



Unit License Right™ Smart Contract Introduction

Intellectual Property Coin Group, Inc.

September 17, 2018

James E. Malackowski

Overview

- IPCG Introduction
- Unit License Right™ Smart Contract Market
- ULR Blockchain Technical Roadmap
- FAQ's
- IPXI Market Test

IPCG Introduction

Intellectual Property Coin Group, Inc. (“IPCG”) is a patent pending Ethereum based blockchain platform and related cryptocurrency designed to facilitate Intellectual Property (“IP”) based transactions, primarily focused on patents.

The company presents two offers:

- IP Coins (“IPC”) or tokens are a proprietary cryptocurrency loaned to patent owners, providing liquidity to purchase and license further patent rights from third parties.
- Unit License Right™ Smart Contracts (“ULR Contracts”) represent a blockchain ledger allowing patent owners to more efficiently license their IP rights creating greater transparency, a secondary market opportunity, a clear audit trail and accounting value recognition.

IPCG’s founders have pioneered numerous IP market products and services dating back to 1985. IPCG products are the next generation *Funding Innovation™*.



IPCG Team

James E. Malackowski, Executive Chairman

Mr. Malackowski is the Chairman, Co-Founder and Majority Member of Ocean Tomo. Jim has been recognized annually since 2007 by leading industry publications as one of the “World’s Leading Intellectual Property Strategists”. Jim is Past President of the world’s largest technology transfer trade association and a former member of the World Economic Forum Global Agenda Council on IP Policy. Jim was the founder and Chairman of the Intellectual Property Exchange International, Inc.

Jason Cohen, Chief Technology Officer

Mr. Cohen is a former CTO and Managing Director of Research for Ocean Tomo. Jason has built and managed technology teams at companies such as Washington Mutual, Orbitz, GoGo Air and most recently TransUnion.

James Falvey, General Counsel

Mr. Falvey is former Regulatory Counsel for Ocean Tomo and specializes in commodities, derivatives, securities and FinTech/RegTech, including all aspects of cryptocurrency and blockchain. Jim has also served as General Counsel for the IntercontinentalExchange and EurexUS.



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Unit License Right™ Smart Contracts

Unit License Right™ (ULR) Smart Contracts represent a blockchain ledger allowing patent owners to more efficiently license their Intellectual Property (IP) rights creating greater transparency, a clean audit trail and accounting value recognition. Patent owners can use ULR Contracts to more efficiently license rights to use patent assets and related technology.

Estimating the likely future demand for a given technology, Licensors will offer a defined number of ULR Contracts to the market at predetermined pricing. Blockchain technology and standard but flexible terms allow the patent owner to quickly present this opportunity. Through reporting to IPCG, ULR Contracts are consumed when a product or service covered by the licensed patents is made, used or sold.

The blockchain ledger further transforms traditional market practice by allowing the ULR Contract buyer to resell any excess contracts into the market, creating the first true secondary market for patent licenses.

ULR Initial Offering Illustration

USP X,XXX,137 A / B / C

REPRESENTATIVE PATENT:	USP X,XXX,137 A / B / C Valve Seat Insert
ASSETS:	24, includes all related applications and family members
RESTRICTIONS:	1 million unit consumption licensee disclosure by IPCG
PAID UP OPTION:	Yes, based on 5 year forecast
AMNESTY:	Yes, full within 90 days of listing; 2 for 1 within 180 days
UNIT BASIS:	Each ULR covers one automotive or light truck engine
KNOW HOW WARRANT:	Yes, fee based; 1 million ULR purchase required
INITIAL OFFERING:	50 million license units offered in 100 unit lots
OFFERING TERM:	3 years
TERM OF LICENSE:	Until consumed

TRANCHES

U137A: 10 million ULRs	\$1 per unit discounted to \$0.50 per unit
U137B: 10 million ULRs	\$1 per unit discounted to \$0.75 per unit
U137C: 30 million ULRs	\$1 per unit

FOLLOW-ON OFFERINGS

QUANTITY:	20 million ULRs
PRICE BANDING:	+/- 20%

ULR Secondary Market Illustration

USP X,XXX,137 A / B / C

PRIMARY MARKET DATA

<u>Tranche</u>	<u>Authorized</u>	<u>Issued</u>	<u>Consumed</u>
U137A	10,000,000	10,000,000	6,888,658
U137B	10,000,000	2,500,000	–
U137C	30,000,000	–	–
Follow-on	20,000,000	–	–

SECONDARY MARKET DATA

<u>Tranche</u>	<u>Bid</u>	<u>Ask</u>	<u>% Speculator Holdings</u>
U137A	\$0.625	\$0.630	28%
U137B	\$0.750	\$0.750	0%
U137C	–	–	–
Follow-on	–	–	–

Strong ULR Contract Candidates (1/2)

- The technology is conducive to non-exclusive licensing.
- There is observable current or future adoption of the patented technology.
- The licensable market has multiple potential licensees.
- The patented technology can be licensed for multiple applications or fields of use.
- The IP has at least five (5) years of remaining life.
- Usage of the IP can be easily “unitized,” in that it can be tied to a measure of output or use (e.g., cell phone, computer, engine, barrel of oil, duration of time, number of users, financial service transaction, website click-through, etc.).
- Usage of the IP can be readily monitored and audited.

