

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 Mark points out in: **Getting a Loan with Your Patents**, that patents and patent applications may have value that can be used to collateralize a business loan. Such loans may provide valuable cash flow to start ups or established corporations in the development of products or services enabled by the IP.

In the Q&A Tom provides a summary of the prevalent subject matter areas in which new insurance (i.e., class 705/4) innovation is being established in answer to the question: **In what product areas is new insurance IP being established?**

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

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

Feature Articles

Getting a Loan with Your Patents

By: Mark Nowotarski, Markets, Patents & Alliances LLC – co-editor, Insurance IP Bulletin

Did you know you could secure a business loan with your patent(s)? Neither did I until I started reviewing the [assignment records at the USPTO](#). Assignments indicate who owns an issued patent or pending patent application. These are registered with the USPTO and available for public inspection. There is a special type of assignment called a “security agreement”. A security agreement indicates that a patent owner has used its patent(s) as collateral for a loan.

A security agreement says that the lender will get ownership of a patent if the current patent owner defaults on the loan. The security agreement also restricts what the patent owner can do with its patent so that the value of the patent is preserved. A patent owner might be obligated, for example, to pay the maintenance fees for an issued patent. This will insure that the patent continues to be in force during the term of the loan. If the loan is paid off, the security agreement is released. If the loan goes into default, the ownership of the patent is turned over to the lender.

A formal patent valuation is important for determining how much of a loan a patent portfolio can support. There are consulting firms that specialize in patent valuations, like [GTT Group](#). I spoke with Dan Buri, Director of Asset Services for GTT Group, about the overall patent valuation process. He indicated that lending is often based on a total company valuation with patents supporting elements of the company's value. Key drivers of patent value are current and forecasted demand for the patented invention, known Evidence of Use in the market, and the remaining life left on the patent. Patent valuation, however, is dependent upon market circumstances and the purpose of the valuation. For instance, a company valuing a patent from an internal defensive perspective will likely approach the overall patent portfolio value differently than a company considering the patent portfolio's offensive market value.

Security agreements have been used for issued and pending patents in the insurance industry. A random sample of 100 pending insurance patent applications, for example, showed that 6 had security agreements. The companies getting these security agreements ranged from startups to Fortune 500 companies. Startups often need bridge loans to cover the gaps between successive rounds of funding. They use their issued patents and pending patent

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

applications as collateral for the loans. Fortune 500 companies can face difficult times as their marketplaces change. They too may need to use their patents as collateral for financing. You can see the terms of the financing in a company's SEC filings if the company is publicly traded.

The lenders providing patent-backed loans tend to be banks. Equity investors and even angel investors also provide loans backed by patents. The banks tend to be those that focus on startups and emerging companies. Comerica Bank and Silicon Valley bank, for example, actively market their services to startups. They also participate as co-investors in venture capital rounds. Comerica has 8,128 security agreements in place. Silicon Valley Bank has 16,124 security agreements in place.

Once a loan is paid off, the bank or other lender releases the security agreement and the assignee has unencumbered ownership again. Records of security agreement releases are also found in the UPSTO's assignment data base.

If a loan is defaulted on, then the lender becomes the proud owner of the secured patent applications or issued patents. The lender may sell off the patents or actively enforce the patents if there is significant infringement. There are companies that specialize in taking over repossessed patents for enforcement purposes. These are the much beloved "patent trolls" we hear about in the news. No one likes a patent troll, but their activity supports the value of patents and that, in turn, makes patents suitable for collateral for loans. Without this support, many more startups and even Fortune 500 corporations might be failing since they wouldn't have the patent collateral necessary to secure their loans.

In summary, patent(s) can be used to secure loans. These loans can be important sources of cash flow for emerging startups as well as struggling major corporations. Establishing a value for a portfolio of patents is important for securing the loan. Large and growing markets for the inventions, active infringement of the issued patents, and significant years of remaining patent life are all important factors for demonstrating the full value of your patents to a lender. Patent trolls support this value by enforcing the patents taken over by lenders when the loans go into default. This helps retain patent based lending as an important source of business financing.

(For more information on using patents as loan collateral, contact Mark Nowotarski at 203 975 7678 or www.marketsandpatents.com)

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

Patent Q & A

New Insurance IP - Summary

Question: In what product areas is new insurance IP being established?

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 (from Tom Bakos): Based on an evaluation of the last two months' issued patents and published patent applications, it looks like invention in the Property & Casualty lines of business predominate.

Details: The table below shows how the 40 issued patents and 49 published patent applications break down.

	Life					Health	P&C		Misc.	TOTALS
	Life	Annuity	Disability Income	Pension / Retirement	Other		Auto	Property / Other		
Patents	5	1	1	1	1	9	8	5	9	40
Applications	7	1		1		4	14	11	11	49
Total	12	2	1	2	1	13	22	16	20	89
%	13%	2%	1%	2%	1%	15%	25%	18%	22%	100%
% by class	20%					15%	43%	22%		

The "Misc." column at the far left is a category for IP which is not easily classified by the traditional life or P&C categories. However, this IP is usually more related to P&C than to life. For example, this category includes an invention to insure the value of a portfolio of securities. The "Health" category can be in either life or P&C as health insurance overlaps those two broad categories.

So, overall, P&C innovation dominates with auto insurance innovation the largest segment of the P&C category – equal to 25% of all innovation in the insurance over the last two months. The high volume of IP in the Misc. category indicates that innovation is not just related to improving current insurance processes but to developing entirely new categories of insurance.

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

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 4/30/2012		
	Class 705	Subclass 4
YEAR	#	#
2012	2,016	97
2011	5,470	275
2010	5,256	276
2009	2,936	80
2008	2,524	90
2007	1,937	45
2006	2,119	46
2005	1,356	31
2004	900	25
2003	868	21
2002	834	15
2001	818	19
2000	1,020	31
1999	970	36
1998	711	21
1976 - 1997	2,734	47
TOTAL	32,469	1,155

Published Patent <u>Applications</u> as of 4/30/2012		
	Class 705	Subclass 4
YEAR	#	#
2012	2,786	83
2011	7,949	207
2010	8,105	241
2009	8,356	284
2008	8,537	210
2007	6,744	195
2006	5,857	177
2005	6,023	159
2004	5,377	167
2003	5,777	136
2002	5,904	172
2001 *	1,287	31
TOTAL	72,702	2,062

* 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.

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

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.)*.

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

Issued Patents

In class 705/4, **40** new patents have been issued between 3/1 and 4/30/2012. 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, **49** new patent applications have been published between 3/1 and 4/30/2012. 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.

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

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.

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

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>