



IPXI Market Rulebook

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IPXI MARKET RULEBOOK
TABLE OF CONTENTS

OVERVIEW..... 1

CHAPTER 1: IPXI INTRODUCTION AND DEFINITIONS 2

 100. Definitions 2

CHAPTER 2: EXCHANGE COMMITTEES 7

 200. Overview 7

 201. Executive Committee..... 7

 201.A. Nominating Committee 7

 202. Other Exchange Committees 7

 202.A. Rules Committee..... 8

 202.B. Selection Committee 8

 202.C. Business Conduct Committee..... 9

 202.D. Enforcement Committee 10

 202.E. Market Operations Committee 10

 203. Committee Actions 11

 204. Confidentiality of Committee Activities 11

 205. Conflicts of Interest for Committee Activities 12

 206. Committee Membership 13

 207. Fees..... 13

 208. Emergencies..... 13

 209. Trading by IPXI Officers, Employees or Agents 14

CHAPTER 3: MEMBERSHIP 15

 300. Overview..... 15

 301. Membership Classes 15

 302. No Distinction Between Founding Members and Members 15

 303. Membership Rights..... 16

 304. Membership Obligations..... 16

 305. Termination of Membership..... 16

CHAPTER 4: CONDUCT OF MEMBERS	17
400. Overview.....	17
401. Prohibited Conduct by Members	17
402. Prohibited Conduct by Sponsors.....	17
403. Rule Violations.....	17
404. Disclosure of Reexamination and Post-Grant Review	18
CHAPTER 5: OFFERINGS OF ULR CONTRACTS	19
500. Overview.....	19
501. Subject Matter of Offerings.....	19
502. Pooled ULR Contracts.....	19
503. Standard-Essential Patents	19
504. Publication of Tranche Pricing.....	19
505. Limitation on Initial Offering Discounts	19
506. Follow-on Offering	19
507. Publication of Data Related to an Offering	20
508. Confidentiality of Marketing Information for Specific Offerings	20
509. Standard Form of ULR Contracts	20
CHAPTER 6: TRADING AND CONSUMPTION OF ULR CONTRACTS	21
600. Overview.....	21
601. Members Only	21
602. Registry.....	21
603. Designation of Liquidity Provider or Operational User	21
604. Changes to Designation	21
605. Minimum Requirements for Liquidity Providers.....	21
606. Position Limits for Liquidity Providers.....	22
607. Adjustments to Position Limits for Liquidity Providers.....	22
608. Payment for Trades in Authorized Products.....	22
609. Transactions in the Secondary Market.....	22
610. Reporting Consumption by Operational Users.....	22
611. Maintenance of Consumption Records by Operational Users	23
612. Maintenance of Consumption Reports by IPXI	23

613.	Publication of Consumption Information.....	23
614.	Ineligibility To Consume During Patent Litigation.....	24
614.A.	Claims Against Patents Included in an Offering — Ineligibility	24
614.B.	Patent Assertion Against Sponsors of ULR Contracts — Defensive Suspension	24

CHAPTER 7: ASSERTION AND ENFORCEMENT OF PATENTS..... 25

700.	Overview.....	25
701.	Enforcement Only with Consent of IPXI	25
702.	Enforcement Only with Consent of Sponsor	25
703.	No Obligation To Consent	25
704.	Petitions for Enforcement of Patents.....	25
705.	Review by Executive Committee.....	25
706.	Review by the Board	25
707.	Arbitration and Mediation.....	26
708.	Retroactive Compliance	26

CHAPTER 8: HEARINGS AND SANCTIONS FOR RULE VIOLATIONS..... 27

800.	Overview.....	27
801.	Commencement of Investigations	27
802.	Notice of Investigation	27
803.	Conduct of Investigations	27
804.	Reports of Investigations	27
805.	Confidentiality of Investigations.....	27
806.	Limitations on Authority	27
807.	Notice of Charges.....	28
808.	Answer to Notice of Charges.....	28
809.	Settlement.....	28
810.	Pre-Hearing	29
811.	Hearing	29
812.	Order.....	30
813.	Sanctions for Violations by Members	31
814.	Sanctions for Violations by Committee Members.....	31

CHAPTER 9: AUDITING AND COMPLIANCE 32

900. Overview..... 32

901. Audits..... 32

902. Request for Audit..... 32

903. Random Accounting Audits 32

904. Procedure 32

905. Conduct of Audit 33

906. Audit Report..... 33

907. Audit Determination Appeal..... 33

908. Audit Determination Appeal Order 34

909. Confidentiality of Audit Reports and Proceedings..... 34

IPXI MARKET RULEBOOK

OVERVIEW

The IPXI Market Rulebook (the “Rulebook”) sets forth rules governing the issuance, trading, enforcement, auditing and Consumption of products offered on the exchange operated by Intellectual Property Exchange International, Inc. (“IPXI”) and its related companies and affiliates. The rules set forth in this Rulebook are subject to change as described herein.

IPXI is not registered with the United States Commodity Futures Trading Commission, the United States Securities and Exchange Commission or any other governmental agency. IPXI is not registered as a designated contract market under Section 5(b) of the Commodity Exchange Act, a swap execution facility under Section 5(h) of the Commodity Exchange Act, a national securities exchange under Section 6 of the Securities Exchange Act, an alternative trading system under the Securities Exchange Act or otherwise.

CHAPTER 1: IPXI INTRODUCTION AND DEFINITIONS

100. Definitions

As used in this IPXI Market Rulebook, the following terms have the meanings specified below:

Accounting Audit

The term “Accounting Audit” refers to a review of relevant records to confirm that the reported manufacture or sale of products or services or uses identified by a Trading Member and falling within the scope of the Authorized Product corresponds with actual manufacture, sale, use or import data of that Trading Member. This review may include, but is not limited to, a forensic audit with test purchases, web surveys, under-cover buys or third-party market information.

Associate Member

“Associate Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

Authorized Product

The term “Authorized Product” means a ULR contract or any other product authorized by the Board for an Offering and subsequent trading on the IPXI Electronic Trading Platform.

Board

The term “Board” means board of directors of IPXI.

Business Conduct Committee (“BCC”)

The terms “Business Conduct Committee” and “BCC” refer to the committee constituted in accordance with Rule 202.C.

Chapter

The term “Chapter” refers to a chapter of this Rulebook.

Conflict of Interest

The term “Conflict of Interest” has the meaning provided by Rule 205.

Consumption

The terms “Consume,” “Consumption” and their variations refer to an Operational User’s filing of a report with the Exchange pursuant to the terms of an Authorized Product whereby the Operational User receives IP rights from an Authorized Product and the Authorized Product is removed from the Operational User’s Registry Account and is no longer available for trading.

Corporate Founding Member

“Corporate Founding Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

Corporate Member

“Corporate Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

Eligible ULR Contract Participant

The term “Eligible ULR Contract Participant” refers to a Liquidity Provider that meets minimum financial criteria set by the Executive Committee.

Emergency

The term “Emergency” means any occurrence or circumstance which, without immediate action, threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any agreements, Authorized Products or transactions on the IPXI Electronic Trading Platform. An Emergency may include, without limitation, any of the following:

- a) Any manipulative activity or attempted manipulative activity;
- b) Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;
- c) Any circumstance which may materially adversely affect the performance of agreements, Authorized Products, or transactions traded on the IPXI Electronic Trading Platform, including any failure of the payment system or the bankruptcy or insolvency of any participant;
- d) Any action taken by any foreign or domestic governmental body, or any other foreign or domestic exchange or trading facility that may have a direct adverse effect on trading on the IPXI Electronic Trading Platform;
- e) Any circumstance which may have a severe adverse effect upon the physical functions of the IPXI Electronic Trading Platform, including fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation, and air conditioning systems and transportation breakdowns; and
- f) Any other unusual, unforeseeable, and adverse circumstance with respect to which it is impracticable for IPXI to submit in a timely fashion a reviewable rule to the Executive Committee.

Enforcement Committee

The term “Enforcement Committee” refers to the committee constituted in accordance with Rule 202.D.

Exchange Committee

The term “Exchange Committee” refers to any committee constituted in accordance with Rule 201 or Rule 202 hereof.

Executive Committee

The term “Executive Committee” refers to the committee constituted in accordance with Rule 201.