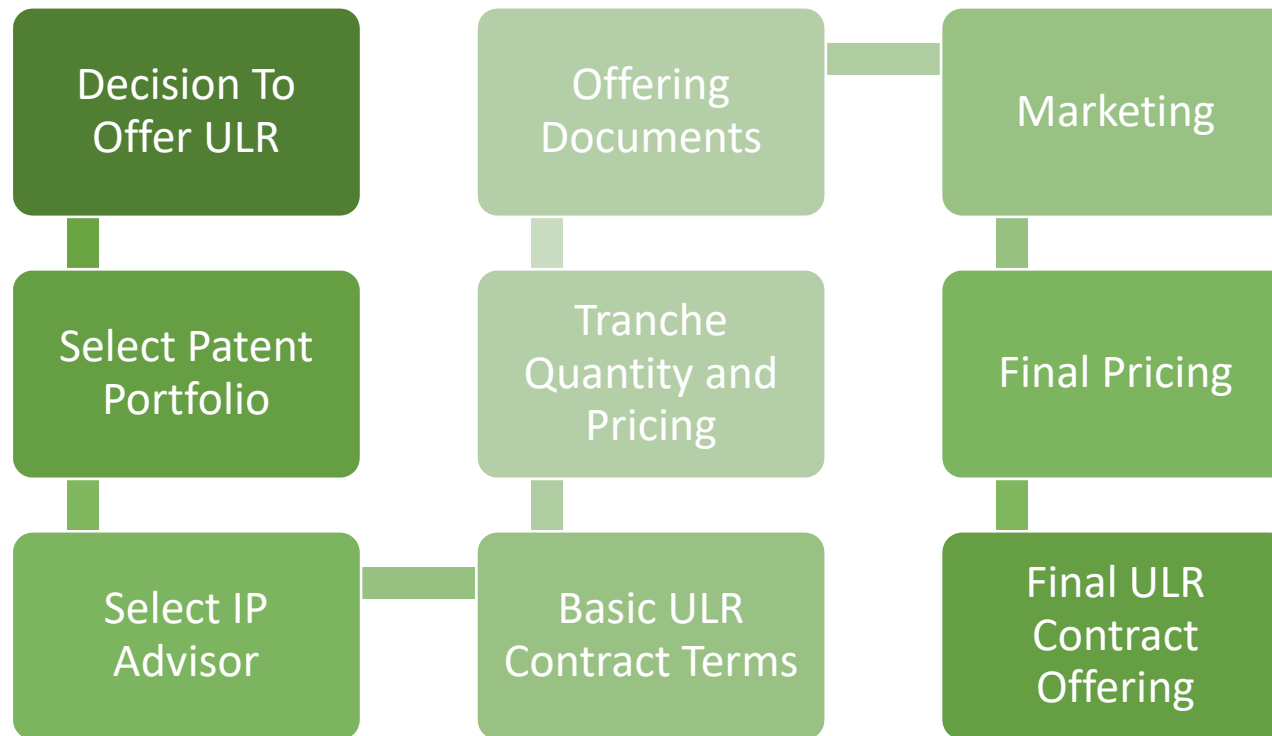
Strong ULR Contract Candidates (1/2)

- The patent portfolio is enabling, covering an entire process or product, and lacks royalty stacking considerations.
- The patent(s) hold strong priority positions in the relevant patent landscape, reducing the potential for invalidating prior art.
- The due diligence process reveals one or more of the following qualities in the IP:
 - ✓ Successful existing licensing history
 - ✓ Successful judicial determination
 - ✓ Successful patent office reexamination.

IPCG Requirements

- Public disclosure of the ULR Contract terms.
- Inclusion of at least one issued patent.
- Disclosure or reasonable description of all known encumbrances.
- Inclusion of all patented technologies or applications held by the issuer, at the time of the offering or later developed, which are essential to the unit-base defined in the ULR Contract.

