



# Invitation to join LOT Network



**LOTNETWORK**  
WHAT GOOD CORPORATE CITIZENS DO

Ken Seddon  
CEO, LOT Network  
November 13, 2015



## LOT Hires new CEO



✦ 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

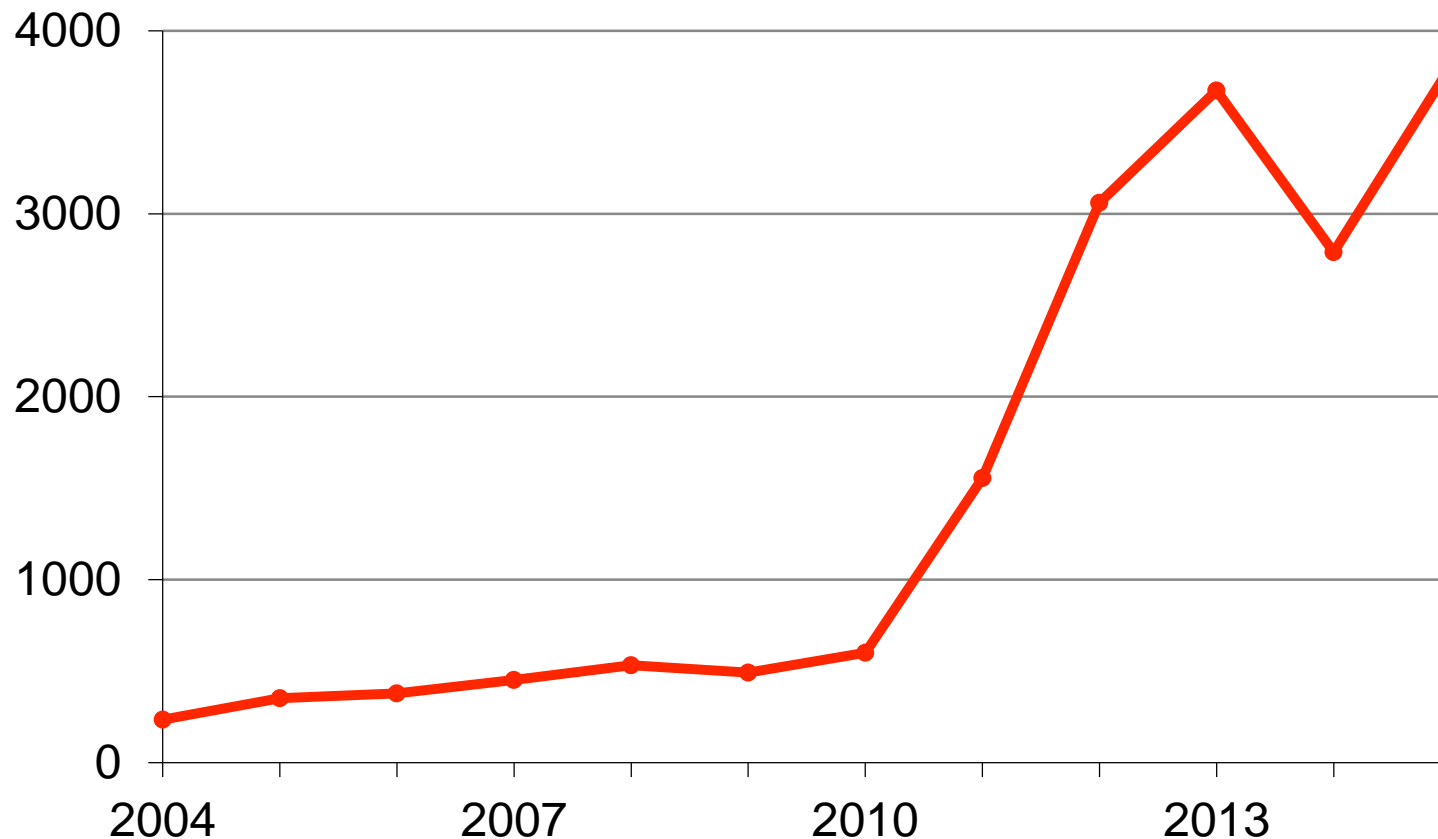


# **The Patent Assertion Entity (PAE) problem**



## PAEs - hurting innovation

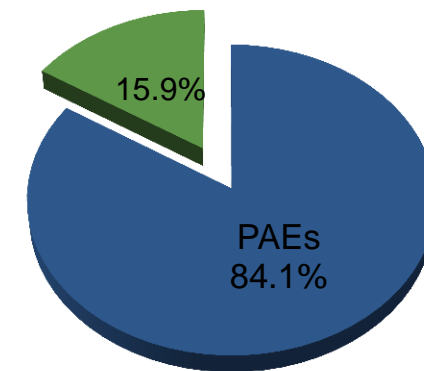
Number of PAE initiated lawsuits per year <sup>1</sup>