Follow-on Offering

The term “Follow-on Offering” means an additional Tranche of a unique Authorized Product that is made available after the Initial Offering of the Authorized Product upon the occurrence of certain triggering factors set forth in the Offering Memorandum.

Founding Member

The term “Founding Member” means a Member of the classes: Corporate Founding Member, Laboratory Founding Member or University Founding Member.

Full Member

The term “Full Member” means a Member of the classes: Corporate Founding Member, Laboratory Founding Member, University Founding Member, Corporate Member, Laboratory Member, or University Member.

Initial Offering

The term “Initial Offering” means the first group of Tranches of a unique Authorized Product that is published in an Offering Memorandum and available for purchase through the IPXI Electronic Trading Platform.

Intellectual Property (“IP”)

The terms “Intellectual Property” and “IP” include any protectable or proprietary intangible asset that may be licensed, including: patents, patent applications, inventions, invention disclosures, copyrights, trademarks, trade dress, designs, software, and symbols, names, images or designs used in commerce.

Interested Person

The term “Interested Person” has the meaning set forth in Rule 205(a).

IPXI

“IPXI” refers to Intellectual Property Exchange International, Inc., a Delaware corporation.

IPXI Electronic Trading Platform

The term “IPXI Electronic Trading Platform” refers to IPXI’s system for posting buy and sell orders for Authorized Products that is used to execute trades among Trading Members.

IPXI Holdings, LLC

IPXI Holdings, LLC is a Delaware Limited Liability Company and is the parent company of IPXI.

IPXI Market Rulebook (“Rulebook”)

The terms “IPXI Market Rulebook” and “Rulebook” refer to this document, which is the authoritative source for the rules of IPXI, including and any interpretation, stated policy or instrument corresponding thereto, as adopted, amended, or supplemented from time to time by IPXI.

Issuer

The term “Issuer” means a wholly owned subsidiary of IPXI Holdings, LLC, that has been created to receive licensable IP rights from a Sponsor and to sell Authorized Products to Trading Members through the IPXI Electronic Trading Platform.

Laboratory Founding Member

“Laboratory Founding Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

Laboratory Member

“Laboratory Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

Liquidity Provider

With respect to a particular Authorized Product, the term “Liquidity Provider” refers to a Trading Member that may buy and sell the Authorized Product but may not Consume the Authorized Product.

Market Operations Committee

The term “Market Operations Committee” refers to the committee constituted in accordance with Rule 202.E.

Member

The term “Member” means an entity that has entered into a Member Agreement with IPXI.

Member Agreement

The term “Member Agreement” means an agreement by which an entity obtains membership in IPXI, which does not convey any equity or ownership interest, and is entered into between a Member and IPXI. At a minimum, a Member Agreement shall (i) designate the class of membership to which the Member belongs from the classes enumerated in Rule 300, (ii) oblige the Member to abide by the Rulebook applicable to that class of membership, and (iii) confer upon the Member the rights applicable to that class of membership.

Nominating Committee

The term “Nominating Committee” refers to the committee constituted in accordance with Rule 201.A.

Offering

The term “Offering” means an Initial Offering or a Follow-on Offering.

Offering Memorandum

The term “Offering Memorandum” means a document prepared and published by IPXI in advance of an Initial Offering that describes the Offering and related terms of a unique Authorized Product to be listed on the IPXI Electronic Trading Platform.

Offering Summary Document (“OS Document”)

The term “OS Document” means a document that discloses the proposed terms and conditions for a unique Authorized Product to be listed on the IPXI Electronic Trading Platform and is submitted to the Selection Committee for review.

Operational User

With respect to a particular Authorized Product, the term “Operational User” refers to a Trading Member that may buy, sell and Consume the Authorized Product.

Purchasing Member

“Purchasing Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

Registry

The term “Registry” means the database that serves as the official record of assignment, transfer and Consumption for all Authorized Products.

Registry Account

With respect to a Trading Member, the term “Registry Account” means an account maintained with IPXI for the Trading Member’s holdings of Authorized Products.

Respondent

The term “Respondent” has the meaning set forth in Rule 807.

Rulebook

See IPXI Market Rulebook, above.

Rules Committee

The term “Rules Committee” refers to the committee constituted in accordance with Rule 202.A.

Secondary Market

The term “Secondary Market” means any transactions involving the resale of an Authorized Product.

Selection Committee

The term “Selection Committee” refers to the committee constituted in accordance with Rule 202.B.

Settlement Bank

The term “Settlement Bank” shall have the meaning assigned in Rule 608.

Sponsor

The term “Sponsor” means the owner or assignee of IP that is included in an Authorized Product.

Temporary Emergency Rule (“TER”)

The terms “Temporary Emergency Rule” or “TER” have the meaning set forth in Rule 208.

Trading Member

The term “Trading Member” refers to a Member of the classes: Corporate Founding Member, Laboratory Founding Member, University Founding Member, Corporate Member, Laboratory Member, University Member, or Purchasing Member.

Tranche

The term “Tranche” means a specified number of unique Authorized Products comprising one part of an Offering for sale to Trading Members on the IPXI Electronic Trading Platform at a uniform price.

ULR™ Contract (“Sublicense Agreement” or “ULR™ Unit Sublicense Agreement”)

The terms “ULR contract,” “Sublicense Agreement,” and “ULR Unit Sublicense Agreement” refer to an Authorized Product that provides a non-exclusive license to make, use, sell, offer for sale or import one unit, as defined in the ULR contract, for certain identified IP where the non-exclusive license is received upon filing of a report in accordance with the ULR contract’s terms.

University Member

“University Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

University Founding Member

“University Founding Member” is a class of membership of IPXI having the rights and obligations set out in Chapter 3.

CHAPTER 2: EXCHANGE COMMITTEES

200. Overview

This chapter establishes the powers and duties of certain committees organized by IPXI.

201. Executive Committee

The Executive Committee shall be initially composed of a minimum of three members, including the Chief Executive Officer (CEO) of IPXI. The Board shall appoint the other members of the Executive Committee after receiving a report from the Nominating Committee recommending candidates. The chairperson of the Executive Committee shall be selected by the Board. In addition to other authorities specifically granted herein, the Executive Committee shall have authority to:

- a) Advise the CEO with respect to overseeing the business and affairs of IPXI;
- b) Establish additional Exchange Committees as necessary;
- c) Supervise and consider recommendations from Exchange Committees;
- d) Receive recommendations from Exchange Committees and make recommendations to the Board;
- e) Advise on issues referred by Exchange Committees; and
- f) Establish rules governing membership in other Exchange Committees, the appointment of members thereto, and voting privileges of such members.

201.A. Nominating Committee

The Nominating Committee shall consist of the CEO and two additional members of the Board. The Nominating Committee shall find the best candidate for each office it considers. Persons serving on the Nominating Committee are eligible to be nominated for office. The chair of the Nominating Committee shall advise the Board of its nominations upon conclusion of its deliberations.

202. Other Exchange Committees

The Executive Committee shall assemble a number of Exchange Committees composed of representatives of Members to make recommendations for the conduct of IPXI's operations as described in this Chapter 2. Each Exchange Committee shall have five or more members at all times. One member of each Exchange Committee shall serve as its chairperson.

Each Exchange Committee will be supported by IPXI staff. A written record in the form of minutes shall be made of every Exchange Committee meeting. Exchange Committee discussions, deliberations, and written materials produced in connection with each such committee's meeting shall be confidential.

All committee appointments shall be made at the discretion of the Executive Committee. The CEO may constitute ad hoc Exchange Committees and appoint members thereof, subject to the approval of the Board. Additionally, the Executive Committee may recommend to the Board that members of any Exchange Committee be removed, at any time, at its discretion.

202.A. Rules Committee

The purpose of the Rules Committee is to prepare, maintain and interpret the Rulebook and to propose revisions and additions to the Executive Committee.

(1) Composition

Until its third anniversary, the Rules Committee shall be composed of representatives of each of the Founding Members. Representatives of the Founding Members who serve on the Rules Committee are not restricted to a specific term. However, all other committee members shall serve a one-year term, with the right to be reappointed by the Executive Committee.

(2) Meetings

The Rules Committee shall meet as determined by the committee chairperson.

