

# 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 discusses changes in establishing patent ownership and who may file a patent application that went into effect on September 16, 2012 as part of the America Invents Act (AIA) in: **Establishing Patent Ownership Under the America Invents Act.**

In the Q&A Tom discusses in **Contributing to the Patent Examination Process** another change that also became effecting on September 16, 2012 as a result of the AIA – on a timely basis individuals are now allowed to submit relevant information to the USPTO regarding a pending patent application for consideration by patent examiners.

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.

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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

### Establishing Patent Ownership Under the America Invents Act

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

Corporations and other third parties can now directly file patents in the United States. This change in patent law went into effect on September 16, 2012. It was one of the more major and controversial aspects of the [America Invents Act](#). The stated motivation for the change was to help reduce the burden on corporations and other third parties to establish ownership of a patent when an inventor that should have transferred ownership to the company, didn't. The Big Benefit of this change for large companies, start-ups and independent inventors will be better protection of their patent rights on inventions made by their employees, subcontracted technologists and collaborators. Employees, subcontracted technologists and collaborators, however, will have to take greater care to make sure their own rights to the inventions they make are protected.

Prior to the American Invents Act, only natural persons could file patent applications in the US. Ownership of a patent application, and any patent that issued from it, initially vested with each of the listed inventors. If there were multiple inventors, then each inventor would individually own his own copy of the patent and could license it to whomever they wanted to. Companies could file patent applications if all of the listed inventors transferred their ownership rights to the company. The mechanism for the transfer of patent ownership is called an "assignment document". If every inventor transferred ownership to the company, the company could register the assignment with the United States Patent and Trademark Office (USPTO) and the USPTO would recognize that company as the rightful owner of the patent. If one inventor refused to assign, however, then that inventor would also retain full ownership of a copy of the patent. That inventor could then license the patent to anyone without regard to the company's wishes. It wouldn't matter how insignificant or trivial the inventor's contribution to the overall invention was. The "non-signing inventor" would retain full ownership rights.

In order to protect against the possibility of non-signing inventors, companies would commonly get agreement with employees before they were hired that the employees would execute all necessary assignments on any inventions they made while employed. The same would be true for consultants, contract workers, joint collaborators or any other party the company asked to

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work on an invention. These “agreements to assign” would usually be part of an overall employment agreement or consulting agreement.

Occasionally under the old law, an employee would refuse to execute an assignment. This might occur if an employee left a company and no longer felt bound by the employment agreement. Companies would then have to go to court to enforce their employment agreements and obtain executed assignments from the non-signing ex-employees. Only then would the USPTO recognize a company’s full ownership of a patent.

Under the new law, the USPTO will recognize a company’s ownership of a patent even if an inventor refuses to execute an assignment. The company must submit an “application data sheet” indicating the non-signing inventor either has an obligation to assign, or the company has “sufficient proprietary interest” in an invention. Sufficient proprietary interest means that a court of appropriate jurisdiction would recognize that the company owns the patent. A company could demonstrate sufficient proprietary interest to the USPTO by submitting a signed legal opinion by an attorney that a court of appropriate jurisdiction would indeed grant the company ownership.

The issue of sufficient proprietary interest may be particularly important to the insurance industry. Most employees and consultants who are hired to solve problems in the insurance industry are not bound by written contracts that require assignment of ownership of the inventions the employees make to their employers. Some courts have held<sup>1</sup> that even if there is no explicit agreement, there may be an implied agreement for an employee to assign patent rights to an employer if the employee was explicitly hired to engage in inventive activity. Professionals that are hired to inventively solve difficult problems in the insurance industry might include actuaries, underwriters, programmers, etc. Historically, they might not have thought of their work as being inventive or patentable, but that was not because it wasn’t. It was more because insurance companies didn’t seek patent protection on the inventions their employees made. That is changing. As we’ve discussed before in the Insurance IP Bulletin, many insurance companies are now taking a much more expansive view of what inventions they will seek patents on. Employees that haven’t thought of themselves as inventors are now finding themselves listed on patents.

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<sup>1</sup> Marc Lieberstein, [“Employer’s Beware: Will you own your employee’s inventions?”](#), Hastings Business Law Journal, May 2005.

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Ideally employees and employers should agree up-front in writing as to what inventions an employee will assign the employer. It is common in these written agreements, for example, to limit the scope of inventions that must be assigned to those only made during the term of employment and which were directly related to the business of the company or the tasks assigned to the employee.

The situation becomes more difficult if companies decide after an employee is hired that they should have a written agreement in place obligating the employee to assign patent rights to the employer. Companies might then ask employees to sign an updated employment or consulting contracts. Companies must be prepared, however, for the situation where one or more key technical employees will refuse to sign. Courts have held that if an employee refuses to sign an obligation to assign and the employee is engaged anyway, then there is no implied agreement and the employee has no obligation to assign patent rights to the employer.