### PAE litigation is on the rise!

2015 likely to be a record based on 1st half actuals <sup>8</sup>

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



■ PAEs  
■ Operating Companies



## PAEs - Unnecessary Costs

**62% of the patents used by PAEs in litigation are software patents**<sup>8</sup>

**The average annual revenue of an PAE target company is \$10.8 million/year**<sup>2</sup>

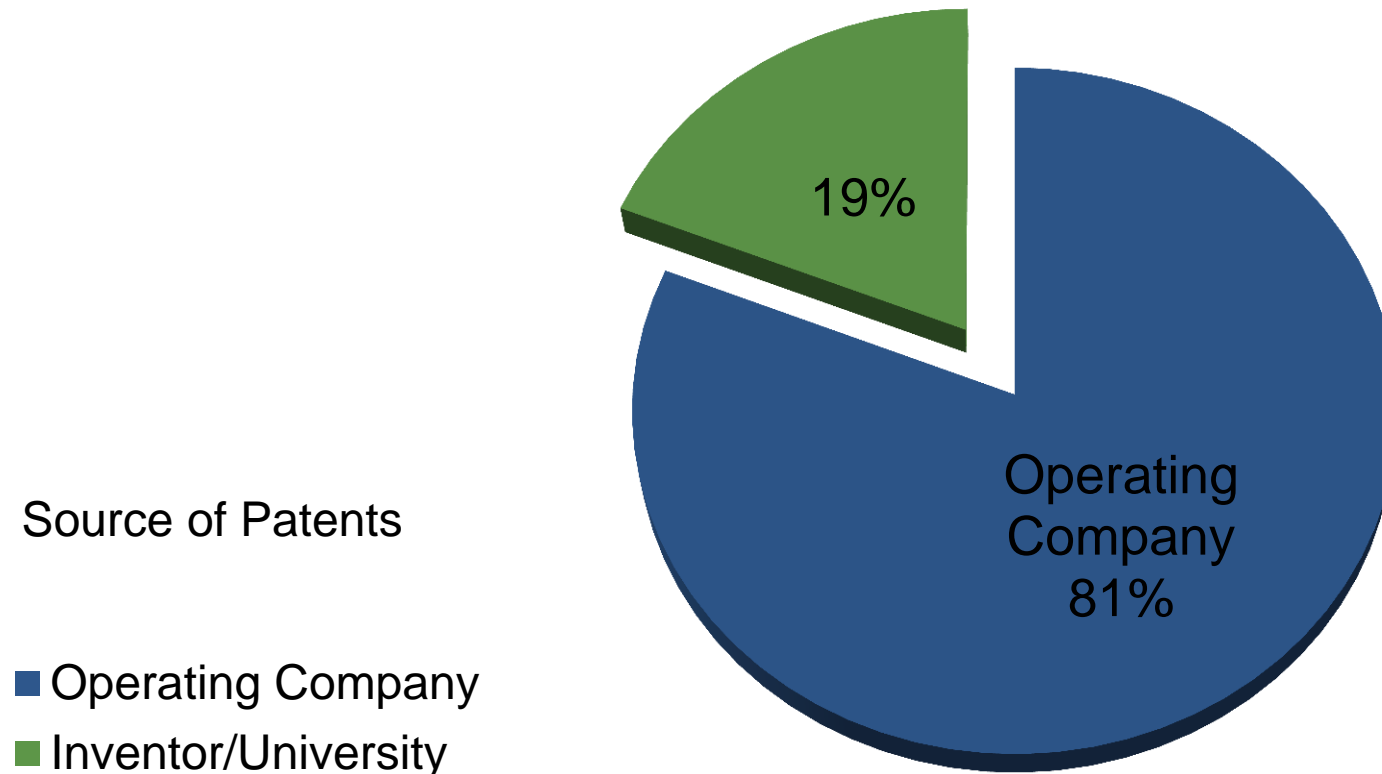
**On average a software company pays \$3.32 million for each lawsuit from an PAE**<sup>2</sup>

