

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, *The No Fuss, No Bother Guide to Handling Assertion Letters* our contributing author, *Eric D. Kirsch, Esq.*, a partner with the firm Cooper & Dunham LLP, discusses what to do should you ever get a letter suggesting you may be infringing a patent.

We have two interesting **Patent Q/A's**. The first, *Bilski Supreme Court Decision*, addresses the very recently handed down Supreme Court decision on Bilski and its possible impact on insurance business method patents. In the second, *The Term of a Patent*, we discuss factors affecting the term of a patent.

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

The No Fuss, No Bother Guide to Handling Assertion Letters

By: Eric D. Kirsch, Esq.

Did you ever wonder what to do with one of those pesky letters suggesting that your company consider licensing a particular patent, or accusing your company of patent infringement?¹ A hook shot to the waste bin, perhaps? All kidding aside, this article concerns procedures for dealing with assertion letters so that they are handled correctly and efficiently, while minimizing the risk of creating “bad paper.”²

If proper procedures are put in place ahead of time, there will be fewer embarrassments and headaches both in the short term, and in the long term, in the event the assertion letter morphs into a patent infringement lawsuit.

Step 1 – Respond. The first thing to do upon receipt of an assertion letter is to respond in a reasonable amount of time (e.g., two or three weeks, if possible). Do not, I repeat, do not ignore assertion letters. In the eyes of a judge or a jury, ignoring an assertion letter creates the impression that your company does not take the intellectual property rights of others seriously, and that is not the impression you wish to create.

The content of the response will depend on what the assertion letter says. If the

Auto Insurers:

Prepare for assertion letters!

In a late breaking development, the first ever patent infringement lawsuit related to an auto insurance product was filed in June. Progressive has sued Liberty Mutual for infringing [one of its patents](#) related to Usage Based Insurance. Many other auto insurance companies are developing usage based insurance products and should prepare accordingly.

Editors

¹ Often, a patentee (i.e., a patent holder) will refrain from making a direct charge of patent infringement to avoid creating declaratory judgment jurisdiction, in other words, to avoid giving the letter’s recipient the right to bring a declaratory judgment action for non-infringement or invalidity in a venue of its choosing. For the purpose of this article, letters soliciting licenses and letters concerning patent infringement are included in the phrase “assertion letters.”

² “Bad paper” meaning an email from your chief technologist that says, “Oh that patent? We’ve been infringing that one for years.” Separately, your email policy should prohibit employees from commenting on legal matters in general, including patent infringement.

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assertion letter sets forth the patents involved and identifies which product is implicated or accused of infringing, respond explaining that your company takes the intellectual property rights of others very seriously, that your company will undertake an analysis of the patent, the file history³ and the accused product or products, and get back to them. Also, in the same letter, you should ask for claim charts⁴ (unless they are already attached to the assertion letter).

A claim chart should provide two important pieces of information: (1) it should identify exactly how the patentee maps the various components of your product to each element of each asserted claim;⁵ and (2) it should disclose (by implication or otherwise) how the patentee is construing the claims to read on your product.

Often, however, the assertion letter neglects to mention any products. Therefore, your response should ask which products should be analyzed. Something to the effect, “While we take the intellectual property rights of others very seriously, we cannot analyze the claims made in your letter unless and until you identify which products might be implicated by your patent(s)”, will do the job here.⁶

Step 2 – Investigate and Analyze. Now that a response has temporarily put the ball back in the patentee’s court, an investigation should be undertaken. Do not merely write an email to your chief technologist, asking something to the effect of, “Hey, do we run afoul of U.S. Patent No. X,XXX,XXX?”, unless you are a masochist. At this stage, in-house communications must be tightly controlled because what your technical staff says can and will be used against you.

How, then, should the assertion letter be investigated? First, understand that your chief technologist, no matter how bright, is not a patent law expert. In other words, your chief technologist is not adept in determining what is and what is not covered by a U.S. patent (i.e., claim interpretation). However, your chief technologist can tell you, better than anyone else, exactly how your product works and how it is made. Hence, you must corral your technical staff so that they do not venture from their area of expertise.

³ The “file history” is the record of the patent application process before the U.S. Patent Office.

⁴ A claim chart matches each element of each patent claim to a component of the product accused of infringing that claim.

⁵ The claims are the numbered paragraphs at the end of the patent that describe the metes and bounds of the what the patentee owns.

⁶ If the patentee’s reply to such a letter unequivocally states that the patent does not implicate any products, but is provided as a new type of technology your company might be interested in licensing, feel free to ignore the patentee at that point.