(3) Process for Amending the Rulebook

The Rules Committee has the authority to recommend Rulebook amendments to the Executive Committee. In order to submit a Rulebook amendment to the Executive Committee, a simple majority of all Rules Committee members in attendance must vote in favor of the suggested revision. Before any such vote, there shall be a one-week comment period during which all Members may comment on any proposed amendment. The comments of Members received during such one-week period shall be considered by members of the Rules Committee when determining whether to vote in favor of the suggested revision. The Executive Committee shall then take the proposed rule change under advisement at its next regular meeting, but the Executive Committee is under no obligation to recommend the proposed rule change to the Board.

(4) Rule Interpretations

Unless provided otherwise, the Rules Committee shall be responsible for recommending interpretations of rules to the Executive Committee, which shall have final authority regarding interpretation.

202.B. Selection Committee

The purpose of the Selection Committee is to make recommendations to the Executive Committee regarding proposed Offerings submitted for listing on the IPXI Electronic Trading Platform.

(1) Composition

The Selection Committee shall be initially composed of representatives of five Members. Each committee member shall serve a one-year term, with the right to be reappointed by the Executive Committee.

(2) Meetings

The Selection Committee shall meet as determined by the committee chairperson, who shall call the committee to ensure timely review of any proposed Authorized Product.

(3) **Measuring Quality**

The Selection Committee shall use its best judgment in considering the merits of an OS Document. The Selection Committee may consider, among other factors, any of the following:

- a) Licensing history of the portfolio;
- b) Size of the target market;
- c) Any encumbrances or restrictions;
- d) Investigating ownership/chain of title of individual patents;
- e) Relevant prosecution histories;
- f) Relevant litigation activity and adjudications;
- g) Market requests for access to the portfolio;
- h) Proposed pricing of the proposed Authorized Products; and
- i) Any additional relevant factors not enumerated above.

Each determination of the Selection Committee as to whether to recommend a proposed Offering to the Executive Committee shall be in writing and supported by analysis that identifies factors that have been considered. The Executive Committee shall consider determinations of the Selection Committee when determining whether to approve or reject a particular OS Document submission.

202.C. Business Conduct Committee

The purpose of the Business Conduct Committee is to:

- a) Oversee the monitoring and investigations of alleged violations of this Rulebook;
- b) Receive and review complaints alleging violations(s) of any provision(s) of the Rulebook;
- c) Recommend to the Executive Committee appropriate disciplinary action against Members for violations of the Rulebook. Such action shall be recommended after a hearing before the BCC has taken place; and
- d) Oversee auditing of Consumption of Authorized Products.

(1) **Composition**

The BCC shall be initially composed of representatives of five Members. Each committee member shall serve a one-year term, with the right to be reappointed by the Executive Committee.

(2) **Meetings**

The BCC shall meet as determined by the committee chairperson, who shall call the committee to ensure prompt review of any matter submitted to the BCC.

(3) **Rule Violations**

The BCC shall conduct proceedings to determine whether a Member, or an employee, agent or other representative of a Member violated any provision of the Rulebook. If the BCC finds a Member to have violated a provision of the Rulebook, the BCC shall recommend sanctions to the Executive Committee.

(4) **Auditing and Compliance**

The BCC shall oversee auditing of Members' Consumption of ULR contracts.

202.D. Enforcement Committee

The purpose of the Enforcement Committee is to review petitions seeking assertion or enforcement of IP rights.

(1) Composition

The Enforcement Committee shall be initially composed of representatives of five Members. Each representative shall serve a one-year term, with the right to be reappointed by the Executive Committee.

(2) Meetings

The Enforcement Committee shall meet as determined by the committee chairperson, who shall call meetings of the committee to ensure prompt review of any matter submitted to the Enforcement Committee.

(3) Enforcement

The Enforcement Committee shall review petitions for enforcement pursuant to Rule 704 and make timely recommendations to the Executive Committee.

202.E. Market Operations Committee

The purpose of the Market Operations Committee is to:

- a) Monitor trading market operations and identify actions that may be needed to enhance market performance and liquidity and avoid price congestion; and
- b) Oversee the periodic expansion of the market with a view to assuring efficient market performance.

(1) Composition

The Market Operations Committee shall be composed of a minimum of five representatives of Members. Each committee member shall serve a one-year term, with the right to be reappointed by the Executive Committee.

(2) Meetings

The Market Operations Committee shall meet as determined by the committee chairperson, who shall call meetings of the committee to ensure prompt review of any matter submitted to the Market Operations Committee.

(3) Trading

Payment procedures to be employed for all posting of buy and sell orders for Authorized Products on the IPXI Electronic Trading Platform shall be prescribed by the Market Operations Committee.

In the event that the Market Operations Committee identifies trading activity or Registry activity that may be in violation of this Rulebook, it shall report such observations to the BCC. The Market Operations Committee shall be responsible for considering, developing and recommending appropriate procedures relating to the Registry and IPXI Electronic Trading Platform to the Executive Committee.

(4) Authorization of Tranche Adjustments

In the event that the Market Operations Committee determines that changes in the size and/or pricing of current and future Tranches in an existing Offering: (i) are necessary for efficient market performance; and (ii) will not cause a substantial adverse impact to current ULR holders, the Market Operations Committee may recommend that a Sponsor be allowed to make such changes. The Market Operations Committee may not recommend that a Sponsor be authorized to change the pricing of an existing Offering unless (1) there is a sustained lack of demand at the Tranche or Secondary Market price; (2) there is a demonstrated demand for the ULR Offering at a lower price; and (3) at least 90% of purchased ULRs from the Offering have been Consumed.

203. Committee Actions

Exchange Committees may conduct their business if a simple majority of the Exchange Committee's members are physically present or participating by means of a telephone conference or similar method of communication by which all persons participating in the meeting can hear one another. Any member of the Exchange Committee who has recused himself or herself pursuant to Rule 205 shall not be counted as a member of the Exchange Committee for the purpose of determining whether a simple majority is present. Any action of an Exchange Committee shall be made by a simple majority of its members in attendance.

204. Confidentiality of Committee Activities

No member of the Board, any Exchange Committee, or any employee or agent of IPXI shall use or disclose any confidential or material non-public information obtained in connection with such person's participation on the Board, Exchange Committee, or as an employee or agent of IPXI, for any purpose other than the performance of his or her official duties as such member, or as required by law.

Notwithstanding anything to the contrary, IPXI and IPXI Holdings, LLC, including their staff, Board and committee members acting in their representative capacity, may share material, non-public information (a) with governmental authorities to the extent required by law, and (b) with third-party consultants, for purposes of detecting or investigating potential violations of the Rulebook or applicable Sublicense Agreements, provided, however, that prior to the receipt of material non-public information, such third party enters into a confidentiality agreement obligating it to maintain the confidentiality of such material, non-public information.

This Rule 203 shall not be construed to replace, amend, or modify any existing confidentiality agreement or non-disclosure agreement between any person or Member and IPXI or IPXI's parent company, IPXI Holdings, LLC.

205. Conflicts of Interest for Committee Activities

No person shall act in his or her capacity as a member of an Exchange Committee to the extent that such person is subject to a Conflict of Interest as described below. A committee member who intends to participate in an Exchange Action is obligated to disclose all facts to IPXI that could reasonably be considered relevant to determining the existence of a Conflict of Interest with respect to the Exchange Action. In the event there is a dispute as to the existence of a Conflict of Interest, the Executive Committee shall have the authority to determine whether the conflict exists and what, if any, remediation is required. The chairperson of the Executive Committee shall have the authority to designate a replacement committee member, if such action is necessary.

