

Ad Insertion Patent Portfolio Offering Memorandum

Core Audience, Inc., a subsidiary of
Hearst Communications, Inc.

DRAKES BAY COMPANY

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Drakes Bay Company LLC

- Drakes Bay Company LLC is a leading patent and technology broker with \$69 Million in 57 patent transactions completed since 2007.
- The company has a strong track record of selling and buying technology patents worldwide and is an innovator in IP Debt/Finance and new defensive services.
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Core Audience Ad Insertion Portfolio

- The patents were filed by Nebuad, Inc. in 2007 and were acquired by Red Aril, Inc. in 2009. Red Aril was acquired by a unit of Hearst Corporation in 2011. Core Audience was previously known as Red Aril.
- The portfolio enables a service to insert advertisements into content via network devices rather than from the server.
- Assets
 - 2 issued US patents: US7941562, US7715448
 - 2 pending US applications: US20080306815, US20080306816
 - 4 foreign filings
- Markets
 - Internet Service Providers
 - WiFi service providers
 - Ad insertion technology providers
- Hearst has retained Drakes Bay Company LLC to solicit interest in the purchase of these assets.

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Nebuad, Inc. History

- NebuAd, founded in June 2006, was an American online advertising company based in Redwood City, California, with offices in New York and London and was funded by the investment companies Sierra Ventures and Menlo Ventures. It was one of several companies developing behavioral targeting advertising systems, seeking deals with ISPs to enable them to analyze customer's web surfing habits in order to provide them with more relevant, micro-targeted advertising.
- NebuAd had signed up more than 30 customers, mostly Internet access providers. Its agreements with providers covered 10% of the broadband users in America.
- Due to fallout following public and Congressional concern, NebuAd's largest ISP customers terminated their relationships with NebuAd. NebuAd closed for business in the UK in August 2008 and closed the US operations in May 2009. NebuAd UK Ltd was dissolved in February 2010.
- Red Aril, Inc. acquired the IP assets in 2009 and it was acquired by an affiliate of the Hearst Corporation in 2011.

Portfolio

Publication Number	Title	Priority Date	File Date	Est. Expiration Date
US7941562	Network device for monitoring and modifying network traffic between an end user and a content provider	3/30/06	3/30/07	3/23/28
US20080306815	Method and system for inserting targeted data in available spaces of a webpage	6/6/07	6/6/07	6/6/27
US20080306816	Network devices for replacing an advertisement with another advertisement	6/6/07	6/6/07	6/6/27
US7715448	Network device for embedding data in a data packet sequence	6/6/07	6/6/07	4/22/28
CA2622187	Method and system for inserting targeted data in available spaces of a webpage	6/6/07	2/26/08	2/26/28
CA2634444	Network devices for replacing an advertisement with another advertisement	6/6/07	6/6/08	6/6/28
RU2416127	Network device for replacing one advertisement with another advertisement	6/6/07	6/6/08	6/6/28
NZ569980	Network devices for replacing an advertisement with another advertisement	6/6/07	6/6/08	6/6/24

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US Assets

- US7941562
 - Network device for monitoring and modifying network traffic between an end user and a content provider by inserting commercial information into intercepted data packets
 - 2 independent claims
 - No open continuation
- US7715448
 - Network device for embedding data in a data packet sequence
 - 2 independent claims
 - No open continuation
- US20080306815 & US20080306816
 - Method and system for inserting targeted data in available spaces of a webpage
 - 2 independent claims pending

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Exemplary Patent Bibliographic Data

US7941562: Network Device For Monitoring
And Modifying Network Traffic Between An
End User And A Content Provider

Issue Date: May 10, 2011

Filing Date: March 30, 2007

Priority Date: March 30, 2006

Inventors: Lebin Cheng, Anatoly Tikhman

Original Assignee: Red Aril, Inc.

Current Assignee: NebuAd, Inc.

Independent Claims: 2 (Claim #1, #11)

Total Claims: 20

Applications: The invention can be used in following application areas :

- Ad insertion in webpage;
- Ad insertion in streaming and downloading videos;
- IPTV service;
- Content delivery networks; and
- Ad insertion using deep packet inspection.

Summary: The patent claims a device which monitors the data traffic between server and client. It identifies an opportunity to insert ads based on predetermined criteria and modifies the payload of the data packet without altering the header portion to insert ads.

