

# 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 we discuss, first, the principal features of the **Patent Reform Act of 2011** (or, America Invents Act, AIA) we believe will be of interest to our readers. Then, Mark discusses the issues readers should specifically be concerned about regarding **First-to-File and the Speed of Insurance Innovation** caused by the first-inventor-to file change which becomes effective 3/16/2013.

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

### Patent Reform Act of 2011

**By: Tom Bakos, FSA, MAAA, Tom Bakos Consulting, Inc. – co-editor, Insurance IP Bulletin**

Finally, as noted in our last issue, the Patent Reform Act of 2011 (called the America Invents Act or AIA) was signed into law on 9/16/2011. It was preceded by a number of earlier attempts dating from, at least, 2005. With some exceptions (e.g., fee increases and burden of proof in inter partes patent reexaminations), the new law begins to take effect starting September 16, 2012. Effective dates can be found [here](#).

The USPTO has a lot of work to do in order to implement the provisions of AIA. One can follow, participate in, or learn more about the implementation by checking the USPTO website: [http://www.uspto.gov/aia\\_implementation/index.jsp](http://www.uspto.gov/aia_implementation/index.jsp). The site contains a significant number of Frequently Asked Questions (and answers) which may aid in a better understanding of the various aspects of this new law.

Some of the provisions that made it through to the AIA of most interest to insurance and financial services inventors may be:

- First-Inventor-to-File

Under AIA the first inventor to file gets priority – first to invent will no longer be an issue (this provision is effective 3/16/2013). Essentially, this changes the view of what is prior art which could impact on patentability. An inventor may still exclude his or her prior disclosures (or any references by others related to the inventors disclosures) within one year of the effective date of his or her filing. However, any references or disclosures by others before the effective date of filing not derived from the inventors disclosures are prior art.

Under this new first-inventor-to-file provision an inventor may still claim priority to an earlier filed provisional or non-provisional application. But, otherwise, an inventor is not allowed to claim an effective date prior the date of filing the application by demonstrating that actual invention occurred on an earlier date.

# 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

If two inventors file at about the same time, generally, the first inventor to file is entitled to ownership rights unless the second filer can demonstrate through a derivation process that the first filer's invention was derived from the second filer's invention.

- Third Party Challenge Rights

Three new or expanded ways to contest an issued patent have been established.

Beginning with patents issued 3/16/2013 and later a Post-grant review may be requested within nine months of the issuance of a patent.

An inter partes review replaces the inter partes reexamination under old law and can be requested with respect to any in force patent nine months after issue (i.e., after the Post grant review period).

A Transitional program (which will sunset 8 years after the effective date of AIA (i.e., on 9/16/2019) for covered business method patents is new. A petitioner may only initiate a transitional proceeding if sued for or charged with infringing the patent in question. It proceeds similar to a Post grant review.

- Tax Strategy Patents

Per the FAQ on the USPTO website (see reference above): "Applicants will no longer be able to rely solely on the novelty or non-obviousness of a tax strategy embodied in their claims in order to distinguish the claims from the prior art." That is, the invention must consist of other novelty in order to be patentable.

The AIA defines a tax strategy as: "any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent." It may be best to simply avoid mention of taxes in any application, thereby avoiding any temptation to direct novelty to a strategy to reduce, defer, or avoid a tax liability.

Interestingly, although innovation in the insurance and broader financial services areas does have and may address, at least in part, reducing, deferring, or avoiding taxes, the current political environment is directing attention to tax reform. Such reform may result in a flat tax or reduced deduction environment such that tax strategies aimed at

# 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

reducing, deferring, or avoiding tax liability may have little or, possibly, less importance in the future.

## First-to-File and the Speed of Insurance Innovation

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

Now that the patent reform act has been passed, we need to get ready for “first-to-file”. First-to-file means that whoever gets to the patent office first, gets the patent. It doesn’t matter who had what idea when. If you are second to the patent office, you lose<sup>1</sup>.

Our current system is “first-to-invent”. That means that whoever has the idea first gets the patent, even if someone else files their patent application before you do. Many inventors rely on first-to-invent to keep their patent costs low. They write down their ideas and sit on them for a while before deciding whether or not to file. With the new first-to-file laws, these inventors are going to have to reconsider their strategies.

Fortunately, we have lots of time to get ready. The change doesn’t take place until March 16, 2013. In the interim, we need to consider the situation more carefully and quantify just how fast we need to get to the patent office. It turns out that insurance inventors may need to get to the patent office a lot faster than they realize.

An important consideration in how fast you should file your patent application is how fast is the technology in your field is evolving. A useful measure of how fast technology is evolving is the age of the prior art is that is currently being cited against patent applications in your field. If young art is being cited, the field is moving fast. If old art is being cited, your field is moving slow.

I took a look at several random samples of patent applications currently or recently examined to see how young the prior art was that was being cited against them. These random samples were divided into several fields of technology. These fields were insurance, baseball bats, wind turbines, DNA, e-commerce and social networks. There were 50 applications in each field. The youngest art that was most recently cited against an application’s independent claim was

---

<sup>1</sup> There are a number of important exceptions where you won’t lose, but that’s a topic for another day.

