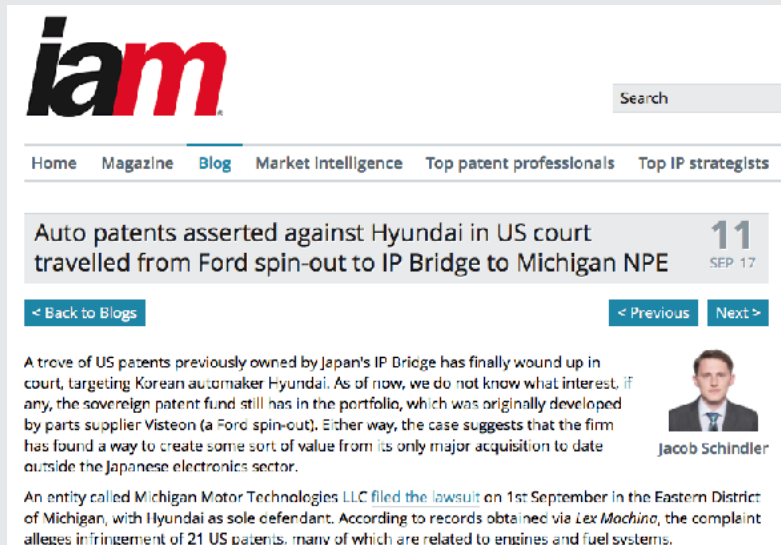
2015 Patent sales: Forecast of future litigation



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[®] by 90% in last year



Monetizers

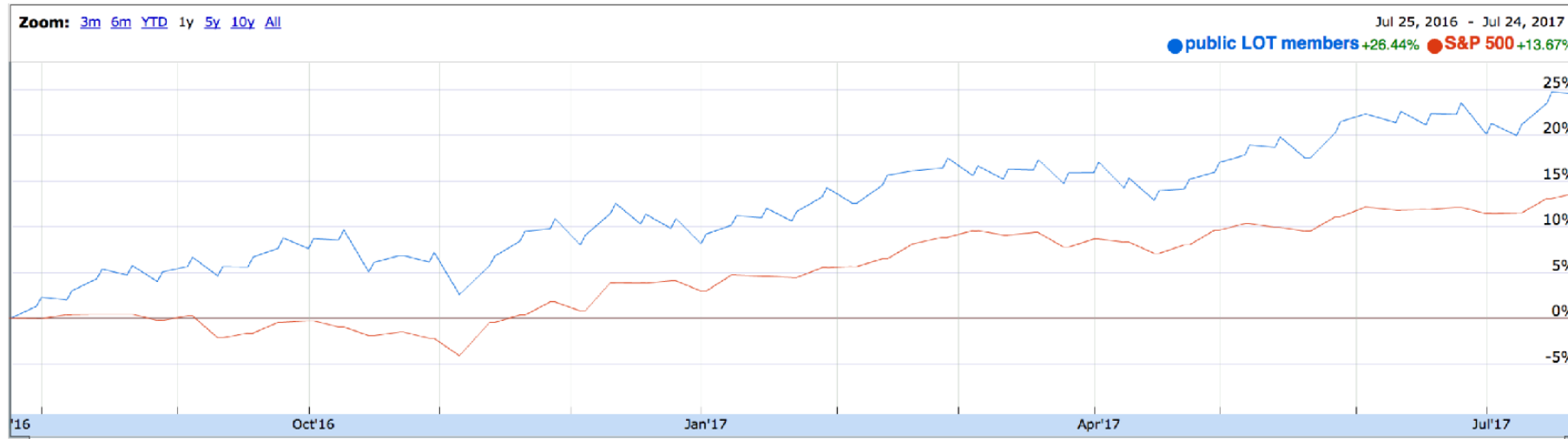
The “Monetizers index” = Most active monetizers in recent years

