APLI – Impact of the Patent Market 2016

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2016 Market Overview

Market trends

- Asking prices have stabilized
- Sales are down
  - Sales rates of 2016 listings decreased significantly
  - Total transactions also down, but less so
- Brokered market down to $165M from $233M last year

New places to buy

- New sources have expanded buying opportunities
  - IAM Market and IP3

Negative patent decisions having impact

- NPEs pulling back from the market
  - Purchases by corporations have exceeded NPE purchases
  - Even Intellectual Ventures (IV) is affected
    - IV no longer buys the most: RPX is the new buying leader
  - *Alice* crushed much of the fintech patent market and impacted software package sales rates

Litigation

- Litigation risk from sold packages is much higher than previously reported (better source data)
  - Reconsider your risk models
  - Reconsider membership in defensive aggregators

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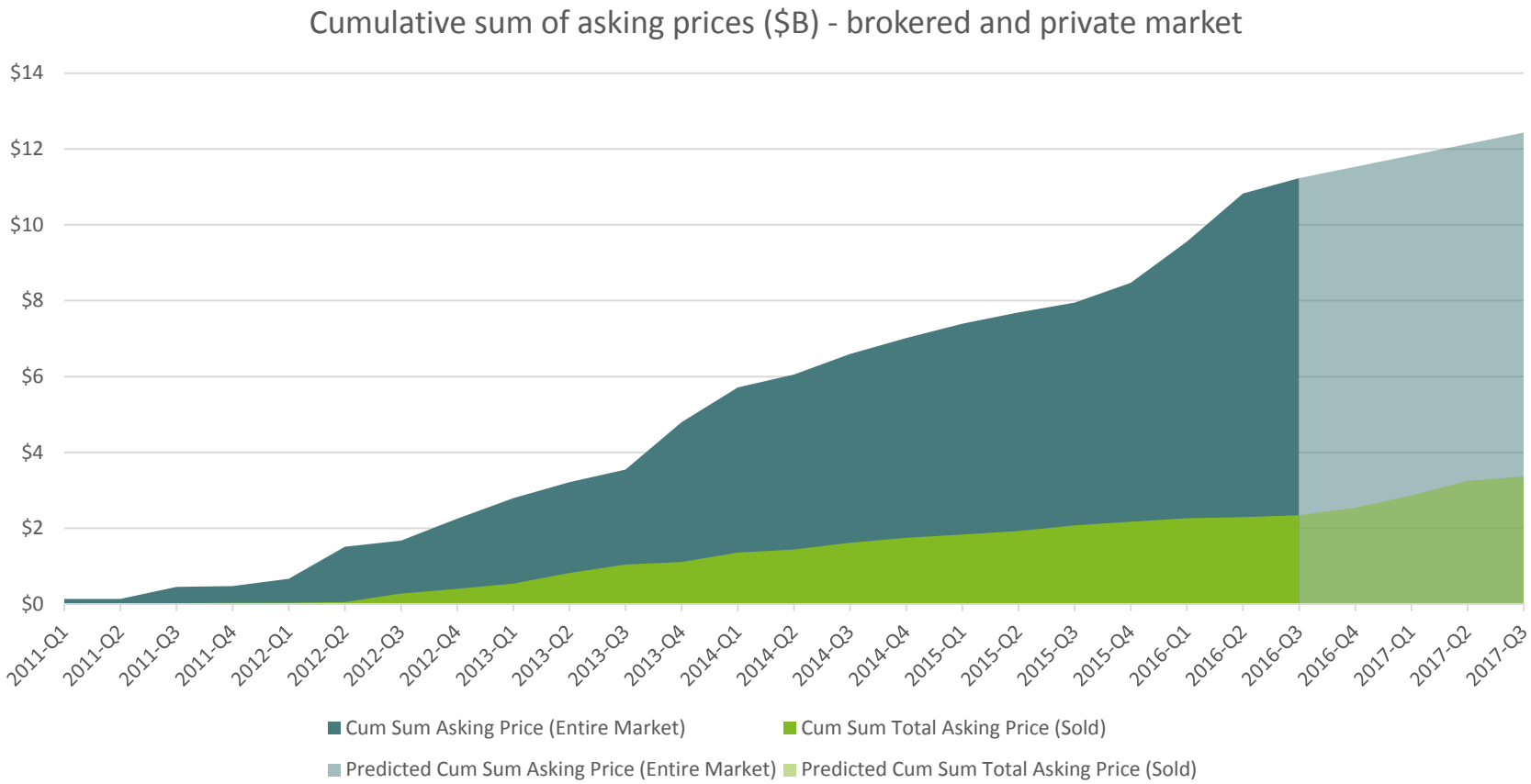
Market Context



