

NETWORK 1 TECHNOLOGIES INC

Form POS AM

April 25, 2014

As filed with the Securities and Exchange Commission on April 25, 2014

Registration No. 333-190719

---

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

POST-EFFECTIVE AMENDMENT NO. 1  
TO  
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

---

NETWORK-1 TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

6794  
(Primary Standard Industrial  
Classification Code Number)

11-3027591  
(I.R.S. Employer  
Identification No.)

445 Park Avenue, Suite 912  
New York, New York 10022  
(212) 829-5770

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

---

Corey M. Horowitz  
Chairman and Chief Executive Officer  
445 Park Avenue, Suite 912  
New York, New York 10022  
(212) 829-5770

(Address, including zip code, and telephone number, including area code, of registrant's principal executive officers)

---

Copies to:  
Sam Schwartz, Esq.  
Eiseman Levine Lehrhaupt & Kakoyiannis, P.C.  
805 Third Avenue  
New York, New York 10022  
(212) 752-1000

---

Approximate date of proposed sale to public: From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1993, check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PURSUANT TO RULE 429 UNDER THE SECURITIES ACT, THE PROSPECTUS INCLUDED IN THIS POST-EFFECTIVE AMENDMENT TO REGISTRATION STATEMENT RELATES TO SHARES OF COMMON STOCK OF THE REGISTRANT REGISTERED UPON THE ORIGINAL FILING OF THIS REGISTRATION STATEMENT ON FORM S-1 AND TO SHARES OF COMMON STOCK OF THE REGISTRANT PREVIOUSLY

REGISTERED UNDER REGISTRATION STATEMENT ON FORM SB-2 (NO. 333-143710) AND  
REGISTRATION STATEMENT ON FORM S-2 (NO. 333-126013) AND CONSTITUTES A POST-EFFECTIVE  
AMENDMENT TO SUCH REGISTRATION STATEMENTS. THIS POST EFFECTIVE AMENDMENT SHALL  
HEREAFTER BECOME EFFECTIVE CONCURRENTLY WITH THE EFFECTIVENESS OF THIS  
REGISTRATION STATEMENT IN ACCORDANCE WITH SECTION 8 OF THE SECURITIES ACT.

---

Explanatory Note:

This Post-Effective Amendment No. 1 relates to the registration statement on Form S-1 (File No. 333-190719) of Network-1 Technologies, Inc. (the “Company”) that was declared effective by the Securities and Exchange Commission on October 17, 2013 (the “Registration Statement”). The Company is filing this Post-Effective Amendment No. 1 to the Registration Statement pursuant to the undertakings in Item 17 of the Registration Statement to include the information contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 that was filed with the SEC on March 21, 2014.

---

SUBJECT TO COMPLETION, DATED APRIL 25, 2014  
PROSPECTUS  
NETWORK-1 TECHNOLOGIES, INC.  
6,079,186 shares of Common Stock

This Prospectus covers the resale by the selling stockholders listed on pages 33 to 34 of this Prospectus of up to 6,079,186 shares of our common stock, \$.01 par value, which include:

2,500,000 shares of common stock issuable upon exercise of warrants and 500,000 shares of common stock (issued as a result of exercise of a warrant) issued to four holders in connection with our acquisition of a portfolio and certain other assets of Looking Glass LLC (formerly Mirror Worlds, LLC) on May 21, 2013; and

3,079,186 shares of common stock owned by our Chairman and Chief Executive Officer and related parties.

We will not receive any proceeds from the sale of these shares of common stock. We will, however, receive proceeds if warrants to purchase common stock are exercised and those proceeds will be used for our general corporate purposes. This offering is not being underwritten. The selling stockholders may sell the shares of common stock on the Over-the-Counter (OTC) Bulletin Board with the methods and on the terms described in the section of this Prospectus entitled "Plan of Distribution" on pages 35 to 36.

