

INSURANCE IP BULLETIN

An Information Bulletin on Intellectual Property activities in the insurance industry

A Publication of - Tom Bakos Consulting, Inc. and Markets, Patents and Alliances, LLC

Introduction

In this issue's feature article, *Best Mode*, co-editors Tom Bakos and Mark Nowotarski address a patent requirement that may get overlooked if careful attention is not paid to it during specification drafting. Any inventor who has considered and come to a conclusion as to the best way to implement an invention is required to disclose that best mode in the patent application. To not do so exposes any patent issued to having claims invalidated.

In our **Patent Q/A**, we discuss how the USPTO maintains strict confidentiality when examining a patent application.

The Statistics section updates the current status of issued US patents and published patent applications in the insurance class (i.e. 705/4). We also provide a link to the *Insurance IP Supplement* with more detailed information on recently published patent applications and issued patents.

Our mission is to provide our readers with useful information on how intellectual property in the insurance industry can be and is being protected – primarily through the use of patents. We will provide a forum in which insurance IP leaders can share the challenges they have faced and the solutions they have developed for incorporating patents into their corporate culture.

Please use the FEEDBACK link to provide us with your comments or suggestions. Use QUESTIONS for any inquiries. To be added to the Insurance IP Bulletin e-mail distribution list, click on ADD ME. To be removed from our distribution list, click on REMOVE ME.

Thanks,
Tom Bakos & Mark Nowotarski

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Feature Article

Best Mode

By: Tom Bakos, FSA, MAAA and Mark Nowotarski
Co-Editors, *Insurance IP Bulletin*

According to US patent law, in order to get a patent, the inventors are required to make certain disclosures. The inventors must not only describe how to make and use the invention (see [Enablement](#), from our last issue), they must also “set forth the best mode contemplated by the inventor of carrying out his invention” ([35 U.S.C. 112](#), first paragraph). This is called the “Best Mode” requirement. The word “contemplated” creates a two pronged inquiry into whether or not the requirement has been met. First there is a determination of whether a best mode was possessed by the applicant. Then, if a best mode existed, it must be determined whether or not the written description disclosed it.

Best mode is subtle and subjective. It is based on what was known by the applicant at the time the application was filed. Events or research following the filing of a patent application may reveal better methods for carrying out the invention. An inventor, however, is not required to update an application in order to disclose this subsequent learning. The purpose of a best mode disclosure requirement is to discourage an applicant from holding back information they know at the time they file a patent application is the best way to implement the invention. Without a best mode requirement inventors would be able to get both patent protection and maintain a trade secret.

To understand the nature of the Best Mode requirement and why it is important, consider the recent non-insurance court case of [TALtech v. Esquel Apparel](#), two Hong Kong based manufacturers of clothing. TALtech has a patent on how to make a permanent-press shirt that doesn't pucker when washed. The patent is [US patent 5,590,615](#), “Pucker free garment seam and method of manufacture”. The inventor is John Wong, an employee of TALtech. TALtech sued Esquel Apparel for patent infringement in the US. During discovery, Esquel found evidence that the inventor, Mr. Wong, had done numerous experiments with a variety of different tapes to find just the right tape that would make the process work. The result of the experimentation was that Vilene SL33 was found to be the tape that worked best and TALtech intended to use only Vilene SL33 in production. TALtech's patent did describe a broad range of tape properties that would work, but it didn't disclose enough information for someone to know that Vilene SL33 would work much better than all other tapes evaluated. The court,

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therefore, ruled that TALtech failed to disclose the best mode and the particular claims at issue were ruled invalid. The ruling was upheld on appeal.

It's extremely unlikely that an examiner, reviewing only information provided by the applicant, could determine if the best mode requirement had been met. Hence patent examiners are specifically told to "[assume the best mode requirement is met unless there is evidence to the contrary](#)" and best mode issues are normally resolved during patent infringement trials when an opposing party has an opportunity to find evidence related to the intent of the inventor(s) at the time a patent was filed and facts related to whether or not the best mode was disclosed. For example, the opposing party would explore through document requests as part of the court proceeding whether or not the inventors thought there was a better mode of enabling the invention than what was actually disclosed in the specification. This judicial process would also determine whether or not enough disclosure was made in the specification to enable the best mode.

It is quite possible that an inventor has not contemplated a best mode for implementing an invention at the time a patent application is filed. That is, an inventor may know of a number of ways to implement an invention and either all are equally effective or each has advantages and disadvantages that make no single one the best. In this case, the inventor would have no best mode contemplated and, therefore, there is effectively nothing to disclose. However, practically the inventor may want to disclose all modes of enablement (except for those known to be inferior) in order to avoid any appearance of withholding important information from the disclosure.

