

**Alternative Approaches for America's Innovation System  
Offered by Patent Properties CEO at Think Tank Patent Conference  
Held in U.S. Senate**

**Barriers to Commercialization of Innovation Cited as  
Nation's Top Patent Challenge**

Stamford, CT – April 24, 2014 – At a recent American Enterprise Institute conference, Jon Ellenthal, CEO of Patent Properties, participated in a panel meeting with Senate and House staff to discuss America's innovation challenges. This event was held as Congress looks in the upcoming months to pass its second patent reform bill in less than four years.

Patent Properties, Inc. (OTCQB: PPRO), is an intellectual property company that develops and commercializes its unique portfolio of assets and is creating a disruptive licensing solution for the mass market of patent owners and users. During the meeting, Mr. Ellenthal shared his concerns regarding America's litigation-only model for resolving patent disputes, the disincentives for American businesses to explore the value in the U.S. patent database for new ways to solve problems, and how the high cost of litigation are limiting opportunities to commercialize innovation. The following are excerpts from his remarks.

THE REALITY OF AMERICAN INNOVATION

*"We've spent five trillion dollars in the last 20 years by American business and by the US government on R&D basically to design new ways to solve problems. And many of the results of that five trillion dollar investment are in the form of the 2.1 or 2.4 million active patents that we have today, yet only a couple of percentage points of those patents have ever generated the first dollar of licensing revenue. Ninety-five plus percent of the patents have never generated a single dollar of licensing revenue and they've never gone on to be used by a third party to improve a product or reduce a cost.*

*Here are the numbers. Sixty percent of patents are owned by universities, research labs, independent inventors, and small companies. They generate one percent of the licensing revenue in today's market. We need a way for businesses to participate and get access to the innovation they need under commercially sensible conditions and we need a way for American investors to participate in the economy and get value back for their investment in R&D for their teachings."*

BARRIERS TO COMMERCIALIZATION

*"We believe the biggest problem is the sheer expense of patent litigation. Many companies cannot afford to defend themselves even when the merits are on their side. But it's also true that many legitimate patent owners cannot afford to avail themselves of the court system because of the very high costs. And filing a lawsuit is pretty much the primary way that a patent owner goes about trying to unlock the commercial value of its asset and diffuse its innovation in the marketplace.*

*So the biggest problem from our view is that we have a 'litigation or bust' model at the moment... We need a system that basically allows all patent owners and all American businesses to do business in a completely voluntary and commercially sensible way... Forrester Research did a study that determined*

*that American firms annually waste one trillion dollars for underutilizing IP assets. So the root problem is our systemic inability to get patented inventions into the economy where American businesses can use them to improve their products, lower their costs and compete in a hard fought global economy.”*

#### ON THINKING ANEW

*“The crazy thing is that any industry that does all of its deals in the court system is not in good shape. And that’s how the IP marketplace works today. So for us to really unlock the full economic value of this asset class which I do believe... is very important to the economy, vital to the economy, we need to figure out how we’re going to do deals in a simple and affordable way outside of the court system. We need to figure out how to do business outside the court system because the court system is inaccessible to almost everybody.”*

*“Patents do have fuzzy borders. Basically patents are an argument waiting to happen. That’s just the way that they are. And you need a federal judge to tell you with certainty what the patent actually is. So you basically have an argument waiting to happen and because the argument has to happen in court you have an argument that very few can afford. There’s a reason they refer to litigation as the ‘sport of kings’. So if we’re going to continue to do deals based on a legal standard, all we’re going to do is argue over how to split the pie as it exists today. If we’re going to figure out how to create a commercial standard for deal making, licensing, that’s scalable then we can start to talk about how to diffuse patented innovation into the economy and grow the pie.”*

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The panel took place in the Russell Senate Office Building on Capitol Hill on April 3, 2014, under the sponsorship of the American Enterprise Institute’s Center for Internet, Communications and Technology Policy. Noted economic and financial columnist, James K. Glassman, an AEI Visiting Fellow, chaired the event. Michael Rosen, Adjunct Professor of Law at the University of San Diego School of Law, moderated the panel, which also included Laurie Self of Qualcomm, Inc.; Gail Levine of Verizon; Lawrence Waugh, Co-founder of Calavista Software; Julie Hopkins of Tydings & Rosenberg; and Todd Moore, an independent App Developer.

Mr. Ellenthal further comments today: “I appreciated the opportunity to participate in AEI’s event. It was a timely discussion and focused on a topic central to our nation’s economic future. I think it is important for our national leaders to hear directly from those of us in the trenches of business development, job creation, and economic growth. AEI performs a valuable function in giving business leaders a neutral platform to share our experiences and vision for the future.”

Full audio and video replays of the panel discussion are available in this link:

<http://www.aei.org/events/2014/04/03/preventing-patent-abuse-prospects-for-reform/>

**About Patent Properties, Inc.:**

Patent Properties, Inc. (OTCQB: PPRO) will continue to develop and commercialize its unique portfolio of intellectual property assets, which were created by Walker Digital, LLC, the research and development lab led by internationally recognized inventor and entrepreneur Jay Walker, and will also introduce a disruptive licensing solution for the mass market of patent owners and users. Mr. Walker is best known as the founder of priceline.com and has twice been named by TIME magazine as “one of the top 50 business leaders of the digital age.” All of the patents owned by the company were developed internally by Walker Digital, LLC, with Jay Walker as a named inventor on all issued patents and the lead inventor on the vast majority. Additional information regarding the company can be found at [www.patentproperties.com](http://www.patentproperties.com).

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