Our common stock is traded on the OTC Bulletin Board under the symbol "NTIP". Our common stock is not traded on any national securities exchange. On April 23, 2014, the closing price of our common stock, as reported on the OTC Bulletin Board, was \$1.68 per share.

The securities offered in this Prospectus involve a high degree of risk. You should carefully consider the factors described under the heading "Risk Factors" beginning on page 7 of this Prospectus.

---

The information in this Prospectus is not complete and may be changed. The selling stockholders named in this Prospectus may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and neither we nor the selling stockholders named in this Prospectus are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

---

The date of this Prospectus is \_\_\_\_\_, 2014



## TABLE OF CONTENTS

### PAGE

PROSPECTUS SUMMARY	2
RISK FACTORS	7
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	17
PRICE RANGE OF OUR COMMON STOCK	18
DIVIDEND POLICY	18
EQUITY COMPENSATION PLAN INFORMATION	19
BUSINESS	20
LEGAL PROCEEDINGS	30
USE OF PROCEEDS	32
SELLING STOCKHOLDERS	32
PLAN OF DISTRIBUTION	35
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	37
MANAGEMENT	43
EXECUTIVE COMPENSATION	46
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	51
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE	54
DESCRIPTION OF SECURITIES	55
LEGAL MATTERS	57
EXPERTS	58
DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES	58
WHERE YOU CAN FIND MORE INFORMATION	58
FINANCIAL INFORMATION	F-1
PART II. INFORMATION NOT REQUIRED IN PROSPECTUS	II-1

You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this Prospectus. The selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any sale of common stock.

---

## PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this Prospectus. It does not contain all of the information that you should consider before investing in our common stock. You should read the entire Prospectus carefully, including the section entitled “Risk Factors” and our consolidated financial statements and the related notes.

Unless the context otherwise requires, all references to “we,” “us,” “our,” or the “Company” in this Prospectus refer to Network-1 Technologies, Inc. (formerly Network-1 Security Solutions, Inc.), a Delaware corporation. On October 9, 2013, we filed an amendment to our Certificate of Incorporation to change our name to Network-1 Technologies, Inc.

### The Company

Our principal business is the development, licensing and protection of our intellectual property assets. We presently own twenty-one (21) patents that relate to various technologies including patents covering (i) the delivery of power over Ethernet cables for the purpose of remotely powering network devices, such as wireless access ports, IP phones and network based cameras; (ii) foundational technologies that enable unified search and indexing, displaying and archiving of documents in a computer system; (iii) enabling technology for identifying media content on the Internet and taking further action to be performed based on such identification including, among others, the insertion of advertising and the facilitation of the purchase of goods and services related to such content; and (iv) systems and methods for the transmission of audio, video and data in order to achieve high quality of service (QoS) over computer and telephony networks. In addition, we continually review opportunities to acquire or license additional intellectual property.

We have been actively engaged in the licensing of our patent (U.S. Patent No. 6,218,930) covering the delivery of power over Ethernet cables (the “Remote Power Patent”). As of the date of this Prospectus, we had entered into sixteen (16) license agreements with respect to our Remote Power Patent which, among others, include license agreements with Cisco Systems, Inc. and Cisco Linksys, LLC, Extreme Networks, Inc., Netgear, Inc., Microsemi Corporation, Motorola Solutions, Inc. and NEC Corporation (see Notes I[2] and I[3] to our financial statements included in this Prospectus).

Our current strategy includes continuing our licensing efforts with respect to our Remote Power Patent and efforts to monetize the two patent portfolios (the Cox and Mirror Worlds patent portfolios) we acquired in 2013 (see “Business-Patents Related to Identification of Media on the Internet” and “Business - Patents Covering Document Stream Operating Systems” on pages 24-25 of this Prospectus).

