

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, **Doubling Patent Allowance Rates by Qualifying for a More Technological Patent Class**, Mark and his co-authors **Arleen Zank** and **Mike Bowman** of Coronado Group, Ltd. discuss the impact that patent classification can have on allowance rates.

The Statistics section updates the current status of issued US patents and published patent applications in the insurance class (i.e. 705/004). 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

Doubling Patent Allowance Rates by Qualifying for a More Technological Patent Class

By: Mark Nowotarski, President – Markets, Patents & Alliances LLC – *co-editor, Insurance IP Bulletin*; Arleen Zank and Mike Bowman – *Coronado Group, Ltd.*

Class matters. Technology class, that is. In some of the more rapidly growing areas of our economy, like Social Networking and Mobile Phone Apps, it looks like you can almost double patent allowance rate by making sure your patent application is classified in the more technological patent office art units. For entrepreneurs, a faster allowance rate and earlier acquisition of patents can directly translate into better fund raising, more secure commercialization and more profitable licensing. For large corporations, it means substantially reduced patent costs.

Patent applications are put into different art units based on their technology class. This helps insure that the most qualified examiners in the field of an invention are examining patents in that field. There are two types of classifications given, an “original class”, and a “cross reference class”. The original class determines who the examiner is. The cross reference class determines what additional files the examiner looks in when examining the application. For example, a patent application on a new type of social networking site might be placed in class 705, Business methods. If that invention also involved a particular database structure, it would be cross referenced to class 707, Database management.

An outside contractor to the USPTO does the classification process using the USPTO’s Manual of Patent Classification. The employees of the contractor read the claims as well as the patent specification in order to determine the original class and appropriate cross reference classes. The quality of the classifications performed by the contractor is measured by USPTO examiners who take a random sample of applications, classify them themselves, and compare what they get to what the contractor got. The contractor’s compensation is adjusted according to the quality numbers.

Emerging technologies tend to be spread out over several closely related original classes. The top four original classes for Social Networking and Mobile Phone app patents, for example, are 705 – Business Methods, 707 – Database Management, 709 – Data transfer, and 715 - Operator

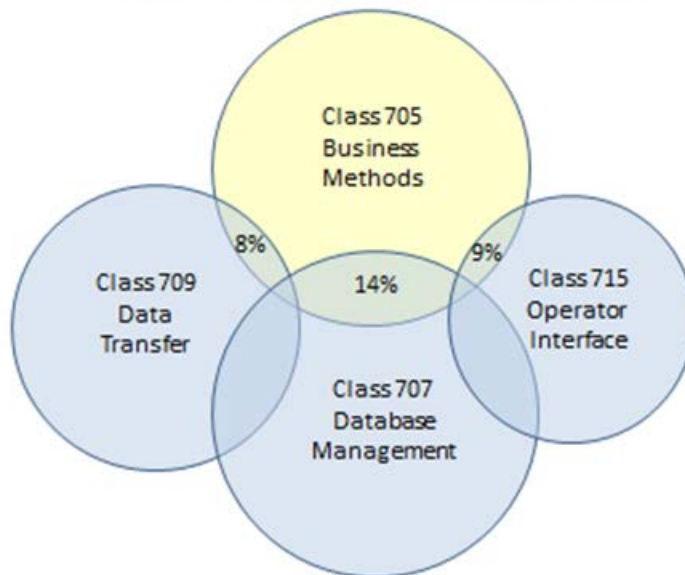
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Interface. The Venn diagram below illustrates the relative number of applications categorized into these classes. The overlap shows the degree of cross referencing of different applications between classes. The class 709 -715 overlap is not shown due to limitations of a 2 D Venn diagram. This overlap is comparable to the others.