Bringing a ULR Contract to Market



Role of the IP Advisor

- Identify IP to license.
- Assess potential market demand:
 - ✓ Determine unit basis
 - ✓ Assess likely mid-term (i.e. 3 to 5 year) utilization
 - ✓ Select tranche quantities and pricing to encourage adoption as well as interest by Institutional Buyers
 - ✓ Assess need/benefit of supporting Know-How
 - ✓ Assess need/benefit of Fully Paid-Up License Option.
- Prepare ULR offering memorandum.
- Marketing of initial offering.

ULR Contract Benefits

Licensor Benefits

- Efficient monetization of patent portfolios
- Dramatically reduced legal cost
- Avoids forced cross-licensing
- Facilitates outsourced marketing
- Improved audit trail
- Timely reports on licensee usage
- Flexible rights structure

Licensee Benefits

- Running royalty or fully paid-up option
- Access to needed or beneficial know-how
- Ability to resell unused ULR Contracts to accommodate reduced future needs
- Fair and level playing field for all prospective licensees

ULR Market Disclosures (1/2)

Issuer to Market

- ULR Contract offering memorandum
- Portal to purchase ULR Contracts under IPCG white label platform (optional)

Buyer to IPCG

- KYC registration information
- Purchase quantity
- Amnesty election
- Quarterly consumption of ULR Contracts
- Portal to purchase ULR Contracts under IPCG white label platform (optional)

ULR Market Disclosures (2/2)

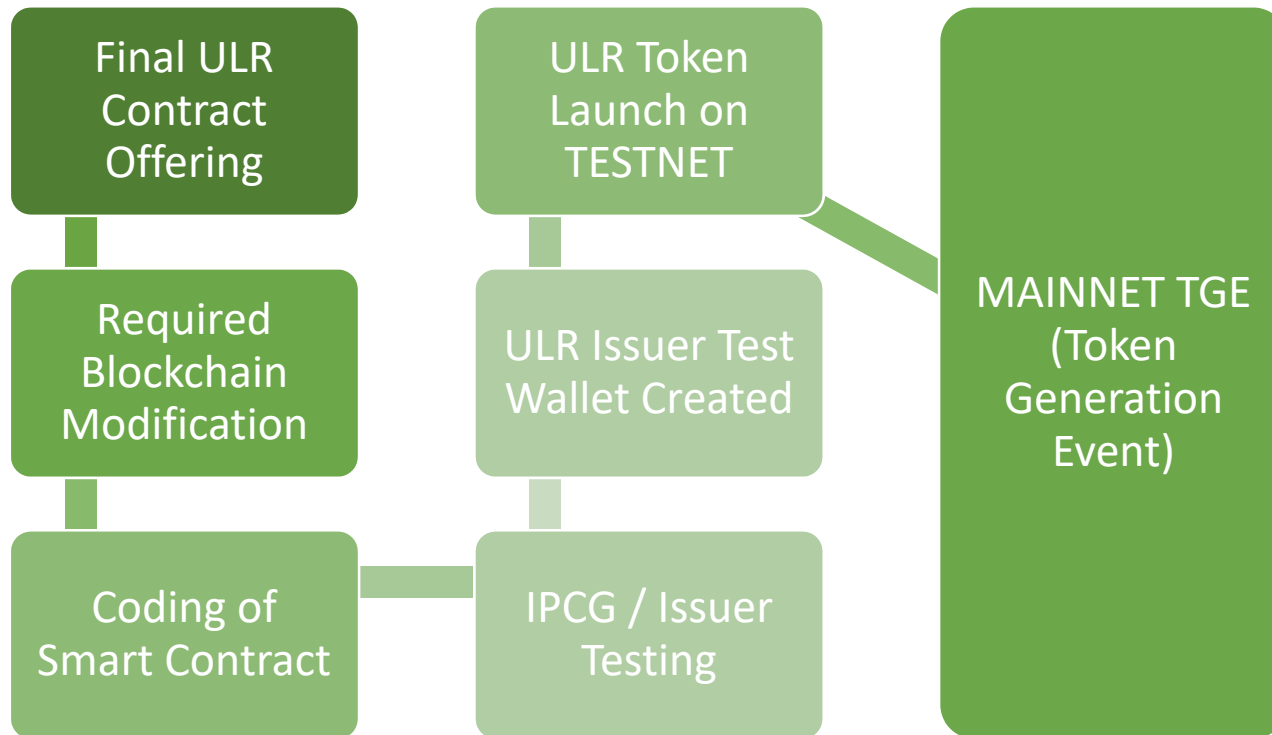
IPCG to Market

- All ULR Contract offerings available, including ULR Contract specific forums
- Masked (anonymous) holdings by ULR Contract
- Aggregate ULR Contract data (e.g. purchase and consumption activity by industry, issuer, investor designation, geography, amnesty election, paid-up selection, etc.)

