

Patent Properties CEO Jon Ellenthal Responds to White House Call for Private Sector Input on Strategy for American Innovation

Comments Focus on Competitive Impact of Frozen U.S. Patent Licensing System and Marketplace Model as Alternative to Legal System to Commercially Scale U.S. Innovation

Stamford, CT – September 24, 2014 – Jon Ellenthal, Vice Chairman and Chief Executive Officer of Patent Properties, submitted a response on September 23, 2014 to the White House Office of Science and Technology Policy and the National Economic Council's request for public input into an upcoming update of the *Strategy for American Innovation*.

Patent Properties, Inc. (OTCQB: PPRO), is an intellectual property systems 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. The company's patent licensing solution is part of its United States Patent Utility™, scheduled to be launched in the fourth quarter of 2014.

Purpose of Patent Properties Input

In his response to the White House's Request for Information (RFI), Mr. Ellenthal highlighted for policymakers an area of significant but often overlooked concern in today's U.S. economy:

"The vast majority of patent owners and American businesses are unable to benefit from the trillions of dollars of R&D that are embodied by more than two million active U.S. patents. These patents are frozen out of the economy by a dysfunctional system of how patented technology currently gets licenses. They are unable to improve products, create new jobs and improve global competitiveness...

In today's marketplace, lawsuits are the first (and, often, the only) way to make licensing deals. Unfortunately, the high cost of litigation is unaffordable to the mass market and effectively keeps most patents and most companies frozen on the commercial sidelines...

Why is it so important to unfreeze the economic value of America's patented inventions?

America's Founders knew then what remains true today: Invention fuels progress, but invention will be limited unless patents can function as 'teachings' and a fair balance is achieved between owners and users of patents... For this reason, smooth and efficient licensing is – or should be – the backbone of America's invention ecosystem."

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Call to Action

Mr. Ellenthal recommends a shift in national patent policy priorities.

“Policy should encourage efficient licensing and value creation. Presently policy is focused on intellectual property enforcement, sanctions for infringement, and mechanisms for invalidating patents...

It is time to change how licensing takes place and to foster more innovation by increasing the number of people participating in the use of patents by licensing. The barrier to entry can be reduced by: placing licensing online and in a system that is accessible; having decisions on statistical relevancy of a patent made by algorithms (rather than depositions and cross-examination) and operating at scale via automation and on a voluntary, non-exclusive platform.”

An Innovative Model

“Essentially, we need an innovative way to license innovation,” said Mr. Ellenthal.

“The United States Patent Utility™ will introduce an entirely new kind of patent license that will shift the discussion from finding fault, which is just too expensive, to a lower but more scalable standard of ‘no-fault,’ based on ‘statistical probability.’ Markets have always been able to price in information that is not known. In this case, No-Fault patent licenses will price for not knowing with certainty whether infringement is taking place or not...

In addition to No-Fault licenses, the United States Patent Utility™ will provide a broad range of patent-related services that help companies understand and manage legal risk, track competitive activity and uncover new opportunities in external R&D. For the first time, the huge un-served market of patent owners and users will be able to benefit from the invention marketplace by participating in a simple and affordable way.”

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Mr. Ellenthal concluded with a discussion of how a voluntary online system would facilitate the transition of patent licensing to a market-based model, the economic value this would deliver, and the government’s part to play in educating policymakers and fostering more licensing activity.

“...The RFI Strategy for American Innovation effort can add the voice of national policymakers to the economic value to be found in greater patent licensing, and to the need to develop and implement business models that enable licensing to scale rather than remain caught in our high-cost legal system. For another, in recognizing that America needs more patents, more innovation, more licensing, and more commercialization, this effort will contribute to the key foundational elements of our nation’s future competitiveness. “

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Background on Strategy for American Innovation

Last updated in February 2011, and first released in 2009, the *Strategy for American Innovation* articulates the importance of innovation as a driver of U.S. economic growth and prosperity, the central importance of the private sector as the engine of innovation, and the critical role of government in supporting our innovation system. As noted in the Administration's Request for Information, public input into the strategy update process is particularly valuable given the document's critical role in guiding the development of new policy initiatives that can help unleash the transformative innovation that leads to long-term economic growth.

The Notice of Request for Information (RFI) can be viewed [here](#).

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.

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