

1 STEPHEN T. O'NEILL (115132)  
ROBERT A. FRANKLIN (091653)  
2 THOMAS T. HWANG (218678)  
DORSEY & WHITNEY LLP  
3 305 Lytton Avenue  
Palo Alto, CA 94301  
4 Telephone: (650) 857-1717  
Facsimile: (650) 857-1288  
5 Email: oneill.stephen@dorsey.com  
Email: franklin.robert@dorsey.com  
6 Email: hwang.thomas@dorsey.com

7 Attorneys for Official  
Committee of Unsecured Creditors

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9 **UNITED STATES BANKRUPTCY COURT**  
10 **NORTHERN DISTRICT OF CALIFORNIA**  
11 **SAN JOSE DIVISION**

12 In re: )  
 )  
13 **TECHNOLOGY PROPERTIES LIMITED LLC,** ) Case No. 13-51589-SLJ-11  
**fka TECHNOLOGY PROPERTIES LIMITED** )  
14 **INC., A CALIFORNIA CORPORATION,** ) Chapter 11  
**fka TECHNOLOGY PROPERTIES LIMITED,** )  
15 **A CALIFORNIA CORPORATION,** ) Date: December 9, 2015  
 ) Time: 2:00 p.m.  
16 Debtor. ) Place: United States Bankruptcy Court  
 ) 280 S. First Street, Room 3099  
17 ) San Jose, CA 95113  
 ) Judge: Honorable Stephen L. Johnson

18  
19 **DECLARATION OF CLIFFORD FLOWERS IN SUPPORT OF**  
**ORDER IN AID OF IMPLEMENTATION OF PLAN OF REORGANIZATION**  
20

21 I, Clifford Flowers, declare:

- 22 1. I am over the age of 18 and am competent to and would testify to those matters set  
23 forth below if called upon to do so as a witness.
- 24 2. I am the Interim Chief Executive Officer of Patriot Scientific Corporation ("Patriot")  
25 and have held that position since 2009. I also serve as its Chief Financial Officer and have held that  
26 position since 2007. I have been one of Patriot's three Board Members since 2011. Patriot is a  
27 publicly traded company.
- 28 3. I am familiar with the documents that created the joint venture known as Phoenix

1 Digital Solutions LLC (“PDS”) in 2005. I have tracked PDS-related documents since I joined  
2 Patriot. Patriot performs the accounting function for PDS under my direction. Although I am not  
3 one of the three Managers of PDS, I am regularly involved in nearly all communications involving  
4 PDS.

5 4. I also serve as Patriot’s representative on the Official Creditor’s Committee (“OCC”)  
6 in this matter.

7 5. I am very familiar with PDS’s and Patriot’s dealings with Alliacense LLC  
8 (“Alliacense”) since I joined Patriot, including their contractual negotiations, commitments and  
9 disputes.

10 6. When I joined Patriot, PDS managed the Moore Microprocessor Patent portfolio  
11 (“MMP”) under a 2005 Commercialization Agreement (“2005 ComAg”) between PDS and TPL.  
12 TPL was the exclusive licensing entity for the licensing program and the ComAg had no end date.

13 7. TPL and Patriot each have a 50% member’s interest in PDS and PDS is managed by a  
14 three member committee comprised of a TPL representative (Dan Leckrone until he was recently  
15 replaced in 2014 by Swamy Venkidu); a Patriot representative (during recent years, Carl Johnson);  
16 and a third “independent” manager.

17 8. Until July 2012, TPL fulfilled its MMP commercialization responsibilities under the  
18 2005 ComAg by having Alliacense perform the patent licensing function. I was never clear if there  
19 was an actual separation of the businesses of TPL and Alliacense since they worked at the same  
20 address and had the same owner, Dan Leckrone. Nonetheless, I understand TPL through its sole  
21 member Dan Leckrone contended Alliacense was and is a separate legal entity and functioned from  
22 2005-2012 as TPL’s subcontractor under the 2005 ComAg. I am not aware of any written  
23 agreement between TPL and Alliacense related to the MMP Program.