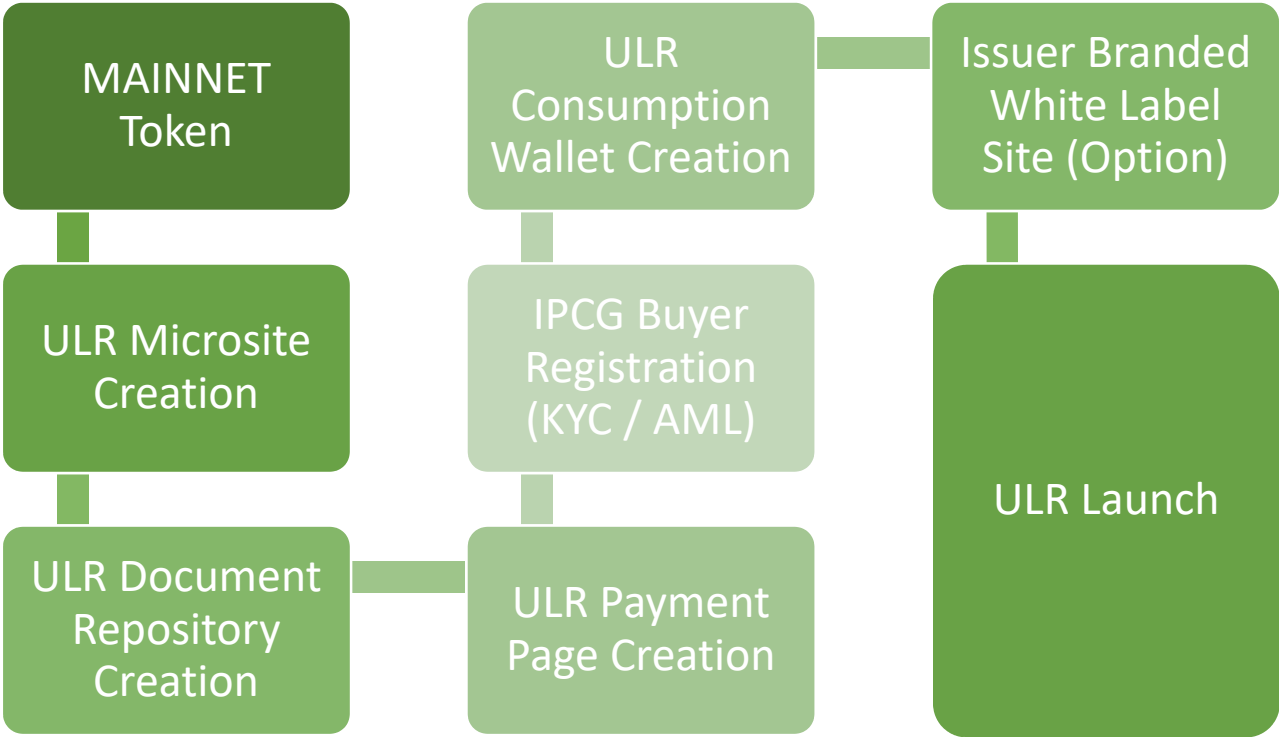
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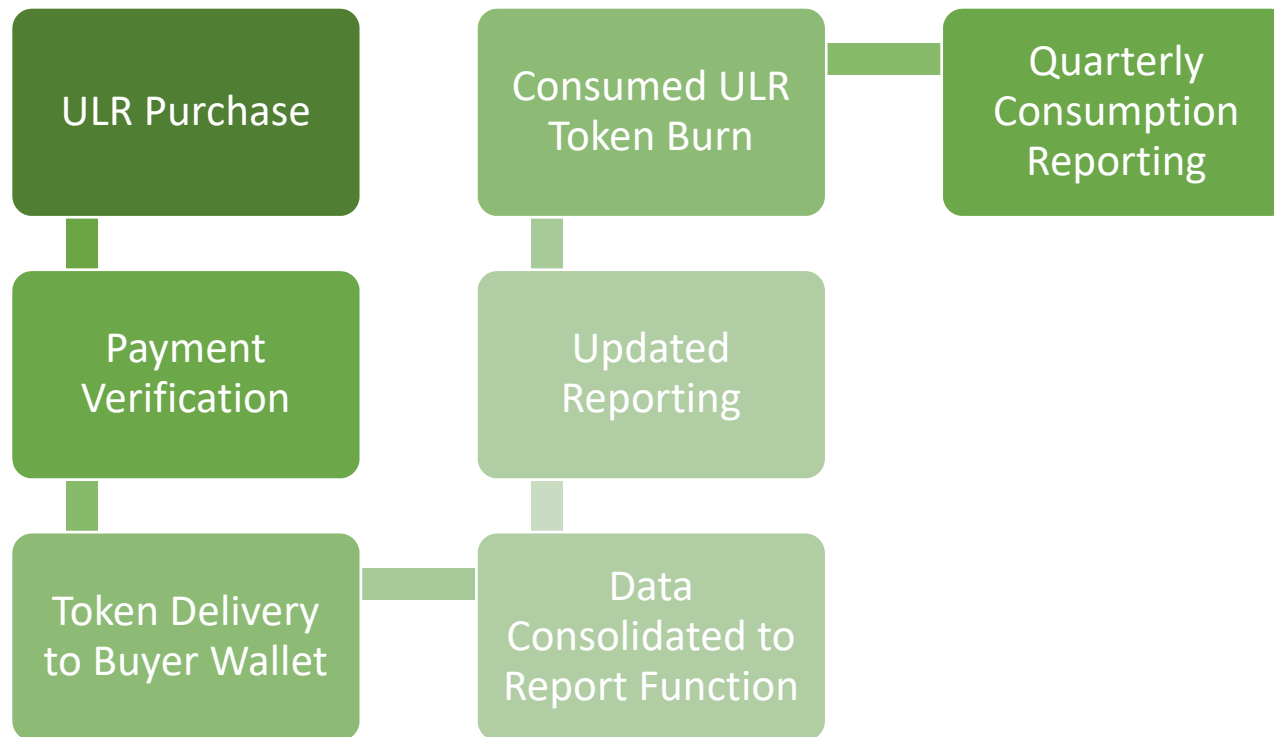
Token Generation