- (a) A member of the Board or any Exchange Committee, any officer or any other person authorized to exercise IPXI's authority concerning any proposed Offering, alleged violation of this Rulebook or breach of any Sublicense Agreement, initiation of an Accounting Audit, enforcement related to an Authorized Product, Emergency, or other activity conducted by IPXI (each, an "Exchange Action") who knowingly has a Conflict of Interest between, on the one hand, acting in his or her capacity as a member of the Board or Exchange Committee, officer or exercising of authority concerning an Exchange Action and, on the other hand, his or her personal interests (each, an "Interested Person") shall not participate in any deliberations or vote of the Board or Exchange Committee, or otherwise exercise any authority with respect to such Exchange Action, except as described in paragraph (e).
- (b) For purposes of paragraph (a), a member of the Board or any Exchange Committee, officer or other person authorized to exercise IPXI's authority has a Conflict of Interest with respect to a an Exchange Action and is therefore an Interested Person if such person, or the Member such person represents:
 - (i) Is named as a Respondent or potential Respondent in such Exchange Action;
 - (ii) Is an employer, employee or fellow employee of (x) a Respondent or potential Respondent in such Exchange Action, or (y) an affiliate of a Respondent or a potential Respondent in such Exchange Action;
 - (iii) Has a family relationship with a Respondent or potential Respondent in such Exchange Action (including as the Respondent's or potential Respondent's spouse, co-habitant, former spouse, parent, step-parent, child, step-child, sibling, step-sibling, grandparent, grandchild, uncle, aunt, nephew, niece, parent-in-law, or sibling-in-law);
 - (iv) Has a direct and substantial financial interest in the result of the deliberations or vote, other than a financial relationship with or direct or indirect ownership interest in IPXI, that could reasonably be expected to be affected by such Exchange Action;
 - (v) Otherwise has personal interests that may be prejudiced by a fair and impartial exercise of such person's authority with respect to such Exchange Action; or
 - (vi) Is otherwise designated by the chair of the committee to be an Interested Person, at its sole discretion.
- (c) Before participating in the Exchange Action in which an Interested Person has a Conflict of Interest, the Interested Person must disclose in writing to the Executive Committee the material facts concerning his or her relationship or interest in the Exchange Action.

- (d) The chair of an Exchange Committee shall be empowered to bar a member of an Exchange Committee from participation in an Exchange Action if the chair finds that the member is an Interested Person who has not made the disclosure required by Rule 205(c).
- (e) Any Interested Person who would be required otherwise to abstain from deliberations and voting pursuant to Rule 205(b)(iv) may participate in deliberations, prior to a vote on the matter, if:
 - (i) The material facts about the Interested Person's financial interest in the matter are disclosed or known to the Board or Exchange Committee;
 - (ii) The Board or Exchange Committee determines that the participation by the Interested Person would be consistent with the interests of IPXI and Members; and
 - (iii) A majority of the members of the Executive Committee (excluding any Interested Persons) vote to allow the Interested Person to participate in deliberations on the matter. If a determination is made pursuant to this paragraph (e) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect such determination and the reasons for such determination.
- (f) No member of the Executive Committee or any other Exchange Committee shall be disqualified from participating in any meeting because of previous participation in a committee that had examined the issue under discussion.
- (g) Any person may recuse himself or herself from participating in any Exchange Action for any reason by informing the chair of the Exchange Committee or the Board, or the CEO of IPXI before the commencement of the Exchange Action. No person that recuses himself or herself pursuant to this rule shall be required to disclose the basis for that person's recusal.

206. Committee Membership

All committee members must be approved by the Executive Committee before they may serve. IPXI may, in its sole discretion, require that a committee member execute a "Committee Member Agreement" prior to participating in committee activities.

207. Fees

IPXI, in its sole discretion, may establish fees, including, but not limited to, processing fees, membership fees, and trading fees, and the schedule for paying such fees. The annual membership fees by class of membership shall be determined by IPXI, and made publicly available. Increases in membership fees shall not be effective with respect to a Member until such member's membership agreement with IPXI expires or is renewed. IPXI must provide written 60-day notification to all Members of any new fees or increases in fees not enumerated herein. Each Member shall timely pay all applicable fees.

208. Emergencies

If the CEO, or his/her designee, determines that an Emergency exists, such person is authorized to take such action as he or she deems necessary or appropriate to deal with such Emergency. Such actions may include placing a Temporary Emergency Rule into immediate effect that shall supersede and substitute all contrary or inconsistent rules, resolutions, or rulings. Notice of the adoption of a TER shall be given promptly to all Members.

The TER may remain in effect for up to 30 days from its effective date. The Executive Committee may authorize the TER to remain in effect for longer than 30 days from its effective date, but not more than a total of 90 days. The TER may provide for the CEO or the Board, or may authorize IPXI, to undertake actions deemed necessary or appropriate to respond to the Emergency, including, but not limited to:

- a) Suspending trading in all or some Authorized Products;
- b) Suspending trading by some or all Full Members; and
- c) Temporarily extending, limiting, or changing the hours of trading.

Any TER placed into effect in accordance with this Rule shall be reviewed by the Board as soon as practicable under the circumstances, but no later than 15 days, and may be revoked, suspended or modified by the Board.

209. Trading by IPXI Officers, Employees or Agents

No officer, employee or agent of IPXI shall participate in the trading of Authorized Products on the IPXI Electronic Trading Platform.

CHAPTER 3: MEMBERSHIP

300. Overview

This chapter sets out the classes of membership in IPXI and the rights and obligations of that follow from membership in a particular class.

301. Membership Classes

There shall be eight classes of membership in IPXI:

(1) Associate Members, (2) Purchasing Members, (3) Corporate Members, (4) Laboratory Members, (5) University Members, (6) Corporate Founding Members, (7) Laboratory Founding Members and (8) University Founding Members. The rights and obligations of each Member under this Rulebook shall be the same as the rights and obligations of each other Member that holds the same class of membership.

The table below summarizes the terms defined to refer to groups of multiple membership classes within this document:

Defined Term	Membership Class							
	Corporate Founding Member	University Founding Member	Lab. Founding Member	Corporate Member	University Member	Lab. Member	Purchasing Member	Associate Member
Member	X	X	X	X	X	X	X	X
Trading Member	X	X	X	X	X	X	X	
Full Member	X	X	X	X	X	X		
Founding Member	X	X	X					

Membership does not include an ownership interest in IPXI, IPXI Holdings, LLC, or any of their affiliates (including the Issuers). Membership is non-transferable and non-assignable.

302. No Distinction Between Founding Members and Members

Except as expressly provided in this Rulebook, the rights and obligations of Corporate Members and Corporate Founding Members under this Rulebook shall be the same, and any revision to the Rulebook that would distinguish between the rights or obligations of Corporate Members and Corporate Founding Members requires the unanimous consent of all Corporate Members and Corporate Founding Members.

Except as expressly provided in this Rulebook, the rights and obligations of Laboratory Members and Laboratory Founding Members under this Rulebook shall be the same, and any revision to the Rulebook that would distinguish between the rights or obligations of Laboratory Members and Laboratory Founding Members requires the unanimous consent of all Laboratory Members and Laboratory Founding Members.

Except as expressly provided in this Rulebook, the rights and obligations of University Members and University Founding Members under this Rulebook shall be the same, and any revision to the Rulebook that would distinguish between the rights or obligations of University Members and University Founding Members requires the unanimous consent of all University Members and University Founding Members.

303. Membership Rights

Subject to this Rulebook, Members shall have the rights described in this Rule 303.

- (a) Each Member may (i) publicize its membership status, (ii) be eligible to participate by representative in all Exchange Committees, and (iii) access Offering Memoranda for all Authorized Products, except as expressly provided herein.
- (b) In addition to any other rights, each Trading Member may buy and sell Authorized Products in an Offering or in the Secondary Market.
- (c) In addition to any other rights, each Full Member may become a Sponsor of Authorized Products on the IPXI Electronic Trading Platform.
- (d) In addition to any other rights, each Founding Member may appoint a representative to the Rules Committee pursuant to Rule 202.A.

304. Membership Obligations

To the extent lawfully permitted, Members shall abide, on an ongoing basis, by the Rulebook, as amended from time to time, and the terms of its agreements with IPXI and affiliates of IPXI. Each Member shall report any violation by it or any of its directors, officers, employees, contractors or other agents or representatives of the Rulebook, or any agreement with IPXI or an affiliate of IPXI, to IPXI.

Each Corporate Founding Member shall, in accordance with such Corporate Founding Member's Member Agreement, act as a Sponsor for one or more Authorized Products.

Each University Founding Member and Laboratory Founding Member shall, in accordance with such Founding Member's Member Agreement, act as a Sponsor for one or more Authorized Products.

305. Termination of Membership

The membership of any Member may be terminated at any time either (i) pursuant to the terms of any agreement between such Member and IPXI or (ii) if the Executive Committee determines, in its sole discretion, that such termination is in the best interests of IPXI.

CHAPTER 4: CONDUCT OF MEMBERS

400. Overview

This Chapter provides rules concerning specific conduct by Members of IPXI.