Technology Overlap for Social Networking Patents

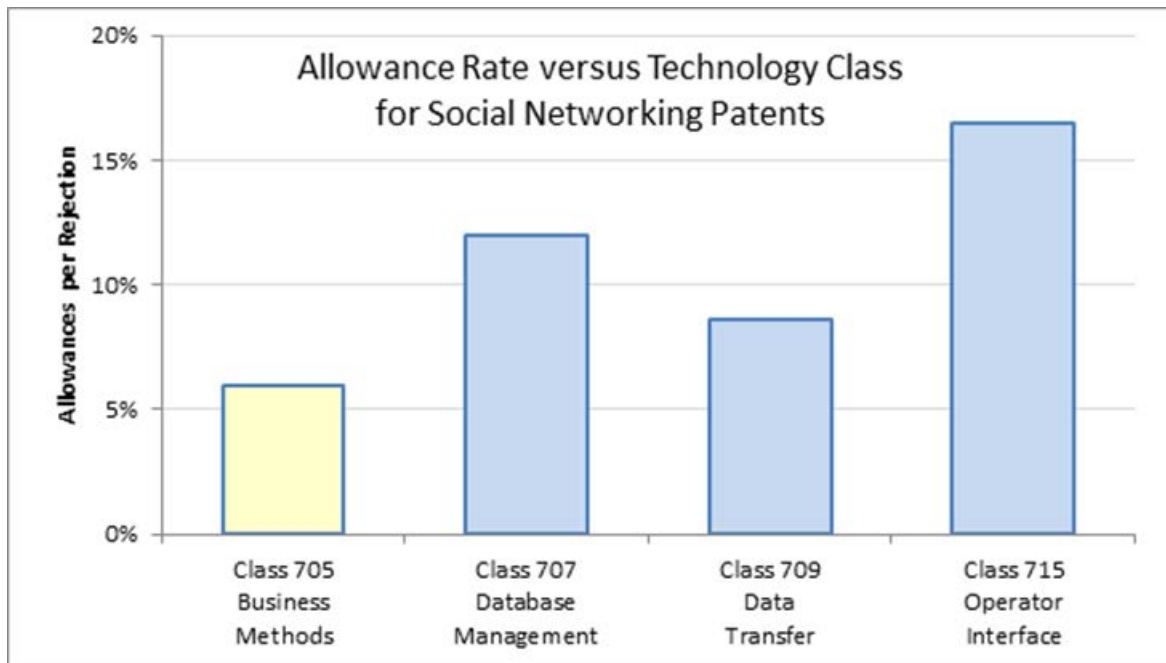


There is about a 10 – 15% overlap between these various classes. Business methods are shown in yellow since inventions in this class are the least technological of the four. Applications that are assigned to class 705 have difficulty getting allowed as indicated by the graph below.

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This graph shows the fraction of office actions that are allowances for applications in each class. This data is based on a sample of 250 social networking patent applications filed in 2005 and 2006. A value of 5% indicates that the office is issuing 1 allowance for every 20 rejections. A value of 15% indicates that the office is issuing 1 allowance for every 6-7 rejections. The lower the number, the higher the probability of not obtaining a patent as well as incurring greater expense.

All things being equal, an applicant will get a patent faster at substantially less cost, if the application can qualify for the more technological classes shown above. Once the patent office assigns a patent application to a technology class, however, there is nothing that the applicant can do to change it. It's not subject to appeal or petition. Any attempt to qualify for a particular class must be done during the drafting of the application.

It is tempting to try to finesse into a class by using key words or phrases in a claim when a patent is drafted. This can have a negative impact on examination quality if an application winds up in front of an examiner who doesn't have the background to understand the invention.

A more productive approach for qualifying for a more technological class is to define your invention in terms of the technical transformation and methods it embodies - put more technology in the patent application beyond how it operates on a computer. At a minimum

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this means that your patent agent or attorney should speak to the IT department or applications developers who are implementing the invention. Many inventors in the early stages of idea development will also hire a technical consultant to spec out an IT system in order to get this technical disclosure. The technical disclosure then becomes the foundation for claims that will solidly qualify an application for the desired technology class.

You can validate what class a patent would be placed in before you file an application by having a patent search firm do a prospective classification. Patent searchers understand how classification is done and can provide this service relatively inexpensively. There are also automated tools available, such as Coronado IP, where you can copy and paste your application into a search engine and the engine will return other patents most like yours. The original classes of these most similar patents will be a guide to how your application would be classified. The returned patents also provide valuable information on prior art that should be considered by the applicant, and may even provide insight into the novelty for the invention.

Special Considerations for Insurance Inventions

Increasing the allowance rate by qualifying for a more technological class also holds for insurance inventions. We looked at patent applications with “insurance” in the abstract and verified that applications that were categorized in the more technological classes of 707, 709 etc. had double the allowance rate of applications that were categorized in class 705. The overlap, however, was much smaller. Only about 5% of the insurance patent applications qualified for a more technological classification. This suggests that insurance inventors should spend more time and effort developing the underlying technologies for their inventions that is currently being practiced.

Conclusion

Class matters in patents. At least for some of the more modern fields of innovation, like social networks and mobile phone apps, providing details on the underlying database, data transfer and/or operator interface technology that enable your invention will help you qualify for there more technological and hence efficient examination classes. This can accelerate the rate at which you get a patent, minimize your costs, and provide a firmer foundation for your investment fund raising, commercialization, or product licensing efforts.

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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 4/30/2011		
YEAR	Class 705	Subclass 4
	#	#
2011	1,707	100
2010	5,250	276
2009	2,936	80
2008	2,521	90
2007	1,936	45
2006	2,119	46
2005	1,355	31
2004	899	24
2003	868	21
2002	833	15
2001	817	19
2000	1,020	31
1999	970	36
1998	711	21
1976 - 1997	2,734	47
TOTAL	26,676	882

Published Patent Applications as of 4/30/2011		
YEAR	Class 705	Subclass 4
	#	#
2011	2,354	66
2010	8,092	240
2009	8,359	284
2008	8,542	210
2007	6,751	196
2006	5,860	178
2005	6,020	159
2004	5,371	167
2003	5,776	135
2002	5,901	172
2001 *	1,286	31
TOTAL	64,312	1,838

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

NOTE: Patents and Patent Applications may be reclassified by the USPTO between reporting periods. Therefore, numbers from prior years may change.

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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NOTE: Patent and Patent Application totals may be different than in prior Bulletins due to USPTO reclassification.

Issued Patents

In class 705/4, **38** new patents have been issued in the last two months – continuing the trend to catch up on pending applications. Patents are issued on Tuesdays each week. There has been an upswing in the number of issued patents because the patent office is making a concerted effort to clear its backlog of pending applications.

Note also, that because the USPTO reclassifies patents and patent applications from time to time, the numbers for prior years or months may change.

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

In class 705/4, **32** new patent applications have been published in last two months. Patent applications are published on Thursdays each week.

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.

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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>