ULR Technical Launch



ULR Settlement Process



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FAQ's

What is different between IPCG's model and the former IPXI model?

IPCG presents Unit License Right™ Smart Contracts as a second generation solution. Significant improvements have been made in both the basic structure of ULRs, largely due to the use of blockchain, and the flexibility provided to licensors and licensees. IPCG allows patent owners a greater ability to customize their offering within the basic ULR framework.

IPCG has simplified the offering process as well as the life cycle of the license:

- IPCG does not require assignment of patents and related IP to a SPV
- IPCG does not require approval of offering terms for qualified issuers
- IPCG does not institute or participate in enforcement litigation.

IPCG is not an exchange and does not require membership to participate as an issuer or buyer of ULR Contracts.

FAQ's

What are the primary objectives of IPCG's ULR Contract market (1/3)?

- Provide transparency to the IP transaction market, including price discovery, comparable technology identification and adoption rate, and standard term information.
- Provide efficiency in patent licensing and technology transfer.
- Accelerate innovation by providing more complete information to intellectual asset management and R&D decision-makers about the value and adoption of technology.
- Assist IP owners with monetization of their portfolios, returning investment dollars to research and development, thereby creating a continuous cycle of innovation which will result in societal benefits.
- Maximize licensing opportunities and access to the full addressable market for technology including smaller users not otherwise efficiently reached.

FAQ's

What are the primary objectives of IPCG's ULR Contract market (2/3)?

- Provide licensees with broad access to quality patents and technology at market-established prices and within a standardized framework.
- Assure fair market pricing without bias based on licensee.
- Provide a secondary market for technology, allowing operating companies to hedge their exposure to new technologies, manage their exposure to infringement and R&D risk in emerging technology markets, and allowing speculators exposure to valuable technology.

FAQ's

What are the primary objectives of IPCG's ULR Contract market (3/3)?

- Address the main considerations of operating companies for patent non-compliance, providing an economically efficient and accessible means to patent use compliance thereby reducing the risk of litigation and excessive damage awards.
- Allow market-driven pooling and more refined options when selecting relevant patents for licensing.
- Allow for development of a technology transfer market based on participant needs.

FAQ's

What is a ULR Contract?

- A ULR Contract is a standardized container or form license agreement based on a Ethereum-based blockchain platform. A ULR Contract is not a security.
- A ULR Contract is a non-exclusive license right product, offered on a non-discriminatory basis at a market-based price and with a standard format.
- A ULR Contract is priced and sold on a standardized technology-unit basis, where each unit-base is uniquely determined by the issuer according to the underlying technology for each ULR Contract, and where each unit-base is an easily monitored measurement of that patented technology's adoption.
- The purchaser of a ULR Contract is granted the right to use the underlying technology for a pre-established number of instances (the technology unit); for example, the right to manufacture and/or sell a certain number of defined product units incorporating the patented technology.