401. Prohibited Conduct by Members

No Member shall:

- (a) Disseminate any false, misleading or inaccurate information, including reports concerning any Authorized Products traded on the IPXI Electronic Trading Platform or market information or conditions that affect or tend to affect the price of any Authorized Product traded on the IPXI Electronic Trading Platform;
- (b) Manipulate, or attempt to manipulate, the price of any Authorized Product traded on the IPXI Electronic Trading Platform;
- (c) Furnish false or misleading information to, or fail to furnish information when requested by, the Board, Executive Committee, any other committees of IPXI, or any representative of IPXI acting in the course of their duties to IPXI;
- (d) Violate or fail to conform its conduct or the conduct of its agents to that required by this Rulebook;
- (e) Breach a provision of a Sublicense Agreement to which such Member is a party or a successor in interest; or
- (f) Contract, conspire, combine or otherwise agree with another Member that is not its affiliate for the purpose of setting or influencing the price of a ULR contract that is available for sale, trading or Consumption through IPXI.

402. Prohibited Conduct by Sponsors

No Sponsor shall communicate with another Sponsor that is not its affiliate concerning the price or quantity of ULR contracts in any Tranche of either Sponsor's Offering.

403. Rule Violations

Any alleged violations of the Rulebook may be reported to IPXI in accordance with the Rulebook and procedures developed by the Business Conduct Committee.

A Member who is alleged to have violated or aided or abetted a violation of any provision of the Rulebook or resolutions of the Executive Committee regulating the conduct of Members of IPXI shall be subject to the disciplinary jurisdiction of IPXI.

404. Disclosure of Reexamination and Post-Grant Review

All Trading Members shall notify IPXI at the time they file a petition or request for reexamination or post-grant review of any patent in an Offering, including ex parte reviews. IPXI shall notify all Members that such reexamination has been filed. The identity of the filing Trading Member shall not be disclosed in the notice by IPXI.

CHAPTER 5: OFFERINGS OF ULR CONTRACTS

500. Overview

This Chapter provides rules concerning the composition of ULR contract Offerings, the pricing of ULR contract Tranches, and specific protections for information related to ULR contract markets.

501. Subject Matter of Offerings

A Sponsor shall not license a patent as part of a ULR contract portfolio if that patent is not reasonably relevant or beneficial to practice in the field of use provided for in the ULR contract instrument.

502. Pooled ULR Contracts

A Sponsor shall not license a patent as part of a pooled ULR contract with a second Sponsor that is not an affiliate of the first Sponsor unless that patent is also licensed separately from the pooled ULR contract, i.e., as part of a second ULR contract for which the first Sponsor is the only Sponsor, and the patents licensed in the pooled ULR contract by the first Sponsor are the only IP licensed in the second ULR contract.

The foregoing paragraph shall not apply if the pooled ULR contract has a field of use that is coextensive with the specification of a published technical standard.

503. Standard-Essential Patents

A Sponsor shall not license a patent as part of a ULR contract that is limited to a field of use that is coextensive with the specification of a published technical standard unless that patent is necessary on technical or commercial grounds to conform to or implement the published technical standard (an "Essential Patent")

If a Sponsor proposes to license a patent as part of such a ULR contract, the IPXI staff shall evaluate each such patent to determine whether each such patent is an Essential Patent. The IPXI staff shall report their findings to the Selection Committee which shall recommend whether to include the patent in the proposed Offering.

504. Publication of Tranche Pricing

The pricing and quantity of ULR contracts in each Tranche of an Initial Offering or a Follow-on Offering of shall be published to the Members in an Offering Memorandum.

505. Limitation on Initial Offering Discounts

A Sponsor shall not offer a Tranche in an Initial Offering at more than a 30% discount relative to any other Tranche in the same Initial Offering of ULR contracts.

506. Follow-on Offering

An Issuer may engage in a Follow-on Offering of an Authorized Product pursuant to the terms of the Offering Memorandum.

507. Publication of Data Related to an Offering

For each Offering of ULR contracts, IPXI shall provide a data room through which IPXI may provide any of the following information to the Members:

- (a) Identification and disclosure of the IP to be licensed through the ULR contract, including, when applicable, published patents and patent applications;
- (b) The ULR contract agreement and the license agreement from the Sponsor to the Issuer entity;
- (c) Documents related to the ULR contract Sponsor's ownership of the licensed patents and the chain of title;
- (d) Reports analyzing the IP to be licensed or the applicable market(s);
- (e) References that have been identified as part of a prior art search report, to the extent IPXI can make such documents available in accordance with applicable laws;
- (f) Reports indicating evidence of use of the technology; and
- (g) Any other materials that IPXI determines may assist Members in evaluating a ULR contract.

IPXI may require that Members enter into agreements that restrict Members' ability to use information obtained from an IPXI-controlled data room to the purposes of evaluating ULR contracts or the licensed patents in an Offering.

508. Confidentiality of Marketing Information for Specific Offerings

IPXI shall not publish or make available to the Members any non-public information obtained during the marketing of a proposed Offering. IPXI may make information regarding aggregate quantities and prices available to the Sponsor of a proposed Offering, but IPXI shall not provide entity-specific non-public information to any person, including the Sponsor, which was obtained as a result of the marketing of a proposed Offering.

509. Standard Form of ULR Contracts

Within a single Authorized Product, all ULR contracts shall be of a standard form. The form of a ULR contract may vary among distinct Authorized Products.

CHAPTER 6: TRADING AND CONSUMPTION OF ULR CONTRACTS

600. Overview

This Chapter provides rules governing the conduct of Trading Members in the trading, settlement, transfer and Consumption of ULR contracts by Liquidity Providers and Operational Users.

601. Members Only

Membership is required to transact in Authorized Products. Members shall not assign or transfer Authorized Products to entities that are not also Members.

602. Registry

IPXI shall maintain a Registry. The Registry shall be the authoritative record of transfer and ownership of Authorized Products. IPXI shall record transactions of Authorized Products in the appropriate Registry Accounts for all Trading Members. No transaction that transfers ownership of an Authorized Product shall be effective unless it is recorded in the Registry. All information sufficient to identify specific Trading Members contained within the Registry shall be confidential and not available to the public.

603. Designation of Liquidity Provider or Operational User

Before a Trading Member may transact in an Authorized Product, each Trading Member shall designate itself as a Liquidity Provider or an Operational User with respect to that Authorized Product. In making a designation, a Trading Member shall designate itself as an Operational User if the Trading Member's primary purpose for transacting in the Authorized Product is to consume the Authorized Product. Otherwise, the Trading Member shall designate itself as a Liquidity Provider. If at any time a Trading Member's primary purpose for transacting in the Authorized Product changes, the Trading Member shall notify IPXI as soon as practicable.

604. Changes to Designation

A Trading Member that is a Liquidity Provider with respect to an Authorized Product may become an Operational User with respect to that Authorized Product by updating its designation with IPXI.

A Trading Member that is an Operational User with respect to an Authorized Product may become a Liquidity Provider with respect to that Authorized Product by making a request to IPXI and demonstrating good cause that the change of designation be granted.

605. Minimum Requirements for Liquidity Providers

A Liquidity Provider shall not buy, sell or otherwise trade in an Authorized Product unless that Liquidity Provider is an Eligible ULR Contract Participant at the time the Liquidity Provider submits an order to the IPXI Electronic Trading Platform. If at any time a Liquidity Provider ceases to be an Eligible ULR Contract Participant, the Liquidity Provider shall notify IPXI as soon as practicable.

606. Position Limits for Liquidity Providers

For each Authorized Product approved for listing, the Market Operations Committee may recommend a maximum limit for any individual Liquidity Provider's net position in the Authorized Product. The Market Operations Committee shall determine such limits based on the specific market conditions relevant to the particular Authorized Product. If the Market Operations Committee has not made a recommendation for a particular Authorized Product pursuant to this rule, the limit shall be 10% of the total quantity of Authorized Products authorized in all Tranches of the Authorized Product.

No Liquidity Provider shall obtain a position in an Authorized Product in excess of the set limits.

607. Adjustments to Position Limits for Liquidity Providers

A Trading Member may petition the Market Operations Committee to set or modify a position limit for Liquidity Providers in an Authorized Product. The Market Operations Committee shall recommend to the Executive Committee whether to modify the position limit based on current market conditions, the justifications put forth by the petitioner, and other criteria that the Market Operations Committee may from time to time establish in its discretion. The Market Operations Committee shall establish procedures for submission and review of such petitions.