24 9. In 2010, Patriot and TPL had a substantial disagreement over TPL’s patent licensing  
25 activities. Patriot claimed that TPL diverted MMP licensing revenue away from PDS to itself by  
26 combining negotiations of MMP patent licenses with other patent portfolios that TPL owned. That  
27 dispute resulted in litigation that settled in late 2010. Shortly after that dispute, the PDS Independent  
28 Manager, Bob Neilson, resigned his position. This left PDS with only Dan Leckrone and Carl

1 Johnson as its managers.

2 10. By July 2012, TPL's deteriorating financial condition resulted in discussions about  
3 having TPL bow out of its patent licensing function for PDS under the 2005 ComAg. It did so, and  
4 shortly thereafter PDS entered into a direct commercialization agreement between it and Alliacense  
5 ("Alliacense ComAg"). Alliacense and PDS/ Patriot then had multiple disagreements about  
6 Alliacense's performance and entitlement to payment for services and licensing fees under the  
7 Alliacense ComAg. Meanwhile, TPL filed the instant bankruptcy petition on March 20, 2013.

8 11. During a break in an MMP patent trial in September 2013, Dan Leckrone, while still  
9 managing the affairs of TPL, threatened me based on PDS failing to pay Alliacense invoices for  
10 services to PDS. These were services claimed to have been rendered by Alliacense that were  
11 disputed by PDS and Patriot as unnecessary and unsubstantiated (and thus expenses that TPL at that  
12 point should not have to bear either). This was part of a series of events where Dan Leckrone  
13 pushed hard to get Alliacense paid or benefitted, in my view, at the expense of PDS, TPL and its  
14 creditors.

15 12. I am familiar with multiple instances in 2013-2014 in which PDS needed to  
16 communicate with and manage its relationship with Alliacense. Since PDS only had two managers,  
17 Johnson and Dan Leckrone, it frequently could not make decisions to take action against Alliacense.

18 13. Eventually Mr. Johnson requested that Dan Leckrone recuse himself from  
19 participating in PDS Management Committee decisions involving Alliacense due to his conflict of  
20 interest as the owner of Alliacense. Dan Leckrone refused. Mr. Johnson then attempted to engage  
21 Dan Leckrone in discussion about agreeing upon an independent manager to help them resolve any  
22 such gridlock (since Neilson had resigned in 2010). Dan Leckrone refused. I witnessed these  
23 communications.

24 14. To resolve that gridlock, Johnson and Patriot initiated binding arbitration under a  
25 provision of the PDS Operating Agreement to have a third manager appointed to PDS. A true and  
26 correct copy of that AAA Petition is attached hereto as **Exhibit "A"**. Dan Leckrone resisted this  
27 effort and objected to the arbitration proceeding. Eventually, on December 16, 2014, an arbitrator  
28 selected Tom Chaffin, Esq. as PDS's independent manager. A true and correct copy of that Order is

1 attached hereto as **Exhibit “B”**.

2 15. Meanwhile, in the first half of 2014 I participated in a very lengthy discussion and  
3 negotiation between Patriot and Alliacense to resolve the many disagreements between them under  
4 the 2012 Alliacense ComAg. These resulted in an agreement called the Amended Alliacense  
5 Services and Novation Agreement dated July 23, 2014 (the “Novation Agreement”). This document  
6 attempted to settle any and all disputes between PDS and Alliacense going forward. A true and  
7 correct copy of that Novation Agreement, redacted of certain confidential business information, is  
8 attached hereto as **Exhibit “C”**.

