

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, *Protecting Intellectual Property – Patent or Trade Secret*, we compare two ways of protecting intellectual property.

In our **Patent Q/A**, *Tracking Lawsuits*, we talk about how to get automatic notifications of progress in patent infringement lawsuits.

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

Protecting Intellectual Property – Patent or Trade Secret?

By: Tom Bakos, FSA, MAAA – co-editor, Insurance IP Bulletin

Business opportunity is often driven by an innovative solution to a problem – that is, an invention. That's true in the insurance and broader financial services fields as well as in other industries. This intellectual property is, typically, created by an individual or small group who must overcome significant hurdles in order to convert that invention into a commercially successful business. Those efforts take time and the financial investment they or their investment partners make in developing the commercial applications of their invention may take years to recover. The one advantage the inventors have over their competition is the ability they have to own the invention.

Our focus in this newsletter has been on patents. A patent gives the inventor exclusive use of the invention for a period of 20 years. However, in order to get that right the inventor must disclose precisely how to make and use the invention. That's the tradeoff – the inventor can exclude others from making or using his invention only if he describes precisely how to make and use it. There is cost involved in seeking a patent – on the order of \$10,000 – \$15,000, sometimes more. And, the application process requires the expenditure of time over a (typically) three to five year examination process. Then, once issued it's up to the inventor to enforce his patent rights. Essentially, the "property" right a patent holder gets is the right to sue for patent infringement. Clearly, that would involve additional legal expenses.

There is another way. You could build your business on a **trade secret**, at least, potentially. Trade secrets are the polar opposite of patents. Effectively, an inventor can prevent others from making and using his invention by not telling them how to make or use it. As long as the intellectual property is secret, it is protected from use by others - possibly forever – not just the 20 years provided by a patent.

However, an obvious requirement is that the invention must be capable of being kept secret. Not all inventions can be. The operation of most inventions and processes become apparent once they are made public which is, usually, necessary in order to profit from their use. And, as a practical matter, the manufacture or use of any invention or process that would not be obvious if made public must be revealed to one or more persons in order to be manufactured

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or used. In order to protect its interests in a trade secret an individual or company has an obligation to keep it secret. Affirmative action such as marking documents “confidential” and requiring nondisclosure or confidentiality agreements satisfy this requirement.

All of the above tends to mean that trade secrets are typically inventions that have no broad societal value such that others would make a concerted attempt to reverse engineer the secret. And, reverse engineering, because of the nature of the secret would, in any event, be difficult. For example, trade secrets might include proprietary data bases containing client lists or cross reference information useful in some business process. A trade secret might be a recipe or formula, target market information, or any other knowledge or knowhow that might give one a competitive advantage. However, to the extent that confidence in the processes being used in a business is essential to marketing a service, secrecy surrounding the process might be detrimental to success and thereby make a trade secret approach not the best way to go.

Trade secrets are not limited to only what is conventionally thought of as patentable. So, one might, for example, protect unpatentable IP by simply keeping it secret. Such information is likely to be used internally and, to the extent it is not revealed by the output (as, for example, client lists or a trading formulas), its secrecy could be easily preserved.

State laws based, primarily, on the [Uniform Trade Secrets Act](#) (UTSA) provide the enforcement authority. Trade Secret owners can prevent anyone who is bound by a nondisclosure agreement or attains the information through some illegal means from copying, using, or benefiting from it. However, someone who independently discovers the trade secret or discovers it through reverse engineering has not violated any law. So, while a trade secret may, theoretically, provide an unlimited duration of protection, it carries this potential benefit at some risk and is, therefore, a somewhat fragile form of protection. Patents, while they require that the inventor reveal the particulars of his invention, guarantee exclusive use for, at least, 20 years.

Like patent rights, trade secret rights must be enforced by their owner. State law adopted based on the UTSA merely provide a framework under which such intellectual property right disputes may be resolved in the courts. So, like patents, enforcement of trade secret IP may be a costly process.

In deciding between a patent or a trade secret one must keep in mind that the inventor must be fully committed – one way or the other. That is, the same invention may not be protected in part with a patent and in part by trade secret. Leaving out of a patent description by keeping it

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secret an essential part of the invention necessary to make and use it most likely would invalidate the patent.

Patent Q & A

Tracking Lawsuits

Question: Is there any way I can get automatic updates on the latest events in a patent infringement lawsuit?

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: Yes, there are a number of services available. One very useful site is <http://www.rfcexpress.com>.

Details: Insurance companies are beginning to enforce their patents through patent infringement lawsuits. Progressive has sued Liberty Mutual, for example, to enforce its Usage Based Auto Insurance Patents. Lincoln National has sued Transamerica over its GMWB (Guaranteed Minimum Withdrawal Benefit) annuity patents. It can be very important for interested parties to stay informed on the progress of these suits.

RFC Express (www.rfcexpress.com) makes relatively easy to search for suits based on party name and will present a list of current items in the docket. For about \$15 per month, they will deliver an email notice with a link to any new documents posted in the docket.

In the case of [Progressive versus Liberty Mutual et al](#), the most recent docket notice as of 11/12/2010 is that the litigation has been stayed pending the outcome of a reexamination of Progressive's patents. This reexamination, in turn, can be tracked on the USPTO's [public PAIR](#) web site. This information would be very helpful for a company bringing a Usage Based auto insurance product to market.

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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 12/31/2010 | | |
|------------------------------------|---------------|---------------|
| | Class 705 | Subclass 4 |
| YEAR | # | # |
| 2010 | 5,384 | 276 |
| 2009 | 3,007 | 78 |
| 2008 | 2,642 | 89 |
| 2007 | 2,050 | 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 | 738 | 21 |
| 1978 - 1997 | 2,768 | 47 |
| 1976- 1977 | 80 | 0 |
| TOTAL | 26,051 | 772 |

| Published Patent Applications as of 12/31/2010 | | |
|---|---------------|---------------|
| | Class 705 | Subclass 4 |
| YEAR | # | # |
| 2010 | 8,150 | 233 |
| 2009 | 8,471 | 283 |
| 2008 | 8,648 | 203 |
| 2007 | 6,888 | 191 |
| 2006 | 5,978 | 176 |
| 2005 | 6,155 | 153 |
| 2004 | 5,491 | 160 |
| 2003 | 5,906 | 133 |
| 2002 | 6,040 | 168 |
| 2001 * | 1,319 | 30 |
| TOTAL | 63,046 | 1,730 |

* 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.)*.

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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, **52** new patents have been issued in the last two months. 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.

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, **31** 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>