608. Payment for Trades in Authorized Products

For any purchase of an Authorized Product on the IPXI Electronic Trading Platform, the buyer shall deliver funds to the designated third-party financial institution (the "Settlement Bank") within the time frame and in accordance with the instructions provided by IPXI. In general, payment instructions will require that payment be made by the end of the next business day. Failure to deliver funds in accordance with the provided instructions shall not discharge the buyer's obligation to pay, regardless of the time frame specified in the instructions.

Upon receipt of full payment from the buyer, the Settlement Bank will transfer the received payment to the relevant seller and promptly notify IPXI of such payment. Upon notification, IPXI shall record the transaction in the Registry by debiting the seller's Registry Account and crediting the buyer's Registry Account and shall send an electronic confirmation of the transaction to the buyer and seller.

609. Transactions in the Secondary Market

All Secondary Market transactions must be executed through the IPXI Electronic Trading Platform. Upon consummation of any Secondary Market transaction, IPXI shall record such transaction in the Registry.

610. Reporting Consumption by Operational Users

With respect to an Authorized Product, all Operational Users for that Authorized Product shall file reports of Consumption of the Authorized Product with IPXI at least once each calendar quarter and no later than the 30th day after the end of each calendar quarter, unless otherwise determined by the Sponsor and IPXI for a specific Authorized Product and set forth in the applicable Offering Memorandum.

611. Maintenance of Consumption Records by Operational Users

All Operational Users shall maintain records of activities for which they have reported Consumption for a period of six years from date of each such report, in accordance with the procedures described in Rule 610 and as specified by an applicable Sublicense Agreement. Failure to maintain records as required by a Sublicense Agreement shall constitute a violation of this rule.

612. Maintenance of Consumption Reports by IPXI

IPXI shall maintain Consumption reporting information confidentially and shall maintain reports of Consumption for a period of at least six years following each report. Except for the Sponsor of a particular Authorized Product, Members and Committee Members shall not be permitted to access Consumption reports. The Sponsor of an Authorized Product may access Consumption reports submitted for the Authorized Product(s) for which it is Sponsor, but the Sponsor shall maintain such reports and information confidentially.

IPXI staff shall not be permitted to access submitted Consumption reports unless reasonably necessary to support the operation of IPXI, including by providing support for Exchange Committees. If an Exchange Committee requires information concerning Consumption reports or which may be derived from Consumption reports, the Exchange Committee shall request that the IPXI staff review and present the information to the Exchange Committee.

613. Publication of Consumption Information

IPXI will publish data related to the aggregate purchases and Consumption of each Offering of ULR contracts, pursuant to the Offering Memorandum. IPXI will not publish such data to the extent that it would disclose or allow a determination of the confidential or competitively sensitive information of a Sponsor or individual Trading Member.

Upon the request of a Trading Member or the IPXI staff, the Market Operations Committee may recommend that purchase or Consumption data for a particular ULR contract not be published to the Members if the Market Operations Committee determines that there is a reasonable likelihood that the data could be used to identify specific purchases of ULR contracts or Consumption by individual entities.

The Market Operations Committee may reverse such a decision upon the request of a Trading Member, the IPXI staff, or on the committee's own initiative, if the committee determines that the circumstances above no longer apply.

614. Ineligibility To Consume During Patent Litigation

In limited circumstances, a Trading Member that asserts a patent-related claim or counterclaim against a Sponsor of a ULR contract may be prohibited from reporting Consumption of that Sponsor's ULR contracts for the duration of the assertion as set forth below.

614.A. Claims Against Patents Included in an Offering — Ineligibility

If a Trading Member or an Affiliate of a Trading Member has asserted a claim or counterclaim of non-infringement, invalidity or unenforceability of any patent included in an Authorized Product, the Trading Member may not report Consumption of ULR contracts of the Authorized Product — and as a result may not obtain a license, sublicense, release or covenant not to sue for such patent by reporting in accordance with the ULR contract — until such claims or counterclaims are settled or a final judgment on such claims or counterclaims is entered. Any report of Consumption filed during such assertion in violation of this Rule shall be deemed ineffective.

For the purposes of this section, "Affiliate" shall include any entity in which: (i) no entity owns a greater portion or has a greater degree of control than the Trading Member and its Affiliates, collectively; or (ii) the Trading Member and its Affiliates own aggregated equity interests greater than 20% percent.

614.B. Patent Assertion Against Sponsors of ULR Contracts — Defensive Suspension

This section shall apply if a patent asserted by a Trading Member or any Affiliate of a Trading Member is reasonably relevant or beneficial to practice in the field of use provided for in a ULR contract offered by a Sponsor, unless IPXI has consented to the action pursuant to Rule 701. In the event that a question exists regarding whether the patent asserted is reasonably relevant or beneficial to practice in the field of use provided for in the ULR contract, this section shall apply.

If a Trading Member or any Affiliate of a Trading Member has asserted and maintains a claim or counterclaim of patent infringement against a Sponsor of a ULR contract, the Trading Member may report Consumption of ULR contracts offered by that Sponsor or the Trading Member's Affiliates for up to one year from the initial assertion of such a claim or counterclaim, provided that the ULR contracts that are reported as Consumed during that year were owned by the Trading Member prior to the assertion of the claim or counterclaim. Thereafter, neither the Trading Member nor its Affiliates may report Consumption of ULR contracts of the Sponsor — and as a result may not obtain a license, sublicense, release or covenant not to sue for such patent by making a report in accordance with the ULR contract — until such claims or counterclaims are settled or a final judgment on such claims or counterclaims is entered.

For the purposes of this section, an "Affiliate" of a Trading Member that has asserted or maintained a patent infringement claim or counterclaim shall include any entity in which: (i) no entity owns a greater portion or has a greater degree of control than the Trading Member and its Affiliates, collectively; or (ii) the Trading Member and its Affiliates own aggregated equity interests greater than 20% percent.

CHAPTER 7: ASSERTION AND ENFORCEMENT OF PATENTS

700. Overview

This Chapter provides rules regarding the initiation, maintenance and conclusion of enforcement activities related to patents that are included in an Authorized Product.

701. Enforcement Only with Consent of IPXI

A Sponsor shall not initiate an action by filing a complaint or petition that includes a claim for patent infringement related to a patent included in an Authorized Product of the Sponsor unless the Sponsor has received the consent of IPXI. Consent by IPXI shall only be effective if provided by the Board.

702. Enforcement Only with Consent of Sponsor

No Sponsor may be compelled to initiate an action by filing a complaint or petition that includes a claim for patent infringement related to a patent included in an Authorized Product of such Sponsor. If an entity other than the Sponsor has standing to initiate such an action, no entity may do so unless the Sponsor has provided its consent.

703. No Obligation To Consent

IPXI and Sponsor may grant or withhold their consent under Rule 700 and Rule 702 respectively for any reason in their sole discretion. Neither IPXI nor a Sponsor shall be obligated to disclose whether it has consented or its reasons for granting or withholding consent.

704. Petitions for Enforcement of Patents

A petition that a patent be enforced against an alleged infringer may be submitted to the Enforcement Committee. The Enforcement Committee, with the support of IPXI staff, shall investigate enforcement petitions. Such investigations shall be completed within 30 days; however the period may be extended at the discretion of the Enforcement Committee. Upon review, if the Enforcement Committee finds that the allegations are merited, the Enforcement Committee may refer the petitioned action to the Executive Committee for further review.

The Enforcement Committee shall establish procedures for submission, review and referral of enforcement petitions.

705. Review by Executive Committee

The Executive Committee may receive petitions that are referred by the Enforcement Committee. Upon review, the Executive Committee may refer the proposed action to the Board for further review.

706. Review by the Board

The Board may receive petitions that are referred by the Executive Committee. The Board may determine whether to initiate or to consent to a proposed action.

707. Arbitration and Mediation

A Sponsor or Issuer and a Trading Member may, at their discretion, agree to resolve disputes related to IP licensed through an Authorized Product, including any infringement, validity or enforceability disputes raised by the Trading Member, by arbitration or mediation administered by the World Intellectual Property Organization or the American Arbitration Association (“AAA”). If submitted to the AAA, arbitration or mediation shall be administered and settled under its Commercial Arbitration Rules.