9 16. Notable provisions of the Novation Agreement from Patriot’s standpoint include the  
10 following. First, from among over 400+ prospective MMP licensees still to be approached for  
11 licenses, Alliacense agreed to allow half of them to be transferred over for negotiations by a second  
12 licensing company to be chosen by Patriot. The thought from Patriot’s standpoint was that a second  
13 licensing firm could reinvigorate the patent licensing program if the universe of prospects was  
14 divided in half. While there are over 100 MMP signed licenses, Alliacense had written very few  
15 licenses in recent months. Second, Alliacense agreed to certain revenue milestones that would affect  
16 its compensation and could have resulted in PDS terminating its services if not achieved. The first  
17 such revenue milestone, coming up in October 2015, was modest (the same as the amount of one of  
18 the program’s largest licenses). Third, PDS paid for Alliacense’s work product (as defined  
19 specifically in the Novation Agreement), related to the prospects to be reassigned to the second  
20 licensing firm, which would be turned over to Patriot to provide to that new licensing firm.

21 17. Almost immediately after the Novation Agreement was executed and PDS paid the  
22 sums specified therein, Alliacense, owned by Dan Leckrone and managed by his son Mac Leckrone,  
23 displayed sour grapes at the notion of sharing the 400+ prospects with a second licensing firm. This  
24 was immediately manifest upon Patriot’s selection of the second licensing firm, Dominion Harbor  
25 Group (“DHG”) on August 24, 2014. Alliacense claimed DHG had a “conflict” because one of its  
26 employees once worked for a company which manufactures microprocessor chips. (Alliacense  
27 employed people over the years that had such conflicts and never appeared then to have any  
28 concern.) Patriot hired an ethics expert recommended by TPL, now under new management with

1 Swamy Venkidu as the new CEO, and obtained assurances that the conflict was only a minor  
2 distraction and could be easily dealt with. A true and correct copy of Mr. Venkidu's email dated  
3 September 26, 2014 related to hiring this ethics expert is attached hereto as **Exhibit "D"**.

4 18. The Novation Agreement called for Alliacense to prepare two lists of the 400+ MMP  
5 prospects in which Alliacense was indifferent which list of prospects it retained and which was  
6 turned over to DHG. Patriot and the new firm would then pick one of the two lists. Alliance would  
7 retain the other list, and the universe of prospective MMP licensees would be divided. (Exhibit "C",  
8 Novation Agreement at ¶ 3(f).) In addition, ¶ 3(f) also required that Alliacense turn over the Work  
9 Product to Patriot for use by PDS in enforcing all rights PDS holds under the MMP Portfolio.

10 19. These two lists should have been prepared by Alliacense beginning in July 2014  
11 when the Novation Agreement was executed (assuming Alliacense was actually interested in  
12 identifying promptly which prospects would remain theirs after the split so it could vigorously write  
13 licenses and meet the October 2015 revenue milestone). Instead, it engaged in stall tactics. After the  
14 selection of DHG, Alliacense took the position that it had not been "formally" notified of Patriot's  
15 selection of DHG in connection as an excuse for delaying in providing the two lists of MMP  
16 prospects. Based on the communications I saw from Alliacense, it did not begin preparing the two  
17 lists until Fall 2014, if then.

18 20. I also had to "formally" notify Alliacense to prepare the two lists (which it should  
19 have been eagerly preparing in July) by my communication to Mac Leckrone of Alliacense dated  
20 September 22, 2014, a true and correct copy of which is attached hereto as **Exhibit "E"**. Once we  
21 proceeded beyond the dispute whether Alliacense had been "formally" told that DHG was selected,  
22 Alliacense next took the position that the two prospect lists would not be turned over unless DHG  
23 executed a non-disclosure agreement. DHG signed the non-disclosure agreement and still the lists  
24 were not delivered.

25 21. Even though we had just gone through the conflicts analysis as applied to DHG's  
26 hiring, Alliacense took the position that it had not been formally told that DHG had been hired and  
27 so it had not actually been properly noticed to prepare the two prospect lists. A true and correct copy  
28 of that letter by Alliacense dated October 14, 2014 is attached hereto as **Exhibit "F"**. Attached

1 hereto as **Exhibit “G”** is a true and correct copy of my letter dated October 15, 2014 responding to  
2 Alliacense.

3 22. With that latest purported formality behind us, Mac Leckrone then delayed indicating  
4 when the two lists would be delivered. The Novation Agreement requires these lists be turned over  
5 “once” Patriot identified the other licensing company. My letter to Mac Leckrone dated October 20,  
6 2014 on this point is attached hereto as **Exhibit “H”**.