**PAEs cost companies over \$29 billion/year in direct accrued costs**<sup>2</sup>

**Small or medium sized companies pay 37% (\$10.73 billion) of those costs**<sup>2</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



# **LOT Network**

## **“The Cure for the PAE Problem”**



Solution: Join LOT Network

Board unanimously approves new agreement:

Members provide a license to the other members of the LOT Network **ONLY** to patents that are transferred to a patent assertion entity  
(License on Transfer - LOT)





## Solution: Join LOT Network

- ✦ A community of international companies across all industries proactively addressing the PAE problem.
- ✦ Joining LOT is what good corporate citizens do.
- ✦ Intended for companies that want to focus on innovation and products rather than patent privateering.
- ✦ LOT Network is non-profit and has no shareholders.



## LOT believes in traditional uses of Patents

### ✦ LOT Members are still allowed to:

- ✦ Assert their patents directly against other LOT members
- ✦ Assert their patents directly against non-LOT members
- ✦ Choose not to license their patents
- ✦ Sell their patents to any operating company (including non-LOT members)
- ✦ Sell their patents as part of spin-out/M+A activity

### ✦ There is no burden to membership:

- ✦ LOT members do not have to report what patents they own
- ✦ LOT members are not required to report if they sold a patent
- ✦ LOT members do not have to give notice before they sell a patent

✦ You may withdraw anytime. Future patents not impaired



## LOT Network is non-profit: Annual Fee

<i>LOT member's annual Revenue</i>	<i>Annual membership fee</i>
<i>Less than \$10 m</i>	<i>\$1,500</i>
<i>Between \$10 m and \$25 m</i>	<i>\$2,500</i>
<i>Between \$25 m and \$50 m</i>	<i>\$5,000</i>
<i>Between \$50 m and \$100 m</i>	<i>\$10,000</i>
<i>Between \$100 m and \$1 b</i>	<i>\$15,000</i>
<i>Greater than \$1 b</i>	<i>\$20,000 (cap)</i>