FAQ's

Which problems with traditional licensing does the ULR Contract model address?

- Lack of contract and valuation standards.
- Significant portfolio specific legal costs.
- Inefficient distribution methods.
- Lack of market transparency, leading to inadequate price discovery.
- Supply uncertainty.
- Lack of predictability in licensors' prospective marketing / enforcement strategies.
- Inaccessibility to technology at fair and reasonable prices for smaller market participants.

FAQ's

Why is the blockchain model appropriate for licensing of patent portfolios?

- Blockchain allows for transparency in licensing of valuable IP.
- Blockchain standardizes offerings and enables secondary market transactions avoiding the cost and trouble of having to create bespoke bi-lateral contracts between licensee and licensor and permitting the hedging of IP risk.
- The IPCG blockchain product creates market-based price discovery, enabling ULR Contract purchasers to obtain technology at market-determined prices.
- Blockchain allows for open access enabling all qualified (i.e. non-objectionable content or restricted nations) buyers to obtain licenses.
- The IPCG blockchain platform allows for licensees to obtain technology on an as-needed basis and/or resell in the secondary market.
- The IPCG blockchain model allows for the collection and dissemination of technology adoption data.

FAQ's

What specific benefits can issuers achieve by bringing IP to market through ULR Contracts?

- By increasing purchaser confidence, ULR Contracts increase the population of potential licensees, allowing for revenue maximization.
- The ULR Contract model dramatically reduces legal costs for both issuers and purchasers, due to standardized, blockchain-based offerings.
- ULR Contracts enable IP owners to avoid forced cross-licensing on unfavorable terms.
- By issuing ULR Contracts, patent owners are able to more efficiently outsource costly marketing, auditing and enforcement activities to third parties.
- ULR Contract issuers receive regular reports on ULR Contract usage, allowing them to monitor the market penetration of their technology.
- ULR Contract pricing is market-determined, increasing the likelihood of terms that are fair and reasonable.
- ULR Contracts offer a flexible rights structure.

FAQ's

What are the relative merits of bringing a patent to market as a ULR Contract versus selling it outright?

- Because ULR Contract issuers retain patent ownership and license their offerings non-exclusively, they can achieve ongoing revenue streams from multiple ULR Contract offerings.
- By creating ULR Contract cash flows, it is significantly easier to borrow against the subject IP.
- Outright patent sales often require significant pricing discounts to guarantee the consummation of a transaction, while the unitized and market-based nature of ULR Contract offerings allows for capture of full market value and market penetration.

FAQ's

What are the relative merits of bringing a patent to market as a ULR Contract versus traditional in-house licensing programs?

- ULR Contract standardization, transparency, price discovery, and public opportunity offer the potential for vastly larger market opportunities than possible through traditional bi-lateral licensing activities.
- ULR Contract purchasers' ability to buy on an as-needed basis and resell in the secondary market may increase buyer confidence by decreasing buyer risk, bolstering demand and maximizing revenue to the licensor.
- ULR Contracts avoid revenue-mitigating cross-licensing demands which may arise through in-house licensing.
- The ULR Contract model dramatically reduces legal costs for both issuers and purchasers, due to standardized, blockchain-based offerings.

FAQ's

Why would a company utilize ULR Contracts to bring patents to market that it hasn't already licensed itself?

- ULR Contract issuers with limited resources to conduct in-house licensing programs may view the issuance of ULR Contracts as a lower-cost, lower-risk alternative.
- ULR Contract issuers who have already identified usage of their technologies may be concerned about the public relations or branding ramifications of pursuing enforcement activities and find IPCG's community approach to be more attractive.
- ULR Contract issuers may wish to avoid being forced into a disadvantageous cross-licensing deal that does not adequately compensate it for its IP contribution.

FAQ's

What benefits can University and Laboratory issuers achieve by bringing IP to market through ULR Contracts?

- ULR Contracts' market based pricing will be fair and reasonable, ensuring that university and laboratory technology transfer offices adhere to their mission to monetize and/or commercialize the university's or laboratory's scientific and technical research findings for the benefit of the university or laboratory, the public, and the local and regional communities.
- ULR Contracts will provide university and laboratory technology transfer office management with information to make better informed decisions regarding intellectual property strategy, maximizing the benefit to the university or laboratory and public.
- The issuance of ULR Contracts will ensure that university and laboratory technology transfer offices are provided with demand and consumption analytics regarding the usage of their technologies.

FAQ's

What is the IPCG Founders Circle?