The disclosure has to be sufficient so that a person of ordinary skill in the art can figure out how to practice the best mode without undue experimentation. That is, the disclosure can take into account (i.e. assume) what a person of ordinary skill can be reasonably expected to already know. The inventors are not required to identify which of a number of enablements they have described is the best mode. They only have to make sure that the method they believe to be the best mode is among the modes described.

The fact that patent examiners are trained to assume that any enablements described in a specification include a best mode implies that examiners do not typically make rejections based on a failure to disclose best mode. An applicant should not use this examination quirk to take his or her focus off of the requirement. Often inventions are described in generic ways in order to receive the broadest possible protection from a patent. In the process, important detail necessary to implement a best mode may be inadvertently omitted.

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For example, it's very tempting to make broad sweeping disclosures (e.g. *the invention disclosed herein uses **advanced modeling techniques**...*) that really don't provide much practical detail in order to get broader protection. These disclosures run the risk of not being enabling of a best mode if a specific modeling technique is known to produce the results required for the invention to work as intended by the inventor. For example, the disclosure of a specific modeling technique (e.g. *the invention disclosed herein may be implemented using **XYZ modeling software version X.0** ...*) may be required for the inventors to satisfy the best mode requirement.

As noted, a high value patent will more likely than not get a court test. Failure to disclose a best mode is an argument typically made as a defense in an infringement lawsuit brought to enforce the inventor's rights. Getting a patent issued is a difficult, time consuming process, and expensive process. In order to maximize the benefit of a patent a major objective should be to get a valid patent issued by being conscientious in avoiding applicant error and examiner mistakes. Forgetting about or purposely misleading by ignoring the best mode requirement can result in an invalid and unenforceable patent.

Patent Q & A

The Patent Office Allowed That!?

Question: I've been following the progress of a competitor's patent application and I can't believe they just got claims allowed. The invention is obvious. Is there any way I can send a note to the examiner to change his or her mind and stop the patent from issuing?

Disclaimer: *The answer below is a discussion of typical practices and is not to be construed as legal advice of any kind. Readers are encouraged to consult with qualified counsel to answer their personal legal questions.*

Answer: No. Examiners are specifically required by law to disregard any input from third parties during an examination unless the applicant gives them written permission to do so.

Details: It used to be that pending US patent applications were kept secret until if and when a patent issued. The idea was to preserve the inventors' secrets until they had their patents in hand to prevent copying. The Wright Brothers, for example, relied on this secrecy to prevent the world from copying their plane until it was patented. The secrecy of pending patent applications changed, however, when Congress passed the [American Inventor's Protection Act](#)

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in the late 1990's. This required (with some exceptions) that patent applications be made public 18 months after a patent application's earliest filing date. There was a fear, however, particularly among independent inventors, that once patent applications were published, deep pocket infringers would harass the patent examiners with data and opinions to jam up the examination of a patent and keep it from issuing. Hence [35 USC 122\(c\)](#) was added to the bill to require that the Patent Office make rules and regulations so that "no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant." If a third party sends in an inquiry to an examiner, it will not be replied to. If a third party makes a submission, it will not be acted upon. If a third party calls or leaves a message for an examiner, it will not be accepted or returned.

That's not to say that there is nothing that a third party can do. The public has [a two month window](#) after an application is published to send in suggested prior art for the examiner to consider, but they can't add any commentary or explanations to it and other restrictions apply.

This is also not to say that an interested third party can't publish their opinions and suggested prior art on the Internet and hope that an examiner looks at it. Some parties are using Wikipedia for just such a purpose. The [Peer-to-Patent system](#) of public review of pending applications does give third parties the opportunity to submit prior art and commentary before a patent application is examined, but the inventors have to agree to allow their applications to be commented on and no follow up is allowed once the examiner starts working on the case.

Given the unique challenges of examining financial service inventions, and in particular, the extraordinary breadth and depth of technical knowledge required for efficient and thorough examination, the time may be ripe to consider amending 35 USC 122(c), to allow for limited outside input into the examination of business method patents. Outside experts, for example, could help examiners understand what the applications mean. A properly regulated system of commentary by third parties could provide the technical assistance needed by examiners while actually helping inventors get higher quality patents in less time.

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Now Available

Lincoln National Life Insurance Company Alleges Patent Infringement - GMWB

Lincoln National Life insurance Company was just issued a third patent (US 7,376,608) which now makes three patents they own covering the methods and processes used in providing the **Guaranteed Minimum Withdrawal Benefits** (GMWBs). Two additional patent applications remain pending.

Lincoln is asserting its patent rights through patent infringement lawsuits against two competitors who offer GMWBs: **Transamerica Life Insurance Company** and **Jackson National Life Insurance Company**. Immediately after their new patent was issued they sued Transamerica and Jackson national for infringing it.