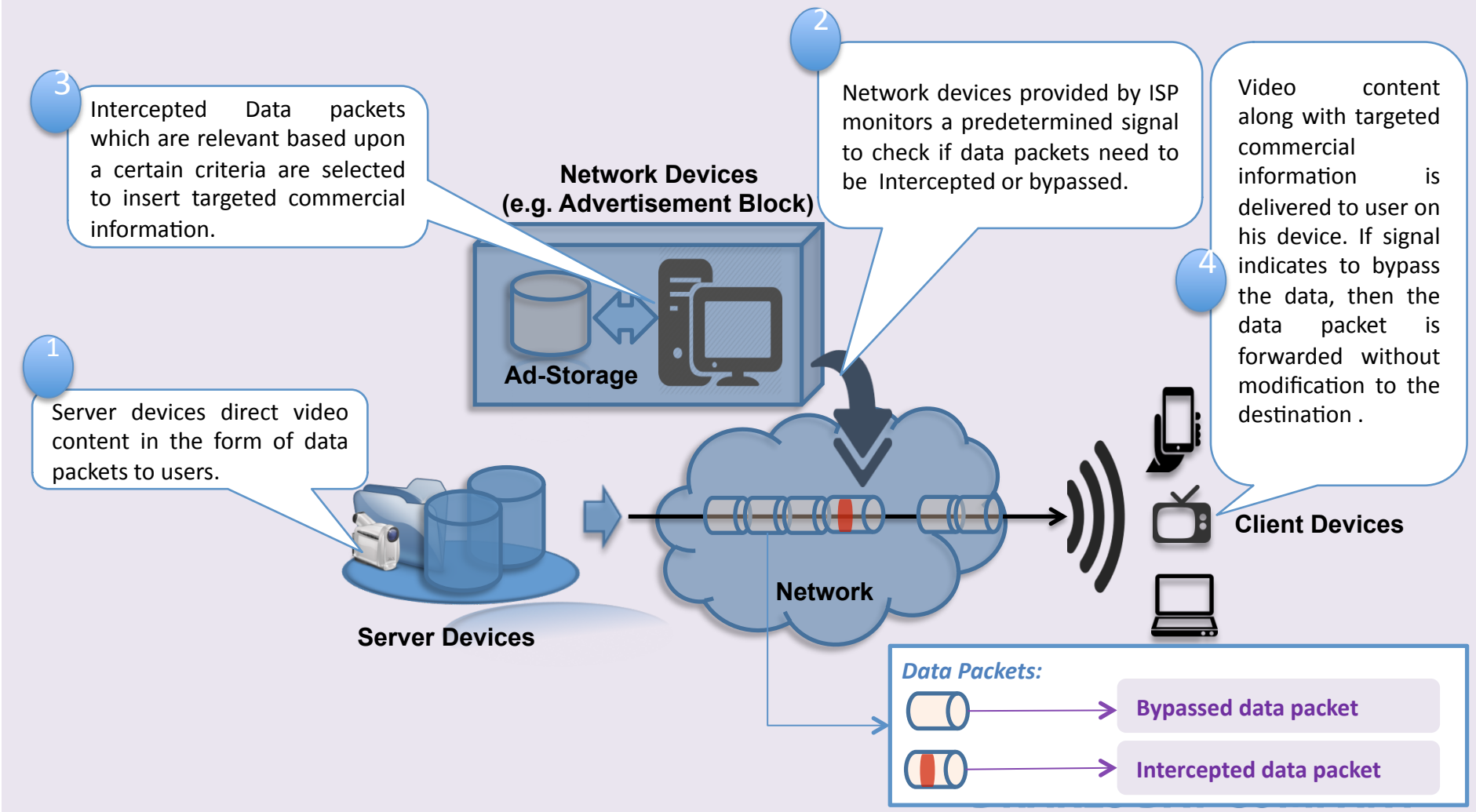
U.S. Family Members: 0

Non-U.S. Family Members: 0

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Invention Overview

The patent describes a method for monitoring and modifying data traffic between client devices (such as PC, smart phones, IPTVs, etc.) and a server device (video content provider) using some network device. Claimed invention can be considered as a multi-step method:



Note: Diagram is provided by the Analyst for visualization of the claimed invention.

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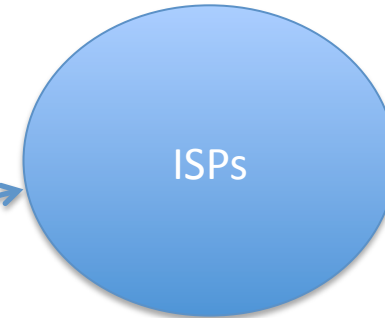
Commentary on Ad-insertion Transparency

- The file wrapper states that the ad insertion process should be transparent to both the content provider and end user. As explained in the patent, “transparent” means that neither the content provider nor the end user is aware of the ad insertion process taking place.
- Due to this limitation, companies like Google, Adobe, Yospace, mdialog, etc. do not come under the scope of the patent because these companies involve the content provider for ad insertion, hence the process is not transparent.

Licensing Opportunities

US7941562
US7715448

US20080306815
US20080306816



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Market size and growth rates

- Internet advertising revenues in the United States totaled \$23.1 billion for the first six months of 2014, with Q1 2014 accounting for approximately \$11.4 billion and Q2 2014 accounting for approximately \$11.7 billion. Revenues for the first six months of 2014 increased 15.1% over the first six months of 2013.
- Mobile advertising increased 76% in HY 2014. Mobile advertising in the United States totaled \$5.3 billion during HY 2014, up from \$3.0 billion in the first six months of 2013.

Source: http://www.iab.net/research/industry_data_and_landscape/adrevenuereport

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Due Diligence

Questions	Answers
Have any universities, standards bodies, or government agencies provided any funding for development or commercialization of the IP, or otherwise been involved with any of the IP?	No
Is any of the IP subject to any joint development, joint venture, “work for hire”, or other collaborative effort with any third party?	No
Are there any related assets, including assets which may claim priority to the submitted IP, foreign counterpart applications, and/or lapsed or abandoned assets, which are not included in the sale or licensing offering?	No
Will selling entity retain any rights to the IP?	Yes – grant back license
Is the selling entity currently in good standing in the jurisdiction of its incorporation?	Yes
Can any third parties claim any ownership interest in any of the IP?	No

Bidding Procedures

- Drakes Bay Company is soliciting indications of interest and/or offers for purchase, license, or other commercialization structures from prospective purchasers, and providing additional information as requested throughout the offering process.
- Proposals should include discussion of any factors believed relevant to the acquisition, including:
 - Valuation: Indicate a value to be paid for the patent assets or any subset thereof;
 - Conditions to Closing: Describe any material conditions required to conclude the transaction, including any additional due diligence requirements; and
 - Timing: Indicate a preliminary timetable based on your acquisition team's availability and internal process for closing a transaction.
 - Bids are due _____

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