Our acquisition strategy is to focus on acquiring high quality patents which management believes have the potential to generate significant licensing opportunities as we have achieved with respect to our Remote Power Patent. Our Remote Power Patent has generated licensing revenue of an aggregate of \$58,467,000 from May 2000 through December 31, 2013. In 2013, we acquired, through our wholly-owned subsidiary Mirror Worlds Technologies, Inc., nine (9) issued United States patents and five (5) pending applications previously owned by Mirror Worlds, LLC, covering foundational technologies that enable unified search and indexing, displaying and



archiving of documents in a computer system (the “Mirror Worlds Patent Portfolio”). During 2013 we also acquired, from Dr. Ingemar Cox, four (4) patents (as well as a pending patent application) pertaining to enabling technology for identifying media content on the Internet (the “Cox Patent Portfolio”).

In addition, we continue to seek to acquire additional intellectual property assets to develop, commercialize, license or otherwise monetize such intellectual property. Our strategy includes working with inventors and patent owners to assist in the development and monetization of their patented technologies. We may also enter into strategic relationships with third parties to develop, commercialize, license or otherwise monetize their intellectual property. The form of such relationships may differ depending upon the opportunity and may include, among other things, a strategic investment in such third party, the provision of financing to such third party or the formation of a joint venture with such third party or others for the purpose of monetizing their intellectual property assets.

We have three pending patent infringement litigations, one involving each of our primary patents or portfolios – our Remote Power Patent, the Mirror Worlds Patent Portfolio and the Cox Patent Portfolio.

Our future success is largely dependent upon our proprietary technologies, our ability to protect our intellectual property assets, to consummate license agreements with respect to our intellectual property assets as well as our ability to acquire additional intellectual property assets or enter into strategic relationships with third parties to license or otherwise monetize their intellectual property. The complexity of patent and common law and the inherent uncertainty of litigation creates risks that our efforts to protect our intellectual property assets, or those of our strategic partners, may not be successful. We cannot be assured that our intellectual property assets will be upheld, or that third parties will not invalidate such intellectual property assets. In addition, we may not be able to (i) acquire additional intellectual property assets or successfully license such assets or (ii) successfully enter into strategic relationships with third parties to license or otherwise monetize their intellectual property.

We were incorporated under the laws of the State of Delaware in July 1990. Our principal offices are located at 445 Park Avenue, Suite 912, New York, New York 10022 and our telephone number is (212) 829-5770. Our web site can be found at <http://www.network-1.com>.

#### Cisco License Agreement

Cisco Systems, Inc. and Cisco Linksys, LLC (collectively, “Cisco”) accounted for 77% of our revenue for the years ended December 31, 2013 and December 31, 2012. In accordance with our Settlement and License Agreement, dated May 25, 2011, with Cisco (the “Agreement”), which expanded upon the short form settlement agreement entered into in July 2010, Cisco is obligated to pay us royalties on a quarterly basis (which began in the first quarter of 2011) based on its sale of PoE products in the United States, up to the maximum royalties per year of \$8 million through 2015 and \$9 million per year thereafter for the remaining term of the patent (March 2020). The royalty payments are subject to certain conditions including the continued validity of our Remote Power Patent and the actual royalty payments may be less than the caps stated above, as was the case for 2013 and prior years. Due to our annual royalty rate structure with Cisco which includes declining rates as

the volume of PoE product sales increase during the year, annual royalties from Cisco are anticipated to be highest in the first quarter and decline for each of the remaining quarters of the year. Under the terms of the Agreement, if we grant other licenses with lower royalty rates to third parties (as defined in the Agreement), Cisco shall be entitled to the benefit of the lower royalty rates provided it agrees to the material terms of such other license. Under the terms of the Agreement, we have certain obligations to Cisco and if we materially breach such terms, Cisco will be entitled to stop paying royalties to us. In addition, if our Remote Power Patent is declared invalid in legal proceedings pending at the United States Patent and Trademark Office or in court (see “Legal Proceedings” at pages 30-32 hereof), Cisco would have no further obligation to pay us royalties. The aforementioned event would have a material adverse effect on our business, financial condition and results of operations.