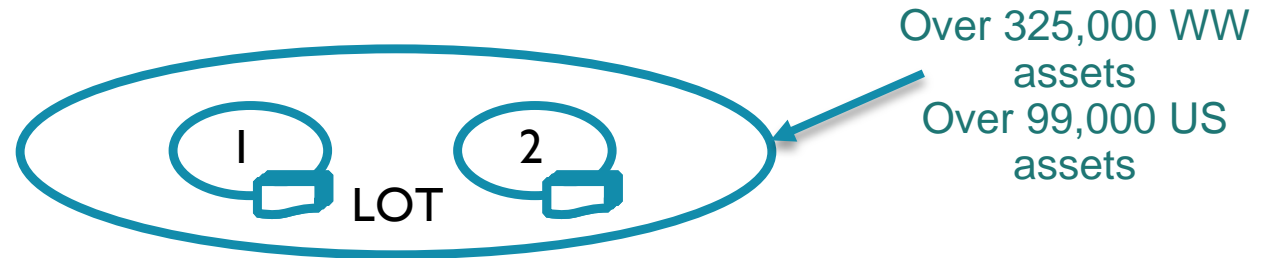


# How LOT works

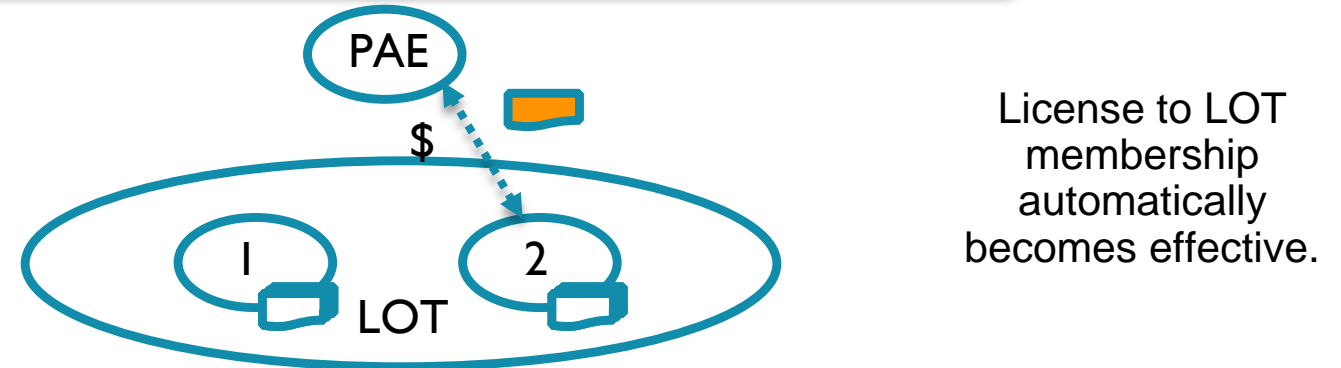


## Illustration of the LOT Agreement's Operation

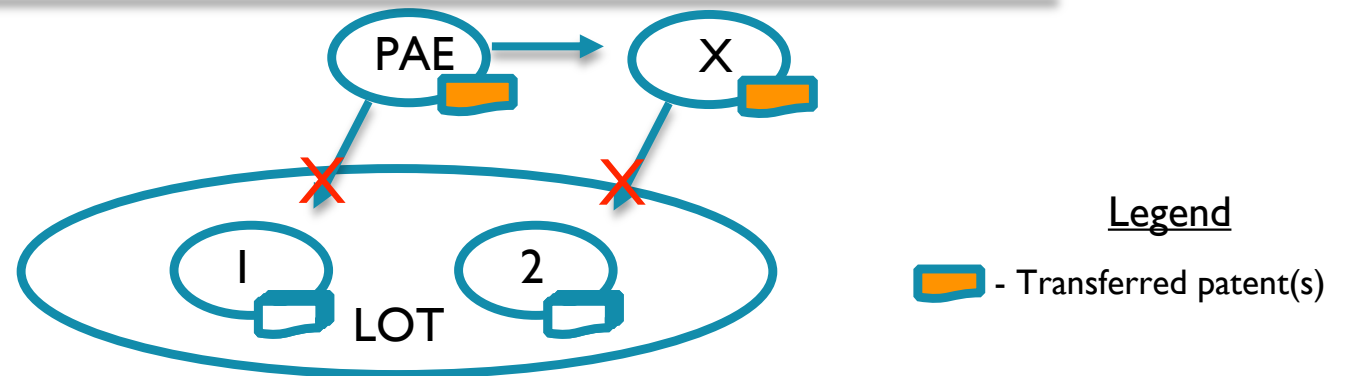
Today: Companies 1 and 2 join the LOT Network



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



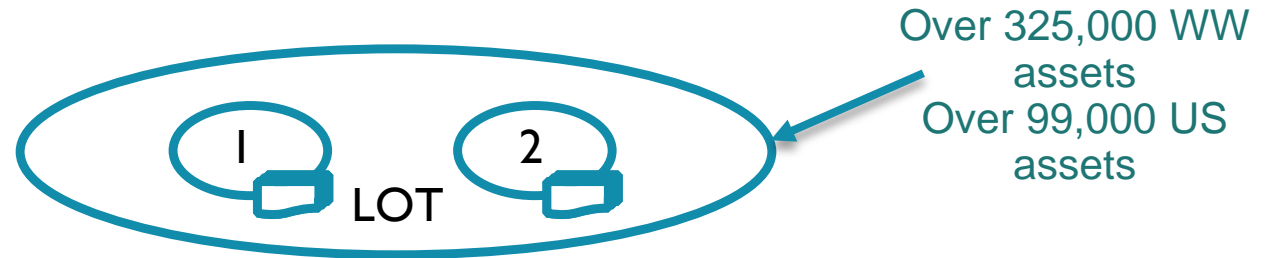
Future: LOT membership immune from sold patent, regardless of the owner.