# INSURANCE IP BULLETIN

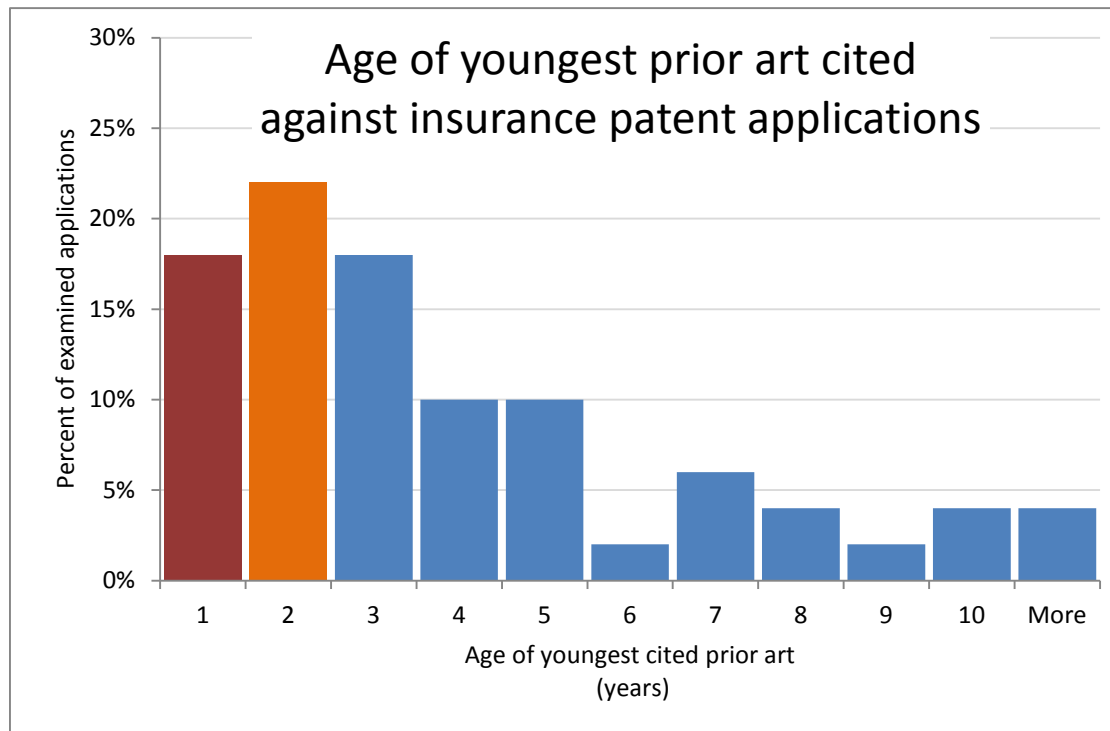
*An Information Bulletin on Intellectual Property activities in the insurance industry*

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

identified. This was done by looking at the file wrappers available on the USPTO's public PAIR web site.

I defined the "age" of a reference as the effective filing date of the application minus the effective filing date of the reference<sup>2</sup>. If a patent application had an effective filing date of January 1, 2008, for example, and the prior art being cited against it had an effective filing date of January 1, 2007, then the art was one year old.

Here's what the prior art age distribution looks like for a random sample of 50 insurance patent applications. These applications were classified as 705/004, computer implemented insurance inventions.



<sup>2</sup> Effective filing date is the earliest filing date a patent application can claim priority to. If you file a provisional patent application and then file an identical nonprovisional patent application within a year, the effective filing date of the nonprovisional patent application is the date the provisional was filed. For non-patent literature, such as journal articles, the critical date is the date the article was published.