#### Acquisition of the Mirror Worlds Patent Portfolio and Commencement of Litigation

Following our acquisition of the Mirror Worlds patent portfolio on May 21, 2013, on May 23, 2013, through our wholly-owned subsidiary Mirror Worlds Technologies, LLC, we initiated patent litigation in the United States District Court for the Eastern District of Texas, Tyler Division, against Apple, Inc., Microsoft, Inc., Hewlett-Packard Company, Lenovo Group Ltd., Lenovo (United States), Inc., Dell, Inc., Best Buy Co., Inc., Samsung Electronics America, Inc. and Samsung Telecommunications America L.L.C., for infringement of the ‘227 Patent (one of the patents we acquired as part of the acquisition of the Mirror Worlds Patent Portfolio – see Note I[1] to our financial statements included in this Prospectus). We seek, among other things, monetary damages based upon reasonable royalties. The lawsuit alleges that the defendants have infringed and continue to infringe the claims of the ‘227 Patent by making, selling, offering to sell and using infringing products including Mac OS and Windows operating systems and personal computers and tablets that include versions of those operating systems, and by encouraging others to make, sell, and use these products.

#### Acquisition of Cox Patent Portfolio and Commencement of Litigation

Since our acquisition of the Cox Patent Portfolio in February 2013 consisting of four patents and one patent application, we have filed seven (7) additional related patent applications with the United States Patent and Trademark Office seeking patent protection based upon the original patent application filed in 2000 and we have been issued two additional patents. On April 4, 2014, we initiated litigation against Google and YouTube in the United States District Court for the Southern District of New York for infringement of several of our patents within the Cox Patent Portfolio, relating to the identification of media content on the Internet. The lawsuit alleges that Google and YouTube have infringed and continue to infringe certain of our patents by making, using, selling and offering to sell unlicensed systems and related products and services, which include YouTube’s Content ID system.

#### Pending Litigation Against Major Data Networking Equipment Manufacturers

In September 2011, we initiated patent litigation against 16 data networking equipment manufacturers in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of our Remote Power Patent. Named as defendants in the lawsuit, excluding related parties, were Alcatel-Lucent USA, Inc., Allied Telesis, Inc., Avaya Inc., AXIS Communications Inc., Dell, Inc., GarrettCom, Inc., Hewlett-Packard Company, Huawei Technologies USA, Juniper Networks, Inc., Motorola Solutions, Inc., NEC Corporation, Polycom Inc., Samsung Electronics Co., Ltd., ShoreTel, Inc., Sony Electronics, Inc., and



Transition Networks, Inc. We seek monetary damages based upon reasonable royalties. In March 2012, we reached settlement agreements with defendants Motorola Solutions, Inc. ("Motorola") and Transition Networks, Inc. ("Transition Networks"). In February 2013, we reached settlement agreements with Allied Telesis, Inc. ("Allied Telesis") and NEC Corporation ("NEC"). As part of the settlements, Motorola, Transition Networks, Allied Telesis and NEC each entered into a non-exclusive license agreement for our Remote Power Patent pursuant to which each such defendant agreed to license our Remote Power Patent for its full term (which expires in March 2020) and pay a license initiation fee and quarterly royalties based on their sales of PoE products. On January 25, 2013, certain defendants filed a motion to stay the litigation pending completion or termination of the Inter Partes review proceeding challenging the validity of our Remote Power Patent at the United States Patent and Trademark Office (see "Legal Proceedings" at page 31 of this Prospectus, and Notes I[2] and I[5] to our financial statements included in this Prospectus). On March 5, 2013, the Court granted certain defendants' motion and stayed the litigation pending the disposition of the Inter Partes review proceedings.

#### Shares Being Offered

This Prospectus relates to the resale by the selling stockholders of up to 6,079,186 shares of our common stock, consisting of (i) 2,500,000 shares of common stock issuable upon exercise of warrants and 500,000 shares of our common stock (issued as a result of exercise of a warrant) issued to four holders in connection with our acquisition of the patent portfolio and certain other assets of Looking Glass LLC (formerly Mirror Worlds, LLC) on May 21, 2013, and (ii) 3,079,186 shares of common stock owned by our Chairman and Chief Executive Officer and related parties.