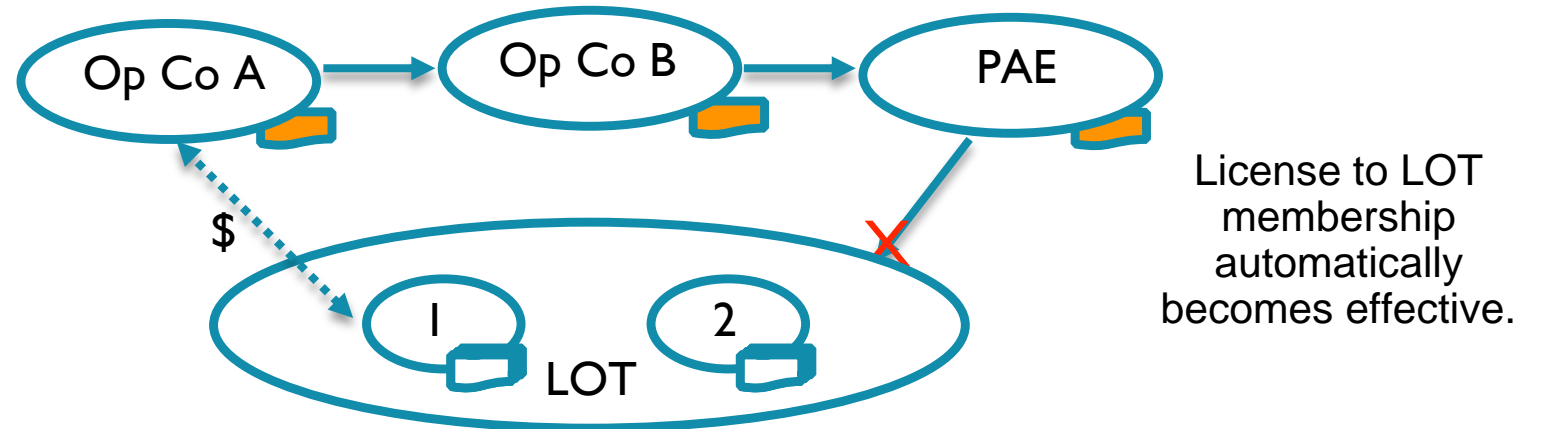


## Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network



Tomorrow: Company 1 sells a patent to an Operating Company



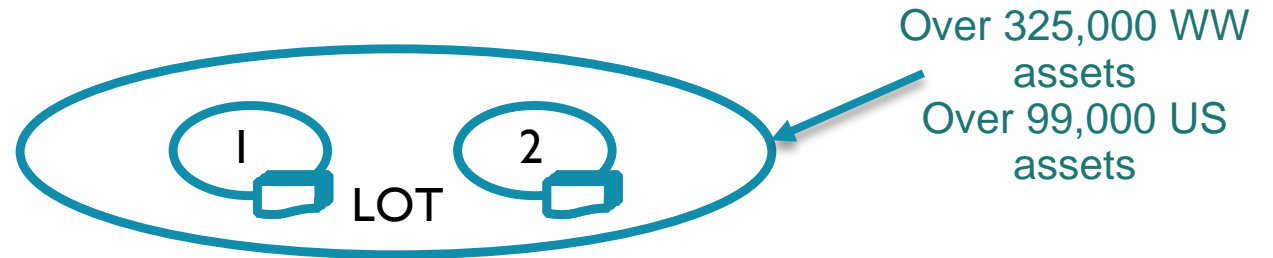
### Legend

 - Transferred patent(s)