Robust market - Over $11B of patent deals tracked

- Since 2011 we have tracked $7.5B brokered and $3.7B non-brokered patent packages
- Over 3,700 packages with 90,000 patent assets
- Over 100 technology categories represented across hardware, software, communications; including automotive-specific categories

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Patent Market Moves Closer to Mainstream

Bloomberg Publishes Patent Market Data

Heart Device Patents Sell in Brokered Market for Q2

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By Joseph Marks

Aug. 1 — Patents and patent applications covering cardiovascular devices, digital mapping and wearable technology were sold through the brokered patent market during the second quarter of 2016, according to data provided to Bloomberg BNA.

The median asking price for all asset types, including both U.S. and foreign patents and applications, rose slightly during the quarter to about $167,000, compared with about $124,000 in the first quarter of the year, according to the data from Richardson Oliver Law Group LLP, which advises companies that want to acquire patents and has visibility in much of the brokered market.

Participates Move to Optimize

Narrative shifting from:

- What is the patent market?
  To
  How do I participate effectively?

- Can I address patent problems by buying patents?
  To
  How do I find the best patents the fastest and cheapest?

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What's Hot in the Patent Market Today

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Market Context: 2016 Pricing Stabilization

Market pricing

- Pricing has stabilized – and is taken more seriously by buyers
- Prices are almost exactly the same as last year
  - Standard deviations are smaller
- But, sales rate of 2016 listings is significantly below that of a comparable period last year
- Prices vary substantially by package size

Asking Prices ($K)	2016		2015	
	Per Asset	Per US Patent	Per Asset	Per US Patent
Average	$197.32	$271.44	$190.31	$273.60
Min	$16.67	$36.11	$17.24	$183.82
Max	$750	$1000	$925	$1000
StdDev	$177.44	$217.53	$181.14	$243.54
NumData	431	416	440	431

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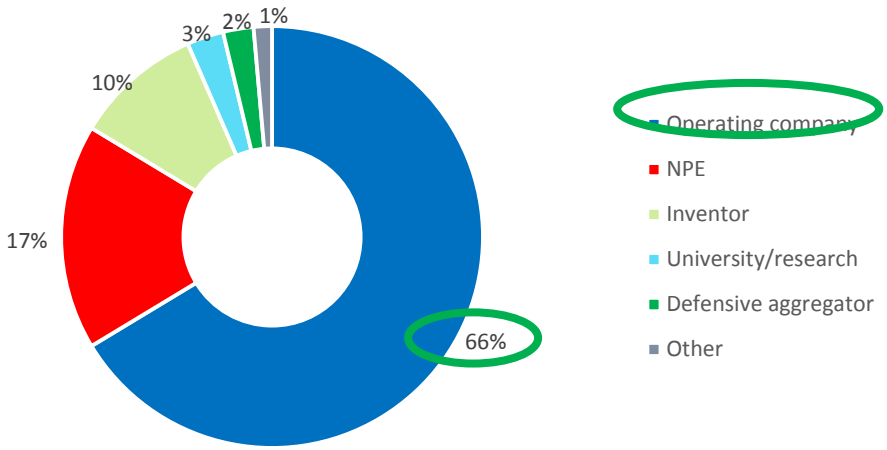
Distribution of Seller Type by Sale Year

Distribution of seller type by sale year 2015-2016



Top Sellers by Package Count
Alcatel Lucent
Allied Security Trust (AST)
ATT
BAE Systems, Inc.
British Telecom
Caveo
Elizabeth Dyor
Empire IP, LLC
Harris Corporation
IBM
Imation Corporation
Intel
NEC
Netsocket
Nokia Solutions and Networks (NSN)
Panasonic Corporation
Petnote LLC
QinetiQ Limited
Rockstar
Rovi Corporation
TP Lab, Inc.
Tyco Electronics
Verisign, Inc.
Verizon
VideoMining Corporation
Xerox/PARC