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Get a patent attorney (either in-house or outside counsel) in the loop early, before anyone jumps to a premature or incorrect conclusion. Let the patent attorney do what he or she does best, which is to read the file history, study the patent and its claims, and figure out what is and what is not covered by the asserted patent. Next, appoint one of your technical staff to be the point person to deal with the patent attorney. Make sure the appointee understands that the patent attorney can see anything he or she wants to (e.g., source code, flow diagrams, etc.). The appointee must also understand that all communications about the asserted patent must be between the patent attorney and appointee (or the appointee's designee, such as the technologist who designed the accused product). Communications about the patent between the appointee and other members of the technical staff, or between technical staff members, should be forbidden.

These types communications must be proscribed because an email between two members of your technical staff commenting that the asserted patent is infringed will become ammunition for the patentee in the event a lawsuit is filed; while communications between a patent attorney and your technologists are attorney-client privileged communications that are not turned over to the patentee in a lawsuit.

Further, the communications between the patent attorney and your appointee are best left unmonitored, which avoids the appearance that your appointee felt pressured by a manager's presence on the phone to say what the manager wanted him or her to say. Although it might be nerve racking, do not micromanage this process.

Step 3 – Execute. After completing his or her investigation, the patent attorney should be able to report his or her thoughts via a conference call or meeting. Do not ask your patent attorney to reduce anything to writing until you get his or her opinion verbally. During the conference call or meeting, the patent attorney might say: (1) you have a problem (i.e., the product in question probably infringes); (2) you don't infringe; (3) the patent is invalid; or (4) some other information, such as, the patent will expire in a few weeks.

Case (1): If the patent attorney believes that you have a problem, nothing should be reduced to writing at this time. Instead, a two-part response should be considered. First, commission a prior art⁷ search. If the search turns up some relevant prior art, the patent might be invalid (an invalid patent cannot be infringed). If such prior art is located, your patent attorney may be able to provide an invalidity opinion, in other words, the patent attorney may be willing to send you a letter stating that in his or her opinion, the asserted patent is invalid.

⁷ "Prior art" includes patents, publications, and products that were offered for sale or sold before the asserted patent was applied for.

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Second and simultaneously, you should ask the patent attorney for advice regarding a design around.⁸ A design around can range from very easy to very difficult, depending on the claims of the asserted patent, the complexity of the accused product, and the ease or difficulty in changing the accused product. For example, if the asserted patent is a method of manufacture and the accused product is an assembly line that costs millions of dollars to build, a design around might be cost prohibitive. Alternatively, if the accused product is software that implements a method of calculating an annuity payment, perhaps the software can be modified relatively easily to avoid the asserted patent.

Cases (2 & 3): If the patent attorney believes that the patent is not infringed or invalid, request a written opinion. Why? Because an opinion will shield your company from a finding of willful infringement in the event a patent infringement suit is filed against it. What type of opinion is necessary? If the patentee is litigious, a full-blown litigation opinion might be called for. Full-blown litigation opinions are somewhat lengthy and are designed to be used in court as a shield to avoid treble damages, which can be assessed in a patent case if your company is found to be a willful infringer. On the other hand, if the patentee is not litigious or threatening, a short, informal opinion may suffice.

Case (4): Finally, the patent attorney might provide you with some other information about the patent, along with a plan of attack. For example, if the patent expires in several weeks, the patentee's ability to get an injunction⁹ will expire in several weeks as well. Once the patent expires, the patentee loses the ability to exclude others from using the patented invention. The patentee's sole remedy in this type of case is money damages for past infringement, which may still be substantial. However, the patentee's most potent weapon, the injunction, is off the table. At this point, your company is well advised to determine its exposure and formulate a plan of attack that is commensurate with that exposure.

Conclusion. Hopefully, by implementing some or all of these procedures, assertion letters can be handled more effectively and efficiently, while simultaneously avoiding the creation of "bad paper."

⁸ A design around is a change to a product design that avoids infringing a patent.

⁹ An injunction is a court order directing a person or entity (such as a corporation) to refrain from certain acts or risk contempt of court. Contempt of court should be avoided at all costs, unless you view day glow orange jumpsuits as a fashion statement.

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Patent Q & A

Bilski Supreme Court Decision

Question: What impact will the recent US Supreme Court decision on Bilski have on insurance patents?

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: Very little effect.