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

Monetizers lag S&P 500[®] by 87% in the last year

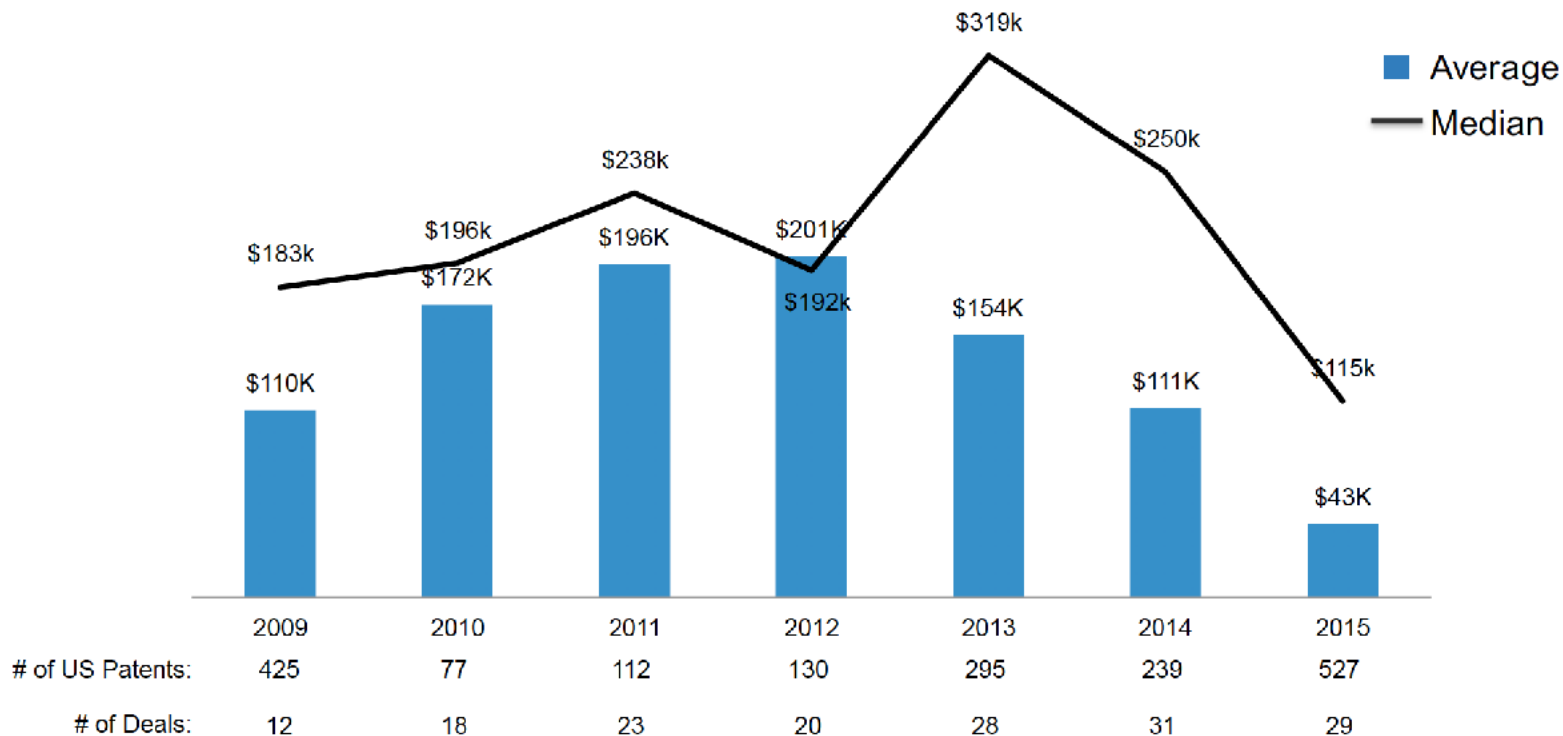


Are you a LOTimist?



RPX price paid for patents purchased from open market declining

Average and Median RPX Price Paid per US Patent



Source: RPX Research

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.

