

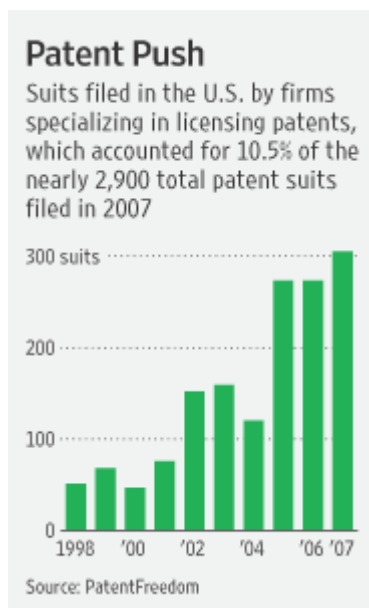
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Start-Up Takes on 'Patent Trolls'

Firm Plans to Defensively Buy Patents and Charge Fixed Membership-License Fees

By DON CLARK

A San Francisco start-up is disclosing details of a new service to address patent risks facing technology companies, and has lined up Cisco Systems Inc. and International Business Machines Corp. as initial members.



The new venture, called RPX Corp., is the latest response to the rise of firms that buy up patents to seek royalties from other companies. Such licensing firms are often called nonpracticing entities -- or, more derisively, patent trolls -- because they don't make or sell products that use patents.

The patent-licensing firms have figured prominently in costly lawsuits against technology companies. RPX estimates that those firms have raised more than \$6 billion over the past decade to finance patent purchases.

RPX, in response, plans to become what it calls a "defensive patent aggregator," buying patents to keep them from firms that might use them as the basis of lawsuits or to press for licensing payments. Companies that pay a fixed annual fee receive licenses to the patents purchased by RPX, which pledges never to assert them.

John Amster, RPX's co-chief executive, hopes to attract hundreds and eventually thousands of corporate members.

"At thousands of members I think it's a game-changing business," Mr. Amster said.

RPX isn't the only organization trying to aid potential patent defendants. Allied Security Trust, which was formed by a group of large technology companies and disclosed its plans in June, also buys patents to keep them from potential plaintiffs.

But there are differences between the two efforts. RPX hopes to earn a profit and is backed by two venture-capital firms, Kleiner Perkins Caufield and Byers and Charles River Ventures. Its revenue comes from membership fees -- \$35,000 to \$4.9 million, depending on a company's operating income -- but RPX makes the decisions about which patents to buy.

AST, based in Poughkeepsie, N.Y., is a nonprofit entity. Its members put money into an escrow account, and are consulted to see if they want to contribute to the purchase of particular patents, said Daniel McCurdy, the group's chief executive.

AST claims about 15 members and has a goal of 30 to 40. It hasn't disclosed any names, but people familiar with the matter say initial members include Google Inc., Verizon Communications Inc., Hewlett-Packard Co. and Cisco.

Mr. McCurdy said AST and RPX could wind up bidding against each other on patents, but sees them mostly as allies pursuing similar goals. "They are completely complementary," he said.

RPX's Mr. Amster and co-CEO Geoffrey Barker previously worked at Intellectual Ventures LLC, a Seattle firm founded by former Microsoft Corp. executive Nathan Myhrvold. Intellectual Ventures has purchased thousands of patents, and has patented its own inventions. It has recruited big technology companies as investors, but has rankled some of them because it also charges patent-license fees and hasn't ruled out the use of litigation.

Peter Detkin, Intellectual Ventures' founder and vice chairman, said the field can easily absorb more buyers such as RPX. "There are four or five million active patents, and we hold a very, very small percentage of them," he said.

A spokesman for Cisco, which is based in San Jose, Calif., said RPX's "objective of defensively pooling patents is a sensible approach to the continuing problem of litigation by firms that don't produce products or services."

An IBM spokesman confirmed the company's participation in the effort, but declined to comment further.

RPX says it has acquired rights to 150 patents and 50 patent applications since it was founded in March, in fields such as mobile technology, Internet search and radio-frequency identification.

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