708. Retroactive Compliance

A Sponsor or Issuer that receives monetary proceeds from a judgment or settlement of a claim or counterclaim for infringement of a patent included in the Sponsor’s or Issuer’s Authorized Product (a “Claim”), in which the amount of monetary proceeds attributable to the patent is known, shall pay for the purchase and Consumption of a quantity of ULR contracts to license alleged past infringement in accordance with this Rule 708 (“Retroactive Compliance”).

In no event shall the Retroactive Compliance exceed the quantity of ULR contracts required to license the alleged infringement of the patents included in the Authorized Product during the period of the Offering.

In no event shall the Retroactive Compliance exceed the monetary proceeds attributable to the infringement of patent rights included in by the Authorized Product during the period of the Offering, minus any amounts required to be paid pursuant to any funding agreement.

Unless otherwise specified in a written agreement with a Sponsor, the Retroactive Compliance shall be determined using the highest priority source on the following list, in descending order: (1) A finding made by a jury after a hearing or trial before a court of competent jurisdiction; (2) a finding made by a court of competent jurisdiction; (3) an admission or stipulation by an accused infringer; and (4) the best publicly available information regarding historical output by an accused infringer.

CHAPTER 8: HEARINGS AND SANCTIONS FOR RULE VIOLATIONS

800. Overview

The Business Conduct Committee shall conduct proceedings concerning alleged violations of the Rules in accordance with this Chapter. If a violation is found, the committee shall recommend an appropriate sanction. The IPXI staff shall conduct investigations into alleged violations in accordance with the provisions of this Chapter.

801. Commencement of Investigations

The IPXI staff may commence an investigation of an alleged violation upon their own initiative. If a complaint is submitted to IPXI, the staff shall evaluate the complaint and determine whether to commence an investigation.

802. Notice of Investigation

The IPXI staff shall notify the Business Conduct Committee whenever an investigation is initiated. The BCC shall not provide any information concerning such notice or investigation to any member of the committee who is an Interested Party.

803. Conduct of Investigations

The conduct of investigations shall be left to the discretion of the IPXI staff.

804. Reports of Investigations

Upon the close of an investigation, the IPXI staff shall submit a report to the BCC that summarizes their conclusions and provides their recommendation to the BCC concerning whether proceedings should be instituted before the BCC.

805. Confidentiality of Investigations

Any report prepared pursuant to Rule 804 shall be maintained in confidence by the BCC and the IPXI staff. Any notes, memoranda or internal reports prepared by the IPXI staff in the course of an investigation shall remain confidential to the IPXI staff alone.

806. Limitations on Authority

The Business Conduct Committee shall not have the authority to consider any dispute between a Sponsor and IPXI concerning any contract or agreement between such Sponsor and IPXI, or between a Sponsor and an Issuer.

807. Notice of Charges

If the BCC finds in good faith that a reasonable basis exists to believe that the alleged violation occurred, then it shall provide a notice of charges to the party or parties responsible for the alleged violation (the "Respondent"). The notice of charges (the "Notice of Charges") shall:

- a) State the acts, conduct or practices that the Respondent is alleged to have engaged in;
- b) State the provision of the Rulebook alleged to have been violated;
- c) State the proposed sanctions;
- d) Advise the Respondent of its right to a hearing;
- e) Advise the Respondent that he or she has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process;
- f) State the period of time within which the Respondent can respond to the Notice of Charges, which will not be less than 20 days after service of the Notice of Charges;
- g) Advise the Respondent that any failure to respond to the Notice of Charges, except for good cause, will be deemed to constitute a waiver of the right to participate in a hearing; and
- h) Advise the Respondent that any allegation in the Notice of Charges that is not expressly denied will be deemed to be admitted.

808. Answer to Notice of Charges

The Respondent must file answers within the period indicated in the Notice of Charges, which period may be extended by written consent of the BCC. To answer a Notice of Charges, the Respondent must specify in writing:

- a) The allegations that the Respondent denies or admits;
- b) The allegations that the Respondent does not have sufficient information to either deny or admit;
- c) Any specific facts that contradict the Notice of Charges; and
- d) Any affirmative defenses to the Notice of Charges.

The Respondent shall sign and serve the answer on the BCC.

Failure by the Respondent to timely serve an answer to a Notice of Charges will be deemed to be an admission to the allegations in such notice. Any failure by the Respondent to specifically answer any allegation shall be deemed to be an admission of such allegation. Any allegation in a Notice of Charges that the Respondent fails to expressly deny shall be deemed to be admitted. A general denial by the Respondent will constitute an admission of all allegations in a Notice of Charges.

809. Settlement

A Respondent or potential Respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the Notice of Charges. The BCC shall recommend to the Executive Committee whether any such offer for settlement should be accepted.

810. Pre-Hearing

Prior to the commencement of a hearing, each Respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of IPXI that IPXI will use to support the allegations and proposed sanctions in the Notice of Charges or which the chair of the BCC deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no Respondent will have the right to review, and IPXI will have no obligation to disclose, any information protected by attorney-client privilege. If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain information that could adversely affect the competitive position of a Member or if such information might compromise other investigations being conducted by IPXI, IPXI may redact, edit or code such information before furnishing it to the Respondent. Notwithstanding anything in this paragraph to the contrary, IPXI: (i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the Respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and (ii) will provide the Respondent with access to the information and portions of the documents that IPXI intends to rely on to support the allegations or proposed sanctions in the Notice of Charges.

811. Hearing

A hearing before the BCC on each alleged violation included in the Notice of Charges shall be held promptly following the deadline to file an answer to the Notice of Charges. No member of the BCC may participate in a hearing on a particular matter if that person or any person in the firm with which that person is affiliated, has a Conflict of Interest under Rule 205. A Respondent shall be entitled to participate in such hearing to the extent the Respondent timely submitted an answer to the Notice of Charges in conformance with Rule 808. A hearing before the BCC shall be conducted privately and confidentially in accordance with Rule 203. Notwithstanding the confidentiality of hearings, the BCC may permit an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement. The chair of the BCC may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the BCC will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chair of the BCC shall in good faith attempt to enforce reasonable evidentiary and procedural rules of law, but will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the BCC may consider, and attach the weight it believes appropriate to, evidence or other materials. The general counsel of IPXI, or his/her designee, will provide guidance to the chair of the BCC on the conduct of the hearing. Except for procedural and evidentiary matters decided by the chair of the BCC pursuant to this paragraph, unless each Respondent otherwise consents, the entire BCC must be present during the entire hearing and any related deliberations.

At a hearing conducted in connection with any disciplinary proceedings, IPXI staff will present the case supporting the allegations and proposed sanctions in the Notice of Charges to the BCC. If a Respondent has timely filed an answer to the Notice of Charges, the Respondent is entitled to attend and participate in the hearing. At a hearing conducted in connection with any disciplinary proceedings, IPXI and each Respondent may:

- a) Present evidence and facts unless determined irrelevant or inadmissible by the chair of IPXI;
- b) Call and examine witnesses; and
- c) Cross-examine witnesses called by other parties.

If the Respondent has failed to file an answer, has filed a general denial, or otherwise has failed to expressly deny any allegation in the Notice of Charges, the chair of the BCC may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a Respondent fails to file an answer but appears at the hearing, the Respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the Notice of Charges, or otherwise) unless the BCC determines that the Respondent had a compelling reason for failing to timely file an answer.

Any person entitled, or required or called upon, to attend a hearing before the BCC will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. Each Member who is called as a witness shall cause a duly authorized officer or another appropriate representative to, and each Member shall make reasonable efforts to cause each of its directors, officers, deans, trustees, professors, researchers, employees and other representatives and agents who are called as a witness to, appear at the hearing, and where applicable, produce evidence. IPXI will make reasonable efforts to secure the presence of all persons called as witnesses whose testimony would be relevant. IPXI will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription.

812. Order

As promptly as reasonably possible following a hearing, the BCC will issue a written order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the BCC will constitute the decision of the BCC. The decision will include:

- a) The Notice of Charges or summary of the charges;
- b) The answer, if any, or a summary of the answer;
- c) A brief summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of any investigative report or documentary evidence submitted;
- d) A statement of findings and conclusions concerning each charge, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge;
- e) A reference to each specific provision of the Rulebook that the Respondent is found to have violated; and
- f) A recommendation of sanctions imposed against the Respondent, if any, including the basis for such sanctions and the effective date of each sanction. Recommended sanctions may include, but are not limited to, monetary or membership-based sanctions, such as the imposition of a fine or the revocation of membership, respectively.