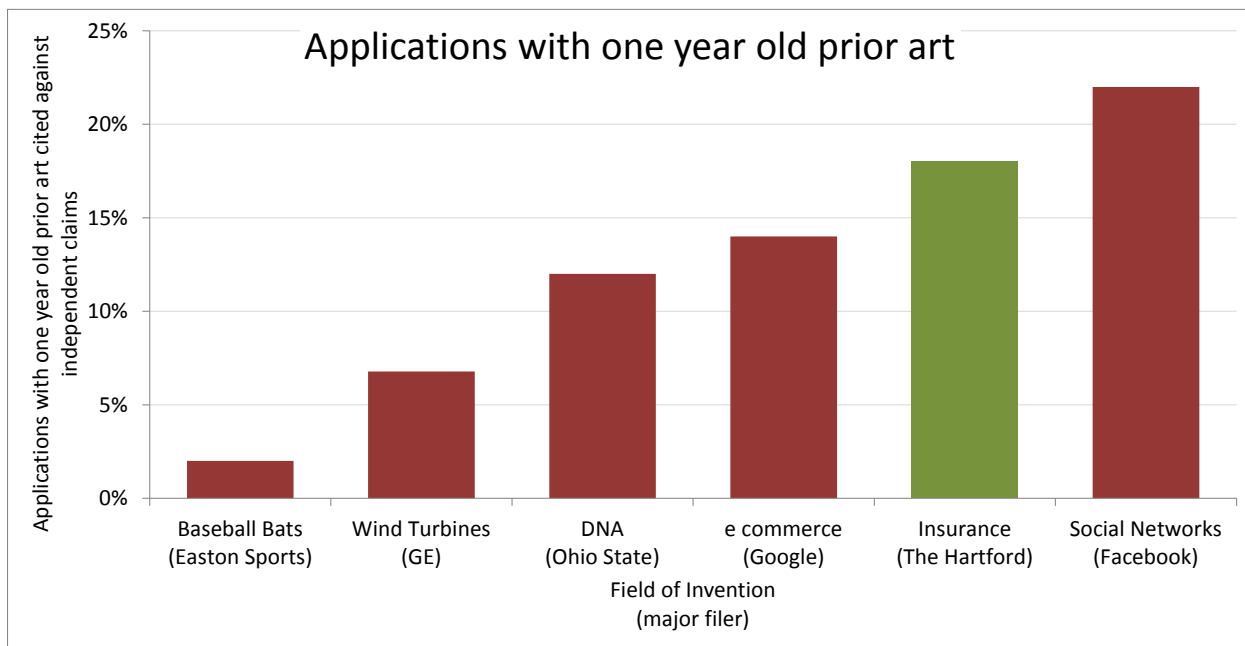
# INSURANCE IP BULLETIN

*An Information Bulletin on Intellectual Property activities in the insurance industry*

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

18% of insurance patent applications are filed within one year of the youngest prior art cited against them. So speed of filing counts. If these applications had been filed a year earlier, then 18% of them could have avoided the youngest prior art cited against their independent claims, would not have had to argue or amend around it, and could have had correspondingly broader claims allowed or might have avoided abandoning their applications altogether.

Here's how insurance compares to the other fields.



This graph shows the percent of applications that had one year old prior art or less. Examples of major filers in the different fields are also shown. These include Easton Sports for baseball bats, GE for wind turbines, Ohio State or DNA, Google for e-commerce, The Hartford for insurance, and Facebook for social networks.

The more slowly evolving fields were Baseball Bats and Wind Turbines. The average age of the youngest art cited against these applications was 10 to 15 years old. Some was even 100 years old. The maturity of the art suggests that applicants in these fields should make sure their inventions are fully developed and their prior art searches are thoroughly performed before they file. There is no point in rushing to the patent office only to have a 100 year old reference shoot you down.

# 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 mid speed fields were DNA and e-commerce. A significant fraction of these applications have one year old art cited against them. Timely filings, therefore, are important. Applicants, however, are also having a tough time getting their claims allowed, especially in the field of e-commerce. Improved preparation before filing may help improve these numbers. The challenge will be to have both faster filing and improved preparation before filing.

The high speed fields were Insurance and Social Networks. 18% to 22% of these applications had one year old prior art cited against them. They also had a lot of secret prior art cited against them. 20% to 30% of the youngest citations were unpublished at the time the applications were filed. That's because patent applications are not published until 18 months after they are filed. A patent application filed 6 months before you filed your patent application can be cited against you even though it was unpublished at the time you filed. The situation is even worse for insurance inventions since several major companies file their patent applications with "nonpublication requests". That means you won't see what's been filed before you until and if it ultimately issues as a patent. That can take 10 years. This suggests that applicants filing insurance patents should continuously keep watch of newly published patents and patent applications so that they won't be blindsided when something filed years ago suddenly emerges. At least they will be able to deal with it before an examiner cites it against them.

The new patent law has passed. First-to-file is coming. Steps can be taken now, however, to get ready. Measuring the age of the prior art currently being cited against patent applications in your field will help you judge just how fast you need to file. Looking at how difficult it is to get patents allowed in your field will help you judge how thoroughly you should prepare before filing. Seeing how much secret prior art is being cited in your field will indicate how important it is to keep watching for newly published prior art that was filed before you did.

## 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.

# 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

Issued Patents as of 10/31/2011		
YEAR	Class 705	Subclass 4
	#	#
2011	4,530	224
2010	5,255	276
2009	2,936	80
2008	2,524	90
2007	1,937	45
2006	2,119	46
2005	1,356	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
<b>TOTAL</b>	<b>29,509</b>	<b>1,006</b>

Published Patent <u>Applications</u> as of 10/31/2011		
YEAR	Class 705	Subclass 4
	#	#
2011	6,438	179
2010	8,092	240
2009	8,355	284
2008	8,537	210
2007	6,743	195
2006	5,855	177
2005	6,021	159
2004	5,376	167
2003	5,776	135
2002	5,903	172
2001 *	1,287	31
<b>TOTAL</b>	<b>68,383</b>	<b>1,949</b>

\* 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.)*.

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

## Issued Patents

In class 705/4, **44** 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



# 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

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, **25** 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.

# 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>