Operating companies dominate the market

- Operating companies represent over 66% of the patents on the market down from 71%
- NPEs increased their sales up last year, this has continued - 17% up from 16% - likely as a result of difficulties enforcing their patents
- Cross-licensing prior to competitor patent sales is a benefit

- Source Richardson Oliver Law Group LLP, 2016 Brokered Market Report

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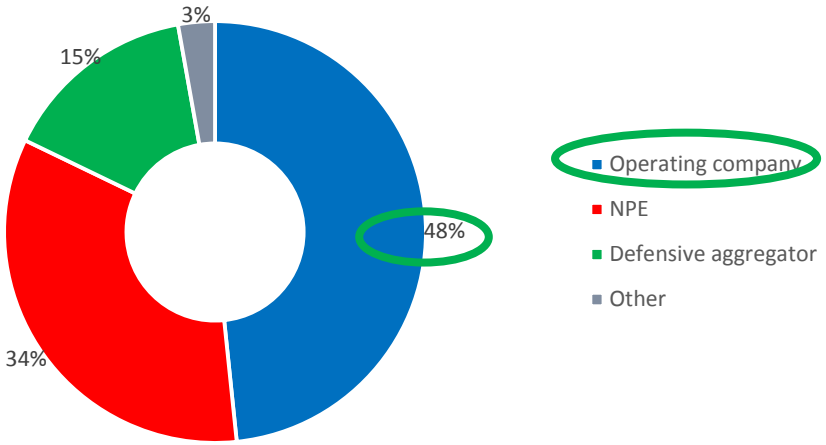
Distribution of Buyer Type by Sale Year

Distribution of buyer type by sale year 2015-2016



Operating companies now top buyers

- NPE buying is down to 32% (from 42%) – but still significant buying
  - We expect that remaining NPE's are more sophisticated
  - Monitoring the market continues to be valuable tool for fighting the NPE problem
- IV buying dropped to only 13 packages (down from 40)
  - How successful are IV's licensing and sales?
- RPX is top single buyer

Top Buyers by Package Count
9051147 Canada Inc.
Alliacense Limited Llc
Allied Security Trust (AST)
Beijing Xiaomi Mobile Software Co., Ltd.
Carlow Innovations LLC
Commscope Emea Limited
Domo, Inc.
Empire IP LLC
Facebook, Inc.
Finnavations LLC
Gemalto SA
Google Inc.
Huawei Technologies Co., Ltd.
Intellectual Discovery Co., Ltd.
Intellectual Ventures
Knapp Investment Company
Linkedin Corporation
Marking Object Virtualization Intelligence, LLC
Microsoft Technology Licensing LLC
Open Invention Network, LLC
Optimum Communications Services, Inc.
Palo Alto Networks, Inc.
Rakuten, Inc.
Red Hat, Inc.
RPX Corporation
Taiwan Semiconductor Manufacturing Co., Ltd.
Twitter, Inc.
Uniloc Luxembourg S.A.