- IPCG is offering prior Members of the Intellectual Property Exchange International (IPXI) and select others an opportunity to participate in the IPCG Founders Circle.
- Participation as an IPCG Founder requires that the IP owner execute a Letter of Intent prior to IPCG's Initial Coin Offering (ICO) to participate as either an issuer of ULR Contracts or a borrower of IP Coins.
- Benefits of becoming part of the IPCG Founders Circle include waiver of certain ULR Contract listing fees and further repayment options for IPC loans.
- Members of the IPCG Founders Circle will have the opportunity to participate in peer community discussion groups, helping to shape the development of IPCG product markets.
- Please speak to an IPCG executive for further information.

FAQ's

What does IPCG charge to use ULR Contracts?

- IPCG charges a \$15,000 listing fee and a 15% commission for each Unit License Right™ Smart Contract which posts to the market.
- IPCG offers two standard discounts to the above charges. First, payment in IPC tokens entitles the issuer to a 50% discount on either the listing fee, commissions paid, or both. Second, all listing fees for members of the IPCG Founders Circle are waived for the first year or first three ULR Contracts.
- The above fees are based on common patent transaction fees charged for private brokerage or public auction.

FAQ's

What specific benefits do purchasers achieve through ULR Contracts?

- ULR Contract purchasers have transparent, unbiased access to running royalty or fully paid-up, unitized licenses for critical patent portfolios.
- ULR Contract purchasers receive standard in-licensing terms, regardless of company size, market position, or relationship with the ULR Contract issuer.
- ULR Contracts are available at prices determined by market dynamics, decreasing the need for purchasers to engage in complicated internal or external valuations. ULR Contract purchasers can purchase license rights in the primary market on an as-needed basis.
- ULR Contract purchasers have the right to resell unused ULR Contracts or purchase additional ULR Contracts on the secondary market to accommodate unexpected changes in long-term needs.

FAQ's

Can operating companies purchase a fully paid-up license?

- Issuers of ULR Contracts have the option to offer purchasers a fully paid-up license. Such a paid-up license requires that the purchaser disclose its identity to the issuer and represent that it will use the license rights internally, subject to the conditions stated in the particular ULR Contract.
- ULR Contracts containing the option of a fully paid-up license may also provide for public disclosure of the licensee subject to position limits (i.e. all purchases of a paid-up license based on an estimated quantity greater than X will be disclosed).
- Pricing for paid-up licenses is based on an estimate of future use (e.g. 3 to 5 years) and must be approved by the issuer on a case-by-case basis.
- The agreed upon quantity used to estimate the paid-up amount reduces the number of ULR Contract available under the offering on a first-out (lowest available tranche) basis.
- Paid-up licenses provide no secondary market opportunity.

FAQ's

What will motivate potential ULR Contract buyers to purchase voluntarily, rather than wait for enforcement?

- Innovative companies may hope to be first movers in the ULR Contract market as a way to spearhead technology development and cultivate their reputations as innovative leaders.
- Many companies may voluntarily become members of the blockchain platform in an attempt to foster public goodwill and be considered good corporate citizens; this has been a key motivator at the outset of both several blockchain platforms as well as traditional exchanges.
- Potential licensees will want to avoid negative publicity / share impact from commencement of an enforcement action for infringement against the company involving IP readily available at fair pricing.
- Certain ULR Contracts will include favorable pricing terms and potential amnesty for past infringement for early adopters.
- A new licensing model does not eliminate the legal obligation to comply with patent laws.

FAQ's

What IP can be licensed using a ULR Contract?

- An IP owner may include IP of any type or jurisdiction.
- If know-how is required, the related ULR Contract may include a right to the needed expertise, data, drawing, software or other IP. The know-how elements of each ULR Contract and related transfers will be described in the offering memorandum.
- IPCG offers the opportunity for issuers to offer know-how, materials, or other services as a Know-How Warrant (KHW) included with the purchase of a ULR Contract, allowing the ULR Contract purchaser to exercise the KHW as desired, which acts as a rebate or coupon in the purchase of the Sponsor's know-how or other products or services. A KHW may be a separately traded product, attributing a market-based value to know-how transfer.
- ULR Contracts may allow for the pass-through of government march-in rights and other legal or contractual limitations, where necessary and appropriate.

FAQ's

How does IPCG address risks of royalty stacking or the need to license multiple patent portfolios for any given product?

- All patents included in a ULR Contract are publicly disclosed, and a special IPCG forum created for each offering solicits comments from market participants and potential licensees regarding the ULR Contract offering, including price and whether other patents held by third-parties are essential to the unit-base.
- IPCG will work with patent pooling organizations to multiple patents for ULR Contract offerings, where necessary and appropriate.
- ULR Contract market-based pricing and public opportunity allows for fair and reasonable and non-discriminatory (FRAND) licensing.
- ULR Contracts require that all patented technologies or applications held by issuers, at the time of issuance or later developed, which are essential to the unit-base must be included in the ULR Contract.