GMWBs have been credited with saving the variable annuity industry and are commonly offered by many of the 25+ insurers currently selling variable annuity products. Lincoln National's claim of protected patent ownership of the GMWB benefit, given that they are enforcing their patent rights, is a threat to competitors offering GMWBs in the variable annuity market.

Tom Bakos (co-editor of the **Insurance IP Bulletin**) has prepared a comprehensive **Intellectual Property Analysis** of the Lincoln National GMWB family of IP. This analysis (over 200 pages of printed detail plus supporting documents on CD) represents well over 200 hours of review, analysis, and dissection of the specifications and claimed inventions. It describes prior art (believed to be relevant) either not disclosed or not considered by the USPTO on examination. It addresses the quality of the claims made.

This analysis will be a valuable resource for anyone seeking a better understanding to the Lincoln claimed inventions.

For more information regarding this Analysis and how to acquire it, please go to: [Intellectual Property Analysis](http://www.BakosEnterprises.com/IPA) (<http://www.BakosEnterprises.com/IPA>).

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Statistics

An Update on Current Patent Activity

The table below provides the latest statistics in overall class 705 and subclass 4. The data shows issued patents and published patent applications for this class and subclass.

Issued Patents as of 6/24/08		
	Class 705	Subclass 4
YEAR	#	#
2008	1472	50
2007	2,063	43
2006	2,224	44
2005	1,453	30
2004	998	23
2003	969	21
2002	887	15
2001	880	19
2000	1,062	29
1999	1,006	36
1998	745	20
1978-1997	2,778	47
1976-1977	80	0
TOTAL	16,617	377

Published Patent Applications as of 6/19/08		
	Class 705	Subclass 4
YEAR	#	#
2008	4,183	92
2007	6,990	183
2006	6,119	169
2005	6,305	148
2004	5,597	156
2003	6,010	129
2002	6,140	164
2001 *	1,327	30
TOTAL	42,671	1,071

* Patent applications were first published 18 months after filing beginning with filings dated March 15, 2001.

Class 705 is defined as: DATA PROCESSING: FINANCIAL, BUSINESS PRACTICE, MANAGEMENT, OR COST/PRICE DETERMINATION.

Subclass 4 is used to identify claims in class 705 which are related to: *Insurance* (e.g., computer implemented system or method for writing insurance policy, processing insurance claim, etc.).

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Issued Patents

17 new patents have been issued during the last two months for a total of 50 in class 705/4 during the first 6 ½ months of 2008.

Patents are categorized based on their claims. Some of these newly issued patents, therefore, may have only a slight link to insurance based on only one or a small number of the claims therein.

The [Resources](#) section provides a link to a detailed list of these newly issued patents.

Published Patent Applications

35 new patent applications have been published during the last two months for a total of 92 during the first 6 ½ months of 2008 in class 705/4 continuing the pace of the prior two months and indicating a stable level of patent activity in the insurance industry in 2008 (about 27 applications per month).

The [Resources](#) section provides a link to a detailed list of these newly published patent applications.

A Continuing reminder -

Patent applications have been published 18 months after their filing date only since March 15, 2001. Therefore, the year 2001 numbers in the table above for patent applications are not complete and do not reflect patent application activity in the year 2001. A conservative estimate would be that there are, currently, close to 250 new patent applications filed every 18 months in class 705/4. Therefore, there is approximately that number of pending applications not yet published.

The published patent applications included in the table above are not reduced when applications are either issued as patents or abandoned. Therefore, the table only gives an indication of the number of patent applications currently pending.

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Resources

[Recently published U.S. Patents and U.S. Patent Applications](#) with claims in class 705/4.

The following are links to web sites which contain information helpful to understanding intellectual property.

United States Patent and Trademark Office (USPTO): *Homepage* - <http://www.uspto.gov>

United States Patent and Trademark Office (USPTO): *Patent Application Information Retrieval* - <http://portal.uspto.gov/external/portal/pair>

Free Patents Online - <http://www.freepatentsonline.com/>

Provides free patent searching, with pdf downloading, search management functions, collaborative document folders, etc.

US Patent Search - <http://www.us-patent-search.com/>

Offers downloads of full pdf and tiff patents and patent applications free

World Intellectual Property Organization (WIPO) - <http://www.wipo.org/pct/en>

Patent Law and Regulation - <http://www.uspto.gov/web/patents/legis.htm>

Here is how to call the USPTO Inventors Assistance Center:

- Dial the USPTO's main number, 1 (800) 786-9199.
- At the first prompt press 2.
- At the second prompt press 4.
- You will then be connected to an operator.
- Ask to be connected to the Inventors Assistance Center.
- You will then listen to a prerecorded message before being connected to a person who can help you.

The following links will take you to the authors' websites

Mark Nowotarski - Patent Agent services – <http://www.marketsandpatents.com/>

Tom Bakos, FSA, MAAA - Actuarial services – <http://www.BakosEnterprises.com>