

OCEAN TOMO

PATENT RISK™ PROGRAM

INTELLECTUAL PROPERTY RISK MANAGEMENT PROGRAM



Ocean Tomo has developed the Patent Risk™ Program, an intellectual property risk management program, designed to identify, quantify, mitigate, manage and transfer risk related to potential assertions of patent infringement. Through various novel mechanisms and insurance, the program aims to sharply reduce the risks faced by operating companies from patent infringement claims and shareholder litigation.

Historically, patent related litigation has been directed toward market competitors in which an infringement action can often be resolved through cross-licensing, or deterred by the threat of a countersuit. Today, companies face potential claimants, including non-operating patent owners such as Patent Licensing and Enforcement Companies (P-LECs), as well as shareholders asserting a lack of process and control over IP asset value and risk. This trend is exacerbated by a growing IP mesh-network where multiple patents – perhaps hundreds – may cover a single product. Simply put, addressing patent risk in a serial fashion, one patent at a time, may no longer be sufficient. There is a need and desire to address patent risk holistically for each product or service.

Currently available patent infringement-related insurance products inadequately meet clients needs in numerous respects. Policies tend to be limited, expensive, and maximum policy coverage is inadequate, placing restrictions on the owners' control over licensing and litigation decisions. Most insurance products only provide risk transfer, and do not address the other important aspects of an IP risk management program.

The Patent Risk Program is the only comprehensive patent infringement risk management program in the marketplace, providing a dramatically more complete, efficient and effective solution comprised of three portions: Identification & Quantification, Mitigation, and Transfer. Each portion of the overall program has independent value and may be selected in one, two or three portions.

Identification & Quantification

In the first phase of the Program, a client with a product or service (product) engages Ocean Tomo to provide a Fairness Opinion. The Fairness Opinion is designed to answer one question: What is the amount of a fair royalty that the client should set aside to pay all owners of non- licensed patents whose claims cover the product?

Ocean Tomo answers this question with the assistance of patent counsel, the guidance of well- established methodologies, and objective input from its proprietary patent analytics tools. In other words, Ocean Tomo calculates the cumulative Fair Maximum Potential Liability (FMPL) based on a reliable analytical framework commonly used to establish patent infringement damages under a reasonable royalty damage theory. This FMPL may be due to third parties for compensation for the client's use of their patented technologies from the product. The client provides Ocean Tomo with a limited set of well-defined product information related to the technology, market and financial projections, and an analysis is performed to assess a fair and reasonable royalty rate for a single hypothetical license that would grant rights to all technologies embodied in the product. An appropriate portion of this rate is then allocated to the insured's internally developed, supplied or in-licensed technology. The remaining royalty is the FMPL, which may be expressed nominally, based on the expected performance of the product, as a percentage of product revenue, or as a nominal amount per product units sold.

The FMPL is presented in the Fairness Opinion, along with a detailed description of the methodology and underlying assumptions. A general indication of the number of third party, non-licensed patents which may apply to the product can also be provided. The specific patents and patent holders would not be disclosed, although this information, as well as the portion of the FMPL attributable to such patents, is known and documented by Ocean Tomo.

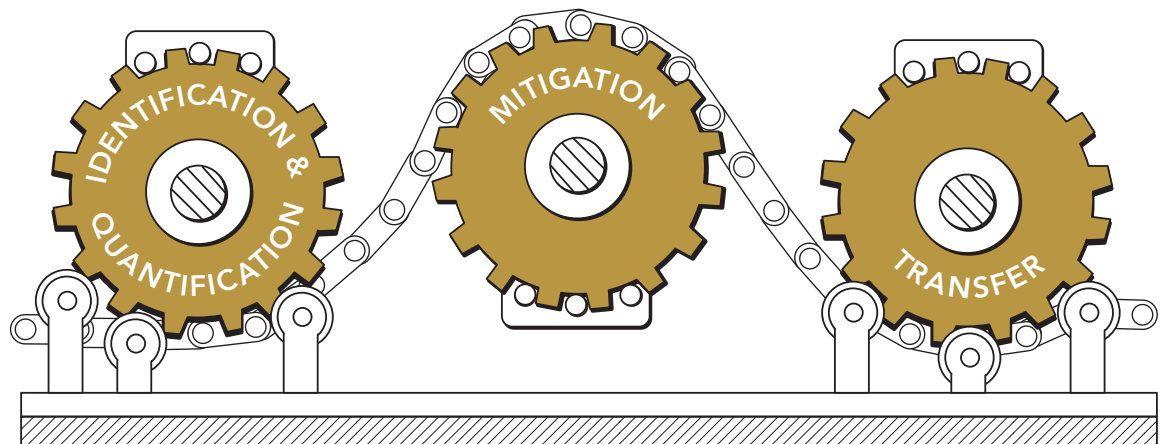
Mitigation

The Fairness Opinion identifies and quantifies the patent infringement risk associated with the product. Based on this information, the client, with guidance and assistance from Ocean Tomo, establishes and executes a risk mitigation strategy involving the acquisition of potentially relevant patent rights, possibly involving the licensing or outright purchasing of such rights. This strategy may also involve a public notice of the client's desire to acquire such rights and its willingness to evaluate reasonable offers for licenses. The successful acquisition of additional rights would then reduce the FMPL.