## Summary Financial Data

The following tables summarize the consolidated statements of operations and balance sheet data for our business and should be read together with the section of this Prospectus captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this Prospectus.

Year Ended  
December 31,

## CONSOLIDATED STATEMENTS OF OPERATIONS

## DATA:

	2013	2012
Royalty Revenue	\$ 8,017,000	\$ 8,698,000
Operating expenses(1)	\$ 4,133,000	\$ 2,763,000
Net income	\$ 1,016,000	\$ 2,626,000
Net income (loss) per share		
Basic	\$ 0.04	\$ 0.10
Diluted	\$ 0.04	\$ 0.09
Weighted-average common shares outstanding		
Basic	25,589,238	25,744,330
Diluted	27,954,685	28,472,753

## CONSOLIDATED BALANCE SHEET DATA:

Cash and cash equivalents	\$ 18,938,000	\$ 21,983,000
Working capital	\$ 19,794,000	\$ 22,702,000
Total assets	\$ 31,568,000	\$ 29,805,000
Total shareholders’ equity	\$ 30,804,000	\$ 28,980,000

---

(1) Includes (i) patent amortization expense of \$1,008,000 for the year ended December 31, 2013 (“2013”) relating to our acquisition of 13 patents in 2013 and (ii) non-cash compensation expense of \$390,000 and \$316,000 for 2013 and 2012, respectively.

We had royalty revenue of \$8,017,000 for 2013 as compared to royalty revenue of \$8,698,000 for 2012. We had net income of \$1,016,000 for 2013 as compared to net income of \$2,626,000 for 2012 primarily due to increased patent amortization expense, decreased revenue and increased legal costs and non-compensation expense. Our ability to achieve revenue and income is currently dependent upon receipt of royalty revenue from licensing agreements with respect to our Remote Power Patent. We have financed our operations primarily by royalty revenue from licensing our Remote Power Patent. As of December 31, 2013 our principal sources of liquidity consisted of working capital of approximately \$19,794,000 which includes cash and cash equivalents of \$18,938,000. We believe, based on current cash position and projected licensing revenue, that we will have sufficient cash to satisfy our operational and capital requirements for the foreseeable future.



## RISK FACTORS

An investment in our common stock involves a high degree of risk. The risk factors listed below are those that we consider to be material to an investment in our common stock and those which, if realized, could have material adverse effects on our business, financial condition or results of operations as specifically discussed below. In such an event, the trading price of our common stock could decline, and you could lose all or part of your investment. Before you invest in our common stock, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included or incorporated by reference in this Prospectus, before you decide whether to purchase our common stock. This section includes or refers to certain forward-looking statements. You should refer to the explanation of the qualifications and limitations on such forward-looking statements discussed on page 17.

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. The following highlights some of the factors that have affected, and in the future could affect, our operations.

Our limited operating history makes it difficult to evaluate our current business and future prospects as well as the effectiveness of our business model.

We acquired our first patent assets (which included our Remote Power Patent) in November 2003 and first generated revenue from our Remote Power Patent in May 2007. We next acquired patent assets in 2013. Our strategy is to acquire high quality patents that management believes have the potential to generate significant licensing opportunities as has been the case with our Remote Power Patent. Our Remote Power Patent has generated revenue of \$58,467,000 from May 2007 through December 31, 2013. We have not yet generated any material revenue from our patent assets besides our Remote Power Patent. Accordingly, we have a limited operating history and track record in executing our business model and strategy. Our future success depends upon our ability to protect our Remote Power Patent, successfully monetize our other patent assets and acquire and successfully monetize additional patent assets. In light of our limited track record to date, the uncertainty of patent litigation, the significant time and resources needed to successfully monetize patent assets and the competition faced by us to acquire patent assets, there is a significant risk that we may not be able to grow our revenue and profit and successfully implement our business model.