“Companies” as we used it above, includes not only major corporations, but also start-ups, independent inventors or any other individual or juristic entity that hires or otherwise engages someone to invent. Start-ups and independent inventors are the ones most likely to immediately benefit from their new legal right to file patent applications on behalf of non-signing inventors. This is because start-ups and independent inventors need to outsource much of their product development work. They also have a high turnover rate of employees and are more likely to have informal non-written agreements with collaborators or partners. In the near future, start-ups and independent inventors will have to get their patent applications on file very quickly after the upcoming “first-inventor-to-file” provisions of the America Invents Act that go into effect on March 16, 2013. If there is a dispute as to whether or not a non-signing inventor actually does have an obligation to assign, then that can be worked out later. The most important thing is to get on file quickly. Subcontracted inventors, employees, and collaborators will run a higher risk of having patents on their inventions filed without their approval, however. This emphasizes the importance of spelling out with their employers exactly what inventions they will be expected to assign, and which ones they won’t, before any inventive work is begun.

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Mark Nowotarski is a registered patent agent in addition to being a co-editor. For more information on this subject please contact him at: [Mnowotarski@MarketsandPatents.com](mailto:Mnowotarski@MarketsandPatents.com)

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## Patent Q & A

### Contributing to the Patent Examination Process

**Question:** Is there anything I can do, if I see patents applied for that I think are obvious or not new?

**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): Yes, The America Invents Act (AIA) which went into effect on September 16, 2012 provides a mechanism to contribute information relevant to examination called a preissuance submission.

**Details:** As a result of the Leahy-Smith America Invents Act (AIA), third parties, that is, individuals with no connection at all to a pending patent application may submit relevant materials to the USPTO for consideration by patent examiners in the examination of a patent application. This procedure is covered in Section 8 of the AIA and became effective on September 16, 2012. It is applicable to any currently pending application.

Essentially, this is a “crowdsourcing” technique intended to help an examiner find not just “prior art” but any printed material of **relevance** to the examination effort. The objective seems to be to provide a method wherein such material can be brought to the attention of the examiner for the examiner’s consideration. It would be inappropriate for a third party submitter to make arguments in a preissuance submission for disallowance of any claims.

There are procedures that must be followed, timing issues, and, potentially fees associated with a preissuance submission.

**Timing:** A preissuance submission must be filed in writing (may be electronically submitted, however) before the earlier of (a) and (b):

(a) the date of notice of allowance;

(b) the later of: (i) six months after publication; or (ii) the date of a first rejection.

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So, a third party can make a preissuance submission within six months after an application is published, assuming said application does not get a rejection or allowance before the submission.

**Procedure:** The procedure is apparently designed to help the examiner find the relevant parts of the material being submitted by the third party submitter. However, the submitter must be careful not to provide comment in the concise description, for example, which may be deemed an improper attempt by the third party submitter to participate in the examination. The following must be included:

- 1) A list of the relevant published documents being submitted;
- 2) A concise description of each item's relevance;
- 3) A legible copy of each item (except for US patent documents);
- 4) An English translation, if necessary
- 5) A statement by the third party submitter that the submission is in compliance with the statute and rule;
- 6) Any required fee.

The documents submitted must have been published - meeting the, presumably, already existing requirements for consideration by the examiner. Electronic publication, for example, on a website, is acceptable. The third party submitter is merely helping the examiner find them.

Documents drafted and published after the application was filed and "solely to contest patentability" may not be allowed to be submitted. The submission package will be considered in its entirety and any failure to satisfy submission requirements will result in the whole package being discarded. After review, if accepted, the third party submission will be posted in the file wrapper and made available to the examiner for review.

**Fee:** Fees are established to help the USPTO cover the cost of third party submissions. A fee of \$180 for every ten (or portion of ten) documents submitted must accompany a preissuance submission for an application. This fee is waived for a first-time submission of three or fewer documents with respect to any application. This fee exemption is designed to focus the attention of third party submitters on the most relevant documents. More than one third party may take advantage of this fee exemption so long as the submitters are independent and not related.

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A Q&A on the USPTO website [here](#) provides more detailed information on preissuance submissions.

## 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.

YEAR	Class 705	Subclass 4
	#	#
2012	5,563	283
2011	5,471	275
2010	5,260	276
2009	2,936	80
2008	2,525	90
2007	1,937	45
2006	2,119	46
2005	1,356	31
2004	900	25
2003	868	21
2002	835	15
2001	818	19
2000	1,020	31
1999	970	36
1998	711	21
1976 - 1997	2,734	47
<b>TOTAL</b>	<b>36,023</b>	<b>1,341</b>

YEAR	Class 705	Subclass 4
	#	#
2012	7,493	204
2011	7,952	207
2010	8,104	241
2009	8,357	284
2008	8,538	210
2007	6,744	195
2006	5,859	177
2005	6,023	159
2004	5,377	167
2003	5,777	136
2002	5,905	172
2001 *	1,288	31
<b>TOTAL</b>	<b>77,417</b>	<b>2,183</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.



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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, **64** new patents have been issued between 9/1 and 10/31/2012 for a total of 283 so far in 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, **36** new patent applications have been published between 9/1 and 10/31/2012 for a total of 204 so far in 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



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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.**

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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>

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### 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>