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IPXI History (1/2)

- Chicago-based Intellectual Property Exchange International, Inc. (IPXI) was the world's first financial exchange for licensing and trading intellectual property rights. The exchange closed in March 2015 (see later slide).
- IPXI was founded in 2007 by Ocean Tomo. The development of the exchange began with support from the State of Illinois in 2006. Two public town-hall meetings were held with several hundred corporate IP owners, inventors and others participating.
- Fourteen national and international corporate and university IP managers attended the initial rulebook meeting in March 2010. Beyond these formal meetings, hundreds of IP ecosystem participants have contributed to the development of the exchange and the initial product, the ULR contract.
- In December 2011, IPXI completed funding for its U.S. operations from strategic investors including Royal Philips Electronics and CBOE Holdings. IPXI's founding members met frequently in early 2012 to develop and approve the release of the IPXI Market Rulebook Working Version 1.0.

IPXI History (2/2)

- By February 2013, IPXI had more than 45 members. Among the IPXI's 20 Founding Members were: Ford Global Technologies, LLC; J.P. Morgan Chase & Co.; Philips Intellectual Properties & Standards; Sony Corporation of America, and Hewlett-Packard Company. The founding members committed to sponsor offerings on the exchange with an aggregate target market value of more than \$750 million.
- In March of 2013, IPXI announced that the U.S. Department of Justice Antitrust Division had concluded an eight-month business review of the exchange and issued its Business Review Letter highlighting many "innovative and efficient" aspects of the IPXI's licensing model. The exchange initiated the business review process to provide certainty to its members and market participants that IPXI's model did not warrant enforcement action by the DOJ.
- The exchange successfully held its first two initial offerings of unit license rights on July 18, 2014. The offerings were based on patent rights to prepaid stored value card (SVC) technology owned by JPMorgan Chase, N.A.

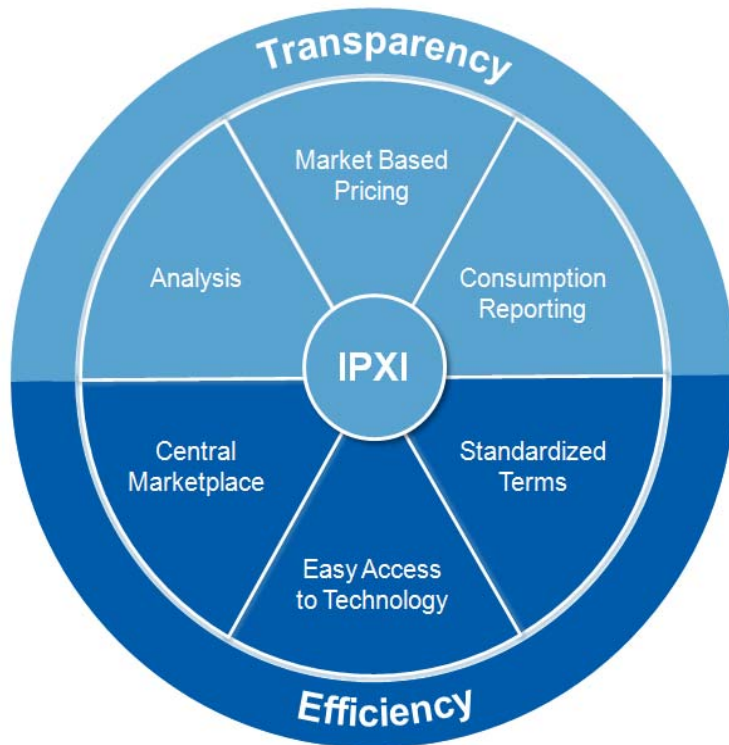


IPXI Patent Owner Participants

- Philips (Netherlands)
- Ford Motor Company
- Com-Pac International
- MetaPower, Inc.
- Rutgers University
- Northwestern University
- University of Utah
- University of Notre Dame
- Regents University of California
- Lawrence Livermore National Laboratory
- Brookhaven National Laboratory
- Caisse des Depots et Consignations

More than 40 Patent Owner Participants at time of initial ULR.

IPXI Market Test



Reasons IPXI Ceased Operations

- Resistance to assign patents to SPV and subject to governance by IPXI
- Inability to purchase a paid-up license
- Period of extreme patent troll activity -- ULR Contract buyers were not able to secure corporate funding to purchase (patent litigation funding priority)
- Uncertainty over IPXI enforcement role, commitment and resources

Contact

IPCG Team

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