7 23. Attached hereto as **Exhibit “I”** is an email trail dated October 24, 2014, urging Mike  
8 Davis of Alliacense (who I was told was actually preparing the two prospect lists) to get moving. I  
9 was hearing during this time period from Davis that he was “busy” and that it was taking him time to  
10 pull the two lists together but that they would be coming “soon” or “next week.”

11 24. On October 20, 2014, I sent Alliacense a letter warning that all licensing prospects  
12 would be turned over to DHG if it does not provide the two lists. A true and correct copy of this  
13 letter is attached hereto as **Exhibit “J”**. At this point I had been pressing for the lists for four weeks  
14 and had no indication when the lists were actually going to be provided.

15 25. Attached hereto as **Exhibit “K”** is a true and correct copy of my email to Mr. Davis  
16 dated October 28, 2014 notifying him that Alliacense was in breach due to its failure to turn over the  
17 two lists.

18 26. Around this time, I am aware that counsel for the OCC negotiated for inclusion in the  
19 Plan of Reorganization and Disclosure Statement, a provision that all disputes between Patriot and  
20 Alliacense would need to be resolved as a condition of Plan Confirmation going forward.

21 27. TPL’s counsel, Rob Harris, wrote to Mac Leckrone on November 20, 2014  
22 concerning the lists dispute, a true and correct copy of which is attached hereto as **Exhibit “L”**. At  
23 this point Mac Leckrone was contending it would take approximately 2 hours per licensing prospect  
24 (or nearly 1000 hours) to prepare the two lists that should have been started in July 2014, and  
25 certainly should have issued “once” DHG was identified in September.

26 28. To move matters along, we suggested that Alliacense roll out the lists in waves if it  
27 really was determined to spend two hours on each name. At one point Mike Davis agreed to do this  
28 right away. A true and correct copy of his email in that regard dated December 12, 2014 is attached

1 hereto as **Exhibit “M”**. After that, Mac Leckrone took the position that only the entire list would be  
2 produced when ready, with no indication when it would be ready.

3 29. We also pointed out that 400+ prospects could be randomly divided and  
4 mathematically no one could then really say which list would be more valuable. This argument was  
5 also rejected.

6 30. The two lists (or what appeared to be the two lists) were delivered on February 2,  
7 2015, just days before the hearing on Plan Confirmation. Based on that, Patriot did not speak up  
8 through counsel at the hearing that there were any disputes underway with Alliacense (since at that  
9 point there now appeared to be none). DHG was provided one of the two lists prepared by  
10 Alliacense. DHG promptly evaluated the two lists and selected list No. 1 on February 6, 2015.  
11 Alliacense was promptly so notified.

12 31. However, it turns out Alliacense unilaterally held back the names of 57 prospects  
13 from either list. I later learned from Alliacense that it had been investigating those 57 prospects for  
14 purposes of initiating a new round of litigation. After a series of difficult communications on that  
15 point, the 57 names were finally also delivered by Alliacense in two more lists on February 25, 2015.

16 32. Once DHG chose a list, Alliacense was then required to turn over the Work Product  
17 related to the 200+ prospects now assigned to DHG. (See ¶ 3(f)(iii) of the Novation Agreement.)  
18 With this information, DHG would know the date the prospects were notified of infringement, the  
19 revenue base to negotiate the royalty, the basis for infringement of each of the prospect’s products,  
20 and the licensing negotiation history with each prospect. However, Alliacense resumed the same  
21 stall tactics as before Plan Confirmation. Mr. Davis made various promises to turn over the  
22 information “next week” and bemoaned that he had to “redact” information (for reasons that are not  
23 clear), and claimed that he was working on assembling a huge volume of information.