Our success is dependent upon our ability to protect our patents.

Our success is substantially dependent upon our proprietary technologies and our ability to protect our intellectual property rights. We currently own twenty-one (21) patents that relate to various technologies including (i) our Remote Power Patent covering the delivery of power to certain devices over PoE networks, (ii) patents relating to foundational technologies that enable unified search and indexing, displaying and archiving of documents in a computer system, (iii) patents relating to identification of media content and (iv) patents covering the transmission of audio, voice and data in order to achieve high quality of service (QoS) over computer and telephony networks. We are currently awaiting a decision in an Inter Partes Review proceeding at the United States Patent and Trademark Office in which petitioners have challenged the validity of our Remote Power Patent. In addition, the validity of our Remote Power Patent and other patents acquired by us as part of the acquisition of the Mirror Worlds Patent Portfolio and the Cox Patent Portfolio are currently being challenged (or we anticipate they will be challenged) in proceedings at the USPTO and in patent infringement litigation pending in the courts (see “Legal Proceedings” on pages 30-32 of this

Prospectus). We rely upon our patents and trade secret laws, non-disclosure agreements with our employees, consultants and third parties to protect our intellectual property assets. The complexity of patent and common law and the uncertainty of the outcome of litigation create risk that our efforts to protect our intellectual property assets may not be successful. We cannot assure you that our patents will be upheld or that third parties will not invalidate our patent assets. If our intellectual property assets are not upheld, particularly our Remote Power Patent, such an event would have a material adverse effect on our business, financial condition and results of operations.

If we are unsuccessful in litigation involving our intellectual property, including if any of the claims of defendants to invalidate our patents are successful, such a result would have a material adverse effect on our business.

We currently have several litigations pending in the courts against parties whom we believe require a license to our patents including (i) litigation against eleven (11) data networking equipment manufacturers commenced in September 2011 relating to our Remote Power Patent, (ii) litigation against Apple, Inc., Microsoft, Inc. and several other major computer systems manufacturers commenced in May 2013 with respect to the Mirror Worlds Patent Portfolio and (iii) litigation against Google and YouTube with respect to our Cox Patent Portfolio. In addition, in the future we may commence patent litigation against third parties alleging infringement of our patents. Patent litigation is inherently risky and the outcome is uncertain. The defendants in several pending litigations are all large, well-financed companies with substantially greater resources than us. We may not be successful in such litigation and the outcome of such litigation could be harmful to us. In addition, it is customary for defendants in patent litigation to assert claims seeking to invalidate our patents, as is the case with respect to our pending patent litigations. If we are unsuccessful in enforcing and validating our patents and/or if third parties making claims against us seeking to invalidate our patents are successful, they may be able to obtain injunctive or other equitable relief, which effectively could block our ability to license or otherwise capitalize on our proprietary technologies. Furthermore, then existing licensees of our patents may no longer be obligated to pay royalties to us. Successful litigation against us resulting in a determination that our patents are not valid or enforceable, and/or that third parties do not infringe, would have a material adverse effect on our business, financial condition and results of operations.

Our revenue and profit is currently dependent upon the continued validity of our Remote Power Patent.

All of our revenue to date has been generated by our Remote Power Patent. We currently have twelve (12) license agreements pursuant to which licensees have an obligation to pay us royalties on an ongoing basis. Such royalty bearing licenses include, among others, agreements with Cisco Systems, Inc. and Cisco-Linksys, LLC, Microsemi Corporation, Netgear, Inc., and Motorola Solutions, Inc. and NEC Corporation. The obligation of licensees of our Remote Power Patent to continue to make royalty payments to us is contingent upon the continued validity of our Remote Power Patent. The validity of the Remote Power Patent is at issue in the pending decision in our Inter Partes Review proceeding at the United States Patent and Trademark Office as well as the pending ex parte reexamination at the United States Patent and Trademark Office (see "Legal Proceedings" at page 31 hereof). In addition, the validity and infringement of our Remote Power Patent is currently at issue in our pending litigation against eleven (11) data networking equipment manufacturers in Tyler, Texas (see "Legal Proceedings" beginning at page 30 hereof). In the event our Remote Power Patent is determined to be invalid, licensees of our Remote Power Patent would have no further obligation to make royalty payments to us which would have a material adverse effect on our business, financial condition and results of operations.