Details: On June 28, the US Supreme Court handed down its much awaited decision in Bilski versus Kappos. ([A copy of the decision is here](#)). The question was whether or not a method of hedging a financial risk could be patented independent of whatever technology might be required to practically employ it. The answer was no, it could not. The court held that in order to be patentable, a new business method must be tied to technology. If there is no technology, then the idea is an abstract idea and abstract ideas, by themselves, are not patentable.

The court basically took the position that the USPTO has taken for several years. Most patent attorneys and agents have been drafting their business method patent applications with the methods tied to particular machines, and business method patents have been issuing at a normal rate.

Our prediction, therefore, is that business method patents will still issue at the same rate that they have in the recent past, and current patent litigation that had been held up pending the outcome of Bilski, will resume.

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The Term of a Patent

Question: What is a “patent term adjustment”?

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: A patent term adjustment is an extension of the term of a patent due to excess examination delays in the US patent office.

Details: The “term” of an issued patent is the length of time that the patent is in force. After a patent’s term ends, the patent is no longer in force and the claimed invention is in the public domain.

The standard term of a US utility patent is 20 years from the date the patent application was filed. If you file a patent application on July 15, 2010, for example, and that application is allowed and then issues as a patent, then that patent will be valid until July 15, 2030. This assumes you pay all of the required maintenance fees.

The term of a patent can be extended if a patent takes too long to get through the patent office. This is called the “patent term adjustment” or PTA. If the excess delay is 1 year, for example, then a patent will expire 21 years after it is filed rather than 20 years after it is filed.

The patent term adjustment is calculated using a formula based on certain guarantees written into the law. The details of these guarantees are set forth in [37 CFR §1.702-§1.791](#). The basic guarantees are the “14 month guarantee” and the “36 month guarantee”. Other guarantees are also provided.

The 14 month guarantee says that if the patent office takes more than 14 months to provide a first office action after you file your application, the extra time is added on to the term of your patent. Delays to first office action for insurance patent applications are running from 12 to 60 months. Many insurance patents, therefore, are getting substantial increases in their patent term due to the 14 month guarantee.

The 36 month guarantee says that if the patent office takes more than 36 months to issue a patent after you file your application, that extra time is also added on to the term of your

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patent. This is irrespective of how long it takes to get a first office action. Delays in getting insurance patents to issue are running from 24 to 108 months. Many insurance patents, therefore, are also getting substantial increases in their patent term due to the 36 month guarantee.

There are multiple caveats to the patent term adjustment calculation. There is no double counting of delay days, for example. Another is that any excess delay by an applicant, such as an extension of time to respond to an office action, is subtracted from the patent term adjustment.

The patent office provides a calculation of the patent term adjustment based on the 14 month guarantee when it issues a notice of allowance. It is important that inventors and their patent attorneys/agents carefully review the patent term adjustment calculation before they pay the issue fee. If they disagree, then they can file a request for a recalculation giving reasons why they think the patent office is in error.

When a patent issues, the patent term adjustment is recalculated by the USPTO to take into account the 36 month guarantee. Inventors and their patent attorneys/agents need to verify this calculation as well. If they disagree with the patent office, they have 2 months after the issue date in which to file a request for recalculation.

If an applicant and the USPTO can't come to agreement on the proper patent term adjustment, the applicant can file a suit in the United States District Court for the District of Columbia. This must be done within 180 days of the issuance of a patent.

Patent term adjustments are complicated. It is well worth the effort, however, to make sure these calculations are done correctly so that the inventor can get the full term he or she is entitled to.

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.

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Issued Patents as of 6/30/2010		
	Class 705	Subclass 4
YEAR	#	#
2010	2,458	130
2009	3,007	78
2008	2,642	89
2007	2,059	43
2006	2,201	44
2005	1,434	30
2004	990	24
2003	950	21
2002	879	15
2001	868	19
2000	1,058	29
1999	1,002	36
1998	737	21
1978-1997	2,767	47
1976-1977	80	0

Published Patent Applications as of 6/30/2010		
	Class 705	Subclass 4
YEAR	#	#
2010	3,984	120
2009	8,478	279
2008	8,683	201
2007	6,887	191
2006	5,977	176
2005	6,152	153
2004	5,490	160
2003	5,904	133
2002	6,039	168
2001 *	1,319	30
TOTAL	58,913	1,611

* 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.)*.

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

Issued Patents

In class 705/4, 55 new patents have been issued in the last two months. Patents are issued on Tuesdays each week.

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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, **39** new patent applications have been published in the 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.

Resources

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

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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>