24 33. A substantial portion of the Work Product is in the possession of litigation counsel for  
25 Patriot and TPL, but was provided in litigation subject to protective orders. Although it has no  
26 legitimate basis to object, Alliacense has refused to allow or has otherwise interfered with PDS or its  
27 two members, Patriot and TPL, from turning over the Work Product to PDS’ second licensing  
28 company DHG. After the initial position that the Work Product was going to be turned over,

1 Alliacense has consistently refused to turn over or release any Work Product.

2 34. Meanwhile, I frequently heard from DHG that it had great difficulty negotiating  
3 MMP licenses without the Alliacense Work Product.

4 35. Eventually Mac Leckrone communicated to Mr. Venkidu, who then shared with us,  
5 that Mac Leckrone was taking the position that he was not going to turn over the Work Product  
6 unless PDS renegotiated the termination provisions of the Novation Agreement. I first learned of  
7 Alliacense's position, as stated to Mr. Venkidu, on or about March 30, 2015.

8 36. The AAA arbitrator had recently appointed a third PDS Manager, Tom Chaffin. Now  
9 PDS could manage the Alliacense relationship. PDS decided to communicate a deadline to  
10 Alliacense and it sent Alliacense a letter dated May 11, 2015, demanding that the Work Product be  
11 turned over, a true and correct copy of which is attached hereto as **Exhibit "N"**. Alliacense did not  
12 honor the deadline to turn over the Work Product as provided for in the letter and its services thus  
13 ended. Attached hereto as **Exhibit "O"** is a true and correct copy of Patriot's 8-K public notification  
14 that the Alliacense relationship was terminated effective May 15, 2015. Alliacense is now no longer  
15 involved in MMP licensing in any capacity.

16 37. Notwithstanding Alliacense's termination, PDS paid for the Work Product under the  
17 Novation Agreement. To recover that Work Product, PDS has initiated JAMS arbitration under the  
18 Novation Agreement to have it ordered to do so. A true and correct copy of that arbitration demand  
19 of June 17, 2015 is attached hereto as **Exhibit "P"**.

20 38. In the JAMS arbitration, Alliacense has displayed similar delay tactics that Dan  
21 Leckrone displayed in the earlier AAA arbitration to appoint a third PDS manager. Alliacense has  
22 not paid its JAMS fees in the current arbitration. It has asked for a continuance. It has not  
23 responded to the claim. This arbitration may not go forward for many months. We don't know what  
24 resistance Alliacense will put up to enforcement of an order/award to turn over its Work Product  
25 after the arbitration occurs.

26 39. Meanwhile, to further leverage its position, in August 2015 Alliacense wrote to our  
27 former patent litigation counsel, Jim Otteson, Esq., objecting to any of the Work Product once in  
28 Otteson's control from being turned over to the new patent litigation counsel, the Nelson

1 Baumgardner law firm. A true and correct copy of Alliacense’s letter to Mr. Otteson dated August  
2 26, 2015, is attached hereto as **Exhibit “Q”**. The Nelson Baumgardner firm is preparing for trial  
3 against five substantial international corporations that have refused to take on MMP licenses. It  
4 appears from this letter that Alliacense has now moved on from just tying up the MMP patent  
5 licensing effort, and is now determined to jeopardize TPL’s pending patent litigation effort as well.

6 40. In response to Alliacense’s demands, Mr. Otteson advised Alliacense that the Work  
7 Product could not be considered “Alliacense Proprietary Materials” because it was actually created  
8 by Alliacense a vendor for PDS in connection with efforts to enforce rights under the MMP  
9 Portfolio. As such, the Work Product is owned by TPL/PDS. Attached hereto and marked as  
10 **Exhibit “R”** is a true and correct copy of Mr. Otteson’s letter to Alliacense dated September 10,  
11 2015.

12 41. From this history of communications, Alliacense, owned by Dan Leckrone, is clearly  
13 trying to leverage economic concessions for Alliacense by risking the success of the Plan of  
14 Reorganization, with little or no regard for TPL or its creditors.

15 I declare under penalty of perjury under the laws of the United States of America that the  
16 foregoing is true and correct and that this Declaration was executed in Carlsbad, California on  
17 October 22, 2015.

18  
19 */s/ Clifford Flowers*  
Clifford Flowers