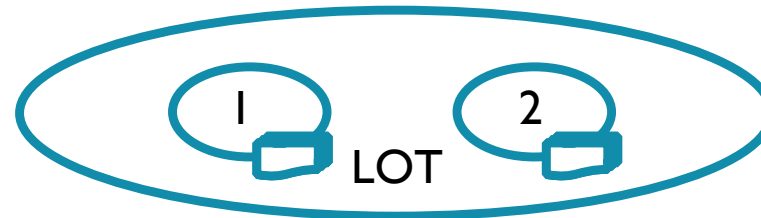


## Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



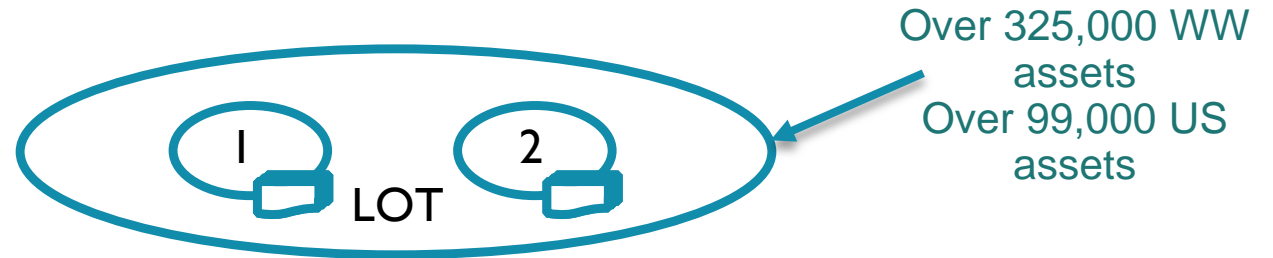
Tomorrow: Company 2 becomes an assertion entity



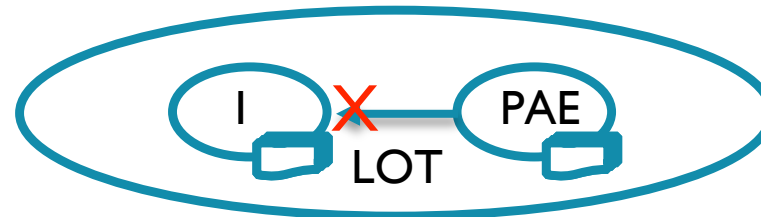


## Illustration of the LOT Agreement's Operation

Today: Companies 1 and 2 join the LOT Network.



Tomorrow: Company 2 becomes an assertion entity



License to LOT membership automatically becomes effective.