An Adverse Ruling by the USPTO (which is not subsequently overturned) with respect to the pending Inter Partes Review proceeding relating to our Remote Power Patent would have a material adverse effect on the Company.

Avaya Inc., Dell Inc., Sony Corporation of America and Hewlett Packard Co. are petitioners in Inter Partes Review proceedings (which were joined together) (the “IPR Proceeding”) pending at the United States Patent and Trademark Office before the Patent Trial and Appeal Board (the “Patent Board”) involving our Remote Power Patent. Petitioners in the IPR Proceeding seek to cancel certain claims of our Remote Power as unpatentable. A hearing on the merits of the IPR Proceeding took place on January 9, 2014 and a decision of the Patent Board is pending. In the event that the Patent Board reaches a final determination in the IPR Proceeding that the Remote Power Patent is invalid, such a determination (unless overturned by the United States Court of Appeals for the Federal Circuit) would have a material adverse effect on our business, financial condition and results of operations as our entire current revenue stream is dependent upon the continued validity of our Remote Power Patent.

We may not be able to capitalize on our strategy to acquire high quality patents with significant licensing opportunities or enter into strategic relationships with third parties to license or otherwise monetize their intellectual property.

As a result of our patent litigation settlement in July 2010, the success we have achieved to date from licensing our Remote Power Patent and the acquisition of an aggregate of thirteen (13) additional patents in 2013, we believe we have the expertise and sufficient capital to compete in the intellectual property monetization market and to enter strategic relationships with third parties to develop, commercialize, license or otherwise monetize their intellectual property. However, we may not be able to acquire additional intellectual property or, if acquired, we may not achieve material revenue or profit from such intellectual property. Acquisitions of patent assets are competitive, time consuming, complex and costly to consummate. Our strategy is to focus on acquiring high quality patent assets which management believes have the potential for significant licensing opportunities. These high quality patent opportunities are difficult to find and are often very competitive to acquire. In addition, such acquisitions present material risks. Even if we successfully acquire additional patent assets, such as the patent portfolios acquired from Dr. Cox in February 2013 and from Mirror Worlds, LLC in May 2013, we may not be able to achieve significant licensing revenue or even generate sufficient revenue related to such patent assets to offset the acquisition costs and the legal fees and expenses which may be incurred to enforce, license or otherwise monetize such patents. In addition, we may not be able to enter into strategic relationships with third parties to license or otherwise monetize their intellectual property and, even if we consummate such strategic relationships, we may not achieve material revenue or profit from such relationships.

We are currently largely dependent upon our license agreement with Cisco for a significant portion of our royalty revenue. The loss of Cisco as a licensee would have a material adverse effect on our business.

Cisco Systems, Inc. and Cisco Linksys, LLC (collectively, “Cisco”) accounted for 77% of our revenue for the years ended December 31, 2013 and December 31, 2012. In accordance with our Settlement and License Agreement, dated May 25, 2011, with Cisco (the “Agreement”), which expanded upon the short form settlement agreement entered into in July 2010, Cisco is obligated to pay us royalties on a quarterly basis (which began in the first quarter of 2011) based on its sale of PoE products in the United States, up to the maximum royalties per year of \$8 million through 2015 and \$9 million per year thereafter for the remaining term of the patent (March 2020). The royalty payments are subject to certain conditions including the continued validity of our Remote Power Patent and the actual royalty payments may be less than the caps stated above, as was the case for 2013 and prior years. Due t