- Source Richardson Oliver Law Group LLP, 2016 Brokered Market Report

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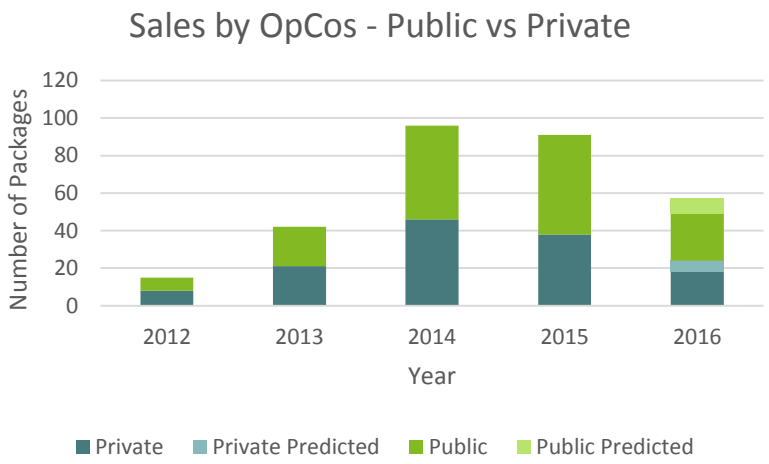
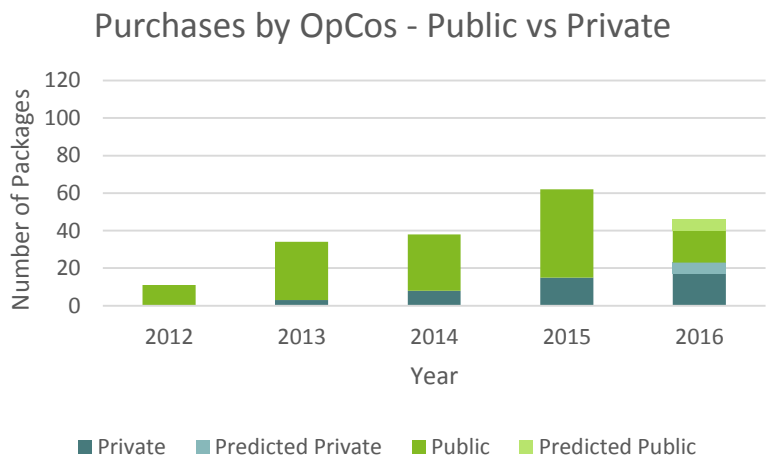
Private & Public Company Buying and Selling





Operating companies

- Sell more packages than they buy

Private companies

- Purchases increasing
- Handful purchase in significant numbers to round out portfolio and manage risk
- Large number of sales, potentially to recoup investments

Public companies

- Purchases/sales fairly constant
- Sales may align with financial headwinds

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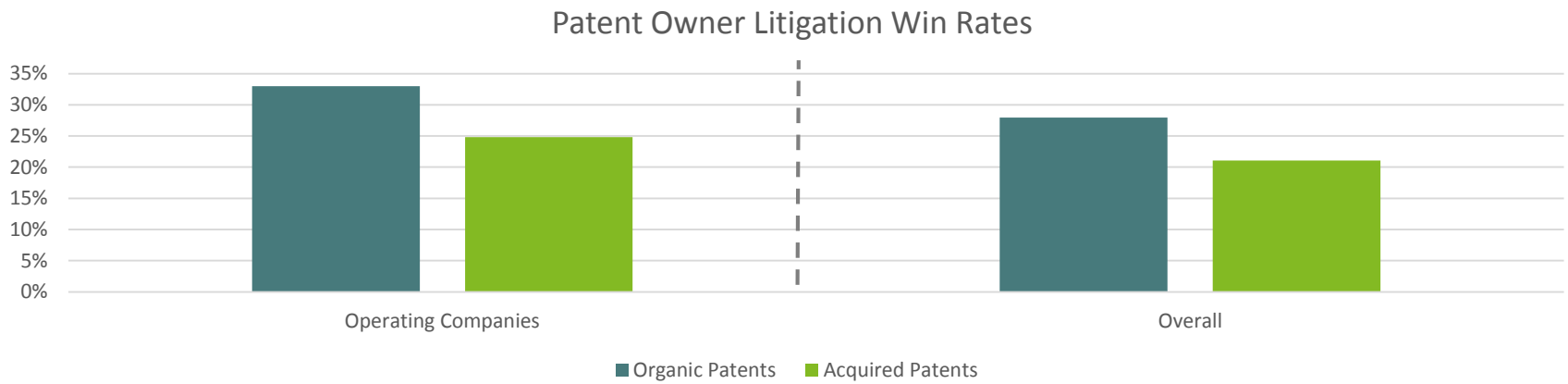
Litigation Analysis: Varying Outcomes for Organic vs. Acquired Patents



Key points

- Acquired patents viable for litigation, model decreased success rate into acquisition pricing model
- Operating companies outperform litigants generally
- Organic patents outperform acquired assets

Pre-publication data from forthcoming paper with Mark Lemley, Kent Richardson, et. al. Not for distribution

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ROL Group has over 60 years of IP strategy and execution experience. We ask the business questions first. We blend in-house and large law firm experience to create clear steps for success.

We guide companies through unique IP challenges—like buying and selling patents, developing licensing programs, defending against patent assertions, and creating a value-driven IP portfolio. We give direction to businesses that share our passion for new ideas, creative problem solving and forward motion.

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