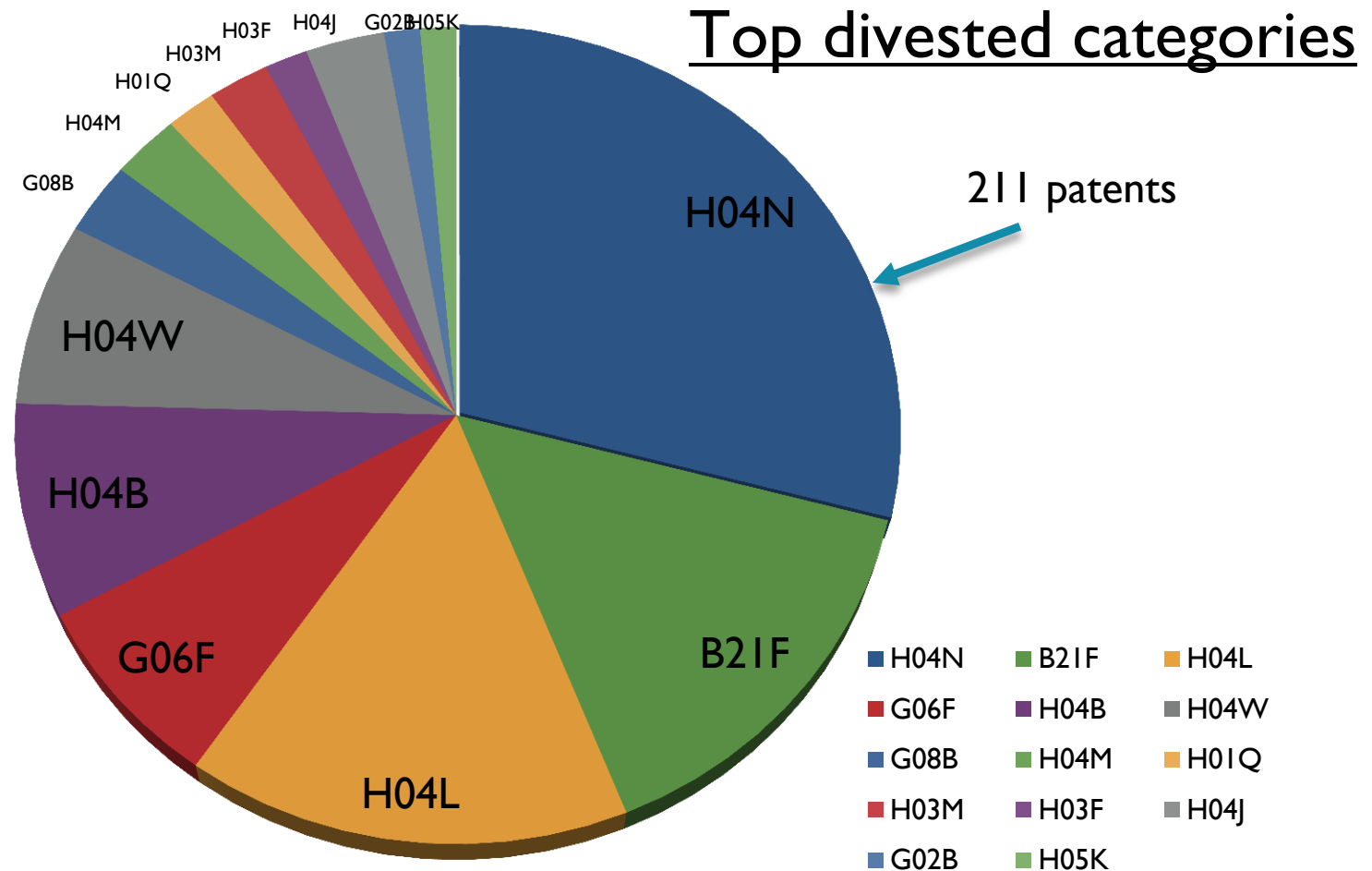
**LOT provides value to its members**



## LOT Members have divested patents

★ Current LOT members have divested over 1,200 US assets in last two years. (3,300 ww assets)

- ★ H04N - Transmitting images
- ★ H04L - Transmitting Digital Information
- ★ G06F - Digital Data Processing
- ★ H04B - Transmitting signals
- ★ H04W - Wireless communications