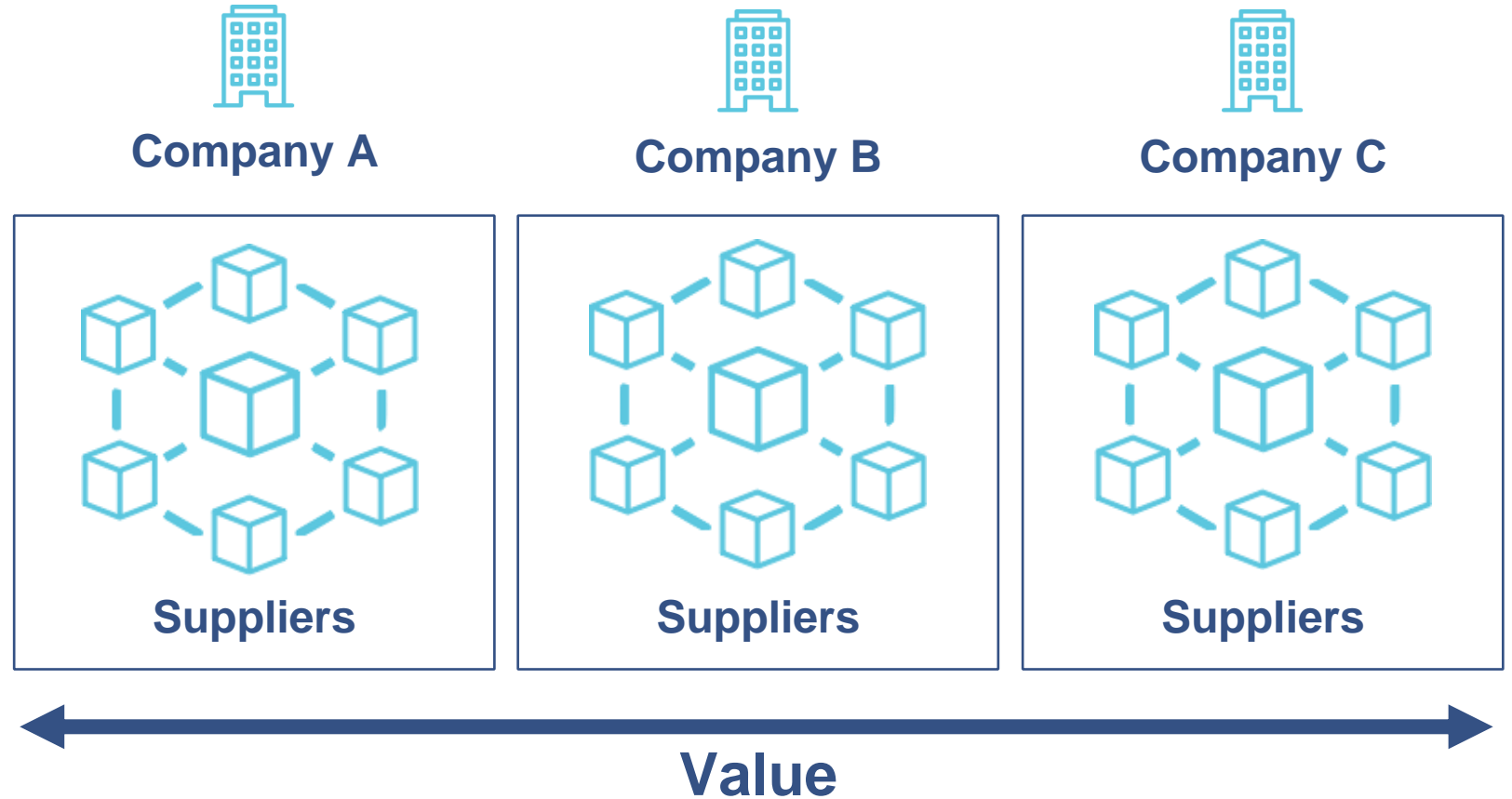
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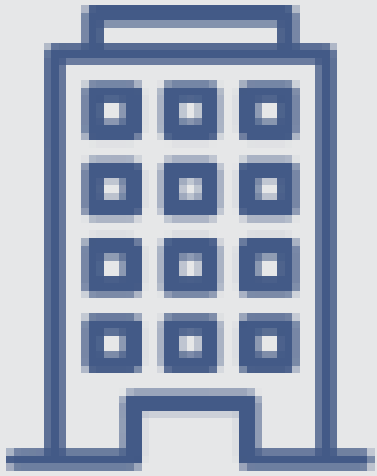
Significant Value in adding suppliers to Membership

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

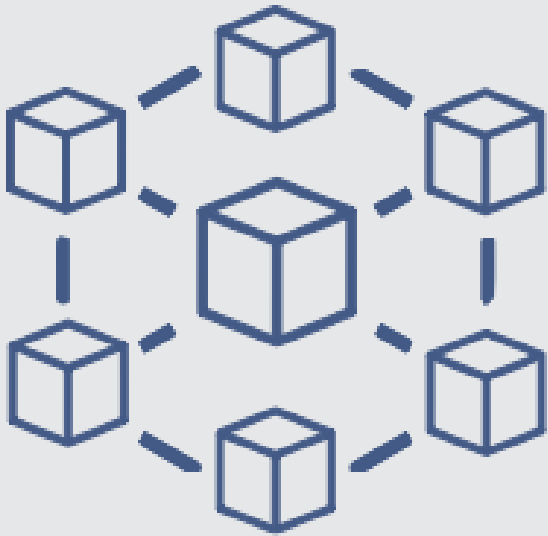


Help save
\$29 billion



Stabilize
supply chain

Why LOT is good for SUPPLIERS



Reduce
indemnification
costs



Gain access
to IP



Become
“preferred”
supplier



Program
voluntary