Transfer

An insurance policy is made available based on the FMPL described in the Fairness Opinion. This policy allows the client to transfer the risk of future patent infringement liabilities in excess of the FMPL. Compensation paid for any patent right by the client during the life of the policy (license and settlement fees, as well as damage awards) can be claimed against the policy. The policy coverage is often a multiple of the FMPL. As such, in the event cumulative claims are in excess of the FMPL, the loss is that of the insurance provider, not the client. Upon termination of the policy, all unpaid-out funds, minus fees, are returned to the client. The policy terminates automatically at the end of the product's liability exposure period. The policy can also be terminated at any time by the client. The magnitude of the fees is related to the amount of coverage the client pursues.

It is likely that some product patent infringement risk will still remain after such proactive risk mitigation activities. In the event that third party patent holders initiate an action for patent infringement against the client, the litigation would be handled as determined appropriate by the client. The Patent Risk™ Program would only be relevant to proceedings in the event that asserted patent(s) are held not invalid and infringed. Patent Risk Program related documentation, including the Fairness Opinion, would likely be part of the record of the case and could be presented by Ocean Tomo experts during the damages trial. The testimony would include a detailed description of the work which was likely prepared immediately prior to the first infringement (i.e., the real period of a hypothetical negotiation) utilizing the same methods frequently recognized by courts and performed by a neutral, or arguably adverse, third party. Such testimony may be compelling evidence that the patent holder should receive an amount for damages equal to its predetermined portion of the FMPL. In the event that the court awards an excessive amount, it would be covered by the insurance policy as described above.



Benefits for Clients

- A standard, industry-accepted and third-party administered patent infringement risk management program structure, adding substantial processes and control elements which benefit shareholders;
- Documentation during the underwriting process, reducing the likelihood of an excessive patent infringement damages award;
- Satisfaction of fiduciary duties to shareholders related to IP risk management and potential reduction in D&O policy insurance;
- Improved matching of revenues and costs by recognizing potential liabilities related to patent infringement assertions as they are created;
- Improved accuracy of profitability forecasts for new products and business units, decreasing potential variances between actual and expected performance;
- An alternative to an on-balance sheet reserve for potential patent infringement liabilities;
- A methodology for determining the limit of liabilities related to indemnities granted to customers for patent infringement, thereby limiting exposure for granted indemnities to the fair compensation as objectively calculated using the Patent Risk™ Program framework;
- Transfer of risk of incurring excessive liabilities related to patent infringement assertions; and
- Deterrence of P-LECs considering litigation against a number of industry players (P-LECs may be motivated to first litigate against firms without a Patent Risk Program, creating the potential for a verdict of invalidity which will further reduce the client's exposure).

Benefits for Insurance Providers

- A competitive advantage over other providers offering an innovative and proprietary product directed towards a recognized but unmet market demand;
- Reduction of client risk profile prior to issuance of policy through mitigation portion of the program;
- Provision of superior knowledge regarding claims exposure through the proprietary review and evaluation process;
- Isolation of risk transfer to the risk of excess loss, leaving the risk of expected, acceptable liabilities with the client; and
- Creation of actuarial data table related to patent infringement liabilities (Such does not currently exist and can be leveraged to create additional insurance products).

This is a summary description of the Patent Risk Program. Receipt of this document does not constitute a guarantee of coverage or acceptance. All clients are advised to review the Program's specific terms, conditions and policy restrictions with their tax and legal advisors. Specific Program terms are subject to change without notice.

Visit OceanTomo.com/Patent-Risk-Program for further details.



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Mr. Lewis is an experienced expert who has testified in both federal and state court. He is a Managing Director in Ocean Tomo's Expert Services practice and leads the firm's San Francisco office, Risk Management and License Compliance practices. Mr. Lewis' over 20 years of consulting experience includes the analysis and quantification of economic damages arising from patent, trademark, trade secrets, copyright infringement & breach of contract in over a hundred matters.



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About Ocean Tomo

Ocean Tomo, the Intellectual Capital Merchant Banc[™] firm, provides companies with financial services related to intellectual property and intangible assets including financial expert testimony, valuation, strategy consulting, patent analytics, investment advisory, innovation management consulting and transaction brokerage.

Our Opinion, Management, and Advisory Services are built upon more than three decades of experience valuing intellectual property in the most rigorous of venues – State, Federal and international courts. Our financial, market and technical experts provide a unique understanding of the contributory value of proprietary innovation. This is the cornerstone of our business. This insight permeates every practice and client engagement.

Collectively, Ocean Tomo professionals have:

- Executed over 1000 engagements involving IP worth in excess of \$10 billion;
- Successfully closed transactions where disruptive technology played a key role, with cumulative value in excess of \$750 million;
- Conducted over 300 valuation engagements and 500 financial damages expert testimony engagements.

Headquartered in Chicago, Ocean Tomo has offices in Greenwich, Houston, Irvine and San Francisco.

Subsidiaries of Ocean Tomo include: Ocean Tomo Investment Group, LLC, a licensed broker-dealer under Federal and State securities law (brokercheck.finra.org Broker Check CRD #: 172912); OTI Data Networks, LLC and Patent Marking, LLC.

Ocean Tomo assists clients – corporations, law firms, governments and institutional investors – in realizing Intellectual Capital Equity[®] value broadly defined.