The decision of the BCC shall be forwarded to the Executive Committee, which may either reverse the decision or adopt it in full. Notwithstanding anything to the contrary in this Rulebook, the Executive Committee may not amend, in whole or in part, the decision of the BCC.

813. Sanctions for Violations by Members

If the BCC finds that a Member has violated a provision of this Rulebook, the BCC may recommend a sanction against the Member that is commensurate with the violation in light of the BCC's findings. Sanctions for violations may include suspension of trading privileges on some or all Authorized Products, suspension of listing privileges, assessment of monetary penalties to compensate harm done to IPXI or its systems, assessment of monetary penalties to discourage similar conduct in the future, suspension or prohibition from participation on committees of IPXI, or expulsion from IPXI and termination of membership. Any monetary penalty shall be assessed as an additional membership renewal fee for the Member's next renewal period.

814. Sanctions for Violations by Committee Members

If the BCC finds that a committee member has breached a confidentiality obligation or has participated in a committee proceeding while subject to a Conflict of Interest, the BCC may recommend that the committee member be suspended from the committee or expulsion from the committee. If the BCC finds it appropriate, the BCC may recommend sanctions against the Member that sponsored the committee member for participation on a committee.

If the BCC finds that a committee member has knowingly disclosed confidential information concerning Consumption of ULR contracts, the BCC shall recommend expulsion from the committee.

CHAPTER 9: AUDITING AND COMPLIANCE

900. Overview

The Business Conduct Committee shall oversee audits of Trading Members to ensure that these Members' reports of Consumption of Authorized Products are accurate and complete with respect to Members' use of licensed IP.

901. Audits

IPXI has the right, at its sole discretion, to conduct an Accounting Audit of a Trading Member's Consumption in which IPXI verifies how many Authorized Products a Trading Member should have Consumed. Such an audit will be conducted in accordance with the policies and procedures set forth under Rule 905.

If an audit reveals that the Trading Member has inaccurately reported Consumption, such violation shall be reported to the Business Conduct Committee, in accordance with the policies and procedures set forth under Rule 906. The cost of such audits shall be borne by IPXI, unless requested by a Sponsor or purchaser of the Authorized Product, or otherwise determined by the Executive Committee. The Executive Committee may, at its discretion, modify the audit fee assessment procedures.

902. Request for Audit

Trading Members may request that the BCC recommend initiation of an Accounting Audit of Consumption by a Trading Member of any Authorized Product. Such requests shall be sent to the BCC and must provide the basis for the request and any supporting materials. The BCC shall acknowledge the request within 10 days of receipt and approve or decline the request within 90 days of receipt.

903. Random Accounting Audits

The BCC shall initiate random Accounting Audits of Operational Users at a frequency to be set at the discretion of the BCC. No Operational User shall be subject to more than one Accounting Audit with respect to a specific Authorized Product during a two-year period unless that Operational User has been found to have made Disclosures, as defined in Rule 906, that were materially inconsistent with a prior Audit Report during the preceding two years.

904. Procedure

After the BCC approves a request for an Accounting Audit of an Operational User's Consumption, the request is sent to the Executive Committee for final review and approval. If the Executive Committee approves the request, the Executive Committee chairperson will select an independent, qualified auditor (the "Auditor") to conduct the audit. The chairperson shall propose his or her selection, along with an engagement letter and fee schedule for such Auditor's services, to the entire Executive Committee for its consideration. A simple majority of the Executive Committee must approve the selection, the engagement letter and fee schedule before the Auditor may be retained by the Executive Committee.

905. Conduct of Audit

The audit shall be performed during regular business hours upon at least 10 days written notice to the Operational User. The Operational User shall fully cooperate with the Auditor in conducting such an audit and shall permit the Auditor to inspect and copy such portions of the Operational User's books and records of all Consumption, sales, licenses, leases, uses, returns, disposals, or transfers of Authorized Products that the Auditor deems necessary and appropriate. The Auditor may inspect and make abstracts or copies of such books and records, at the Operational User's facility (or elsewhere as determined by Auditor) as necessary.

906. Audit Report

As promptly as reasonably practicable following the audit, the Auditor shall prepare a written report of its findings, including such Operational User's Authorized Product purchasing history and Consumption (the "Audit Report"). The Audit Report shall also specify the reported manufacture or sale of products, processes, services or uses identified by the Operational User and/or identified in the Offering or Sublicense Agreement as falling within the scope of the Authorized Product (collectively, the "Operational User's Disclosures").

The Audit Report will include:

- a) A complete listing of all records and documents examined by the Auditor;
- b) A complete listing of the types of reviews conducted by the Auditor (e.g., a forensic audit with test purchases, web surveys, or third-party market information);
- c) A comprehensive description of the methodology used for each type of review;
- d) Applicable references to the portions of the Operational User's Disclosures that are partially or wholly incorrect, incomplete, misleading or otherwise inconsistent in any material manner with the results contained in the Audit Report;
- e) A statement of findings and conclusions, including a complete explanation of the evidentiary and other grounds for such findings and conclusions; and
- f) A fairness opinion issued by the Auditor, attesting that the Audit Report is fair and was conducted in accordance with standard, reasonably accepted auditing principles.

The Auditor shall submit its completed Audit Report to the BCC within 60 days of being retained by the Executive Committee. If the Audit Report finds that the Operational User's Disclosures are partially or wholly incorrect, incomplete, misleading or otherwise inconsistent in any material manner with the results contained in the Audit Report, the BCC shall, within 14 days of receipt of the Audit Report, (i) issue a written audit order establishing sanctions and/or fines, if any, determined by a simple majority vote of the BCC and (ii) mail a certified, signed original copy of such written audit order to the Operational User and/or his or her agent. The written audit order shall include a certified, signed original copy of the Audit Report.

907. Audit Determination Appeal

Within 20 days of receiving the written audit order from the BCC, such Operational User may appeal the order by filing a notice of audit determination appeal with the Executive Committee using the IPXI Audit Determination Appeal Form. Notwithstanding anything to the contrary in this Rulebook, an Operational User in receipt of a written audit order is not eligible for any appeal process applicable for investigations by the Business Conduct Committee with respect to that particular written audit order.

The notice of audit determination appeal must state in writing the grounds for an audit determination, identifying each finding of fact and conclusion to which the Operational User objects. An Operational User may appeal the written audit order on the grounds that:

- a) The written audit order is arbitrary, capricious or an abuse of discretion by IPXI or the Executive Committee;
- b) The audit was not conducted in accordance with standard, reasonably accepted auditing principles; or
- c) The written audit order and/or Audit Report are unsupported by facts or evidence.

Within 30 days of receiving the IPXI Audit Determination Appeal Form, the BCC shall appoint a three-member panel (an "Audit Determination Panel") to consider and determine the request for audit determination, in accordance with the selection procedures established above. Each member of the Audit Determination Panel shall be an independent, qualified auditor. In addition to the selection criteria set forth above, no individual appointed to serve on the Audit Determination Panel shall have been involved in any capacity in the production of the initial Audit Report.

The Audit Determination Panel shall conduct its review and compile a new Audit Report, in accordance with the policies and procedures outlined above. After completing its review, the Audit Determination Panel may affirm or negate, in whole or in part, the findings of the initial Audit Report.

908. Audit Determination Appeal Order

As promptly as reasonably practicable following its review, the Audit Determination Panel shall issue a new written order to the BCC, which will supersede the initial written order issued by the BCC in its entirety. Written orders issued by the Audit Determination Panel are considered final and are not subject to further review, either at the request of the Executive Committee, the Operational User, the agents of either party, or other third parties.

Subject to the subsequent actions of the Audit Determination Panel in the case of an audit determination, each Operational User in receipt of a written audit order issued by the BCC agrees to be bound by the terms and conditions of such order.

If an during the course of an audit, the Auditor notices that the Operational User may have violated other provisions of the Rulebook, the Auditor shall report such observations to the BCC for investigation and/or review pursuant to Rule 801.

909. Confidentiality of Audit Reports and Proceedings

All materials received by IPXI from an Operational User or prepared during the course of the proceedings described by this Chapter shall be maintained confidentially to the extent that such confidentiality is lawful.