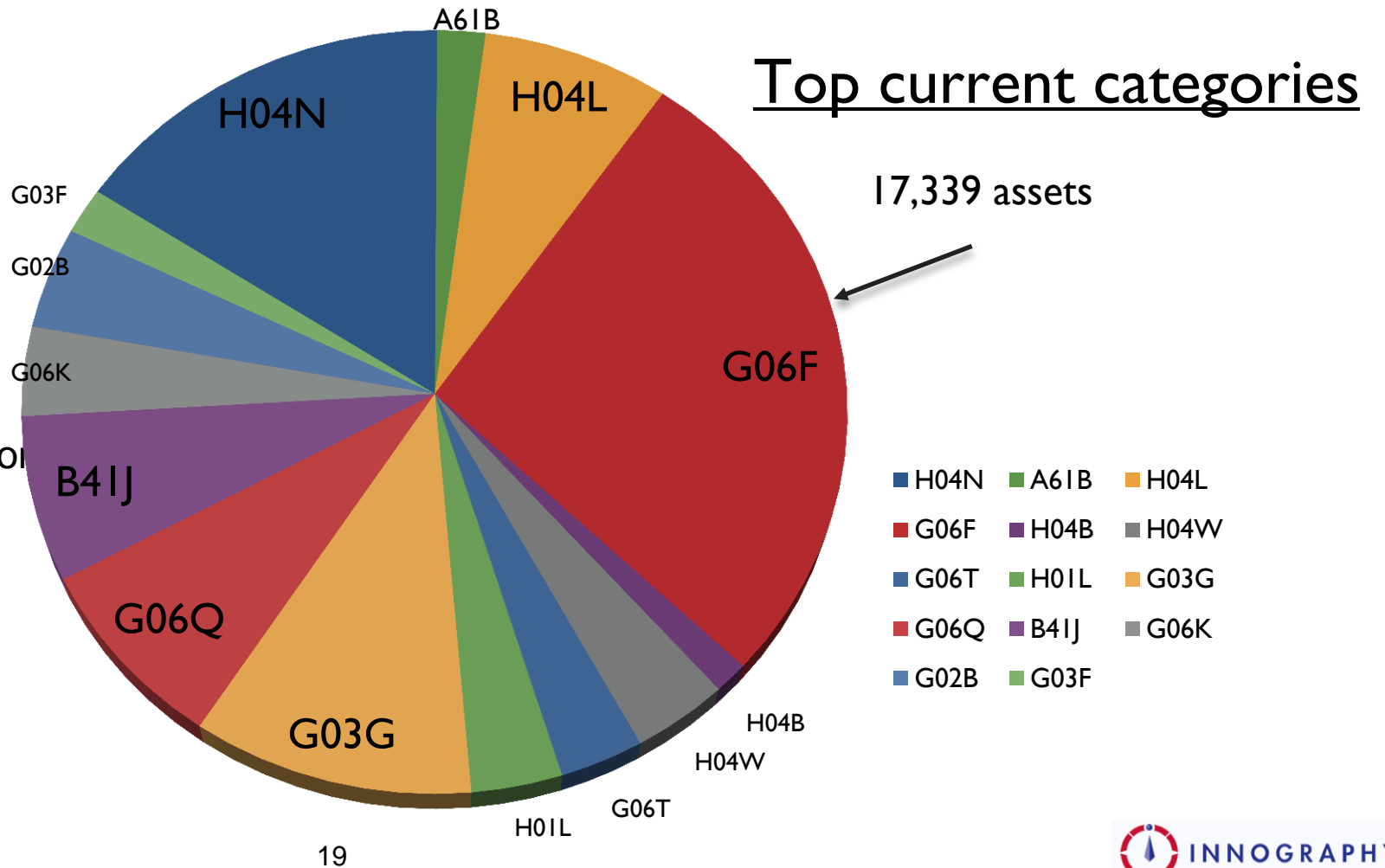


## 14 Largest patent categories currently in LOT membership

✦ Over 99,000 US assets

✦ Over 325,000 ww assets

- ✦ H04N - Transmitting images
- ✦ H04L - Transmitting Digital Information
- ✦ G06F - Digital Data Processing
- ✦ G03G - Storing images
- ✦ G06Q - Data processing system





# **LOT Network - Immunizing companies against the risks of PAEs**



## Questions



**THANK YOU**



## References

### 1. Patent Freedom

✦ <https://www.patentfreedom.com/about-npes/litigations/>

### 2. James Bessen & Michael Meurer, The Direct Costs from NPE Disputes, 99 Cornell L. Rev. 387 (2014).

### 3. RPX 2014 Litigation Report.

✦ [http://www.rpxcorp.com/wp-content/uploads/sites/2/2015/03/RPX\\_Litigation-Report-2014\\_FNL\\_040615.pdf](http://www.rpxcorp.com/wp-content/uploads/sites/2/2015/03/RPX_Litigation-Report-2014_FNL_040615.pdf)

### 4. US Patent and Trademark Office

✦ [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm)

### 5. ROL Group

✦ <http://www.richardsonoliver.com/news/2014/12/1/buyers-and-sellers-in-the-2014-brokered-patent-market>

### 6. Linda Biel, AST

### 7. Dan McCurdy, RPX presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.

### 8. Kevin Jakel, Unified Patents presentation at 2015 IP Counsel Cafe spring meeting, Palo Alto, CA.

### 9. Mark Lemely & Douglas Melamed, Missing the forest for the Trolls, Cornell Law Rev. 2013.