

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 Next Insurance Frontier: Social Networks*, we highlight four recent patent applications that show an interest among innovators in the insurance industry on how social networking might be harnessed to solve insurance or risk related problems.

In our **Patent Q/A** we point out that David Kappos has been nominated as the new Director for the USPTO. David has an understanding of business method innovation by virtue of his tenure with IBM.

Also, please see the **Announcement** of a free webinar on *In re Bilski* and the Supreme Court's apparent relook at the 1998 State Street Bank decision.

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 Next Insurance Frontier: Social Networks

By: Tom Bakos, FSA, MAAA and Mark Nowotarski, Patent Agent
Co-Editors, *Insurance IP Bulletin*

Social networks, like MySpace, FaceBook, LinkedIn, and Twitter, are going to occupy an increasingly important role in our lives. Recently published patent applications are showing us that significant long term resources are being invested in figuring out how to measure, control and insure a wide variety of risks using social networks (e.g. email, blogs, wikis, auctions). It's a new frontier and the early pioneers are staking their claims.

Here are a few examples.

US2008/0228531, "[Insurance Optimization Analysis and Longevity Analysis](#)", by Kenedy et al., describes how social network analysis can identify certain personal attributes that correlate with genetic data common within groups in the social network. With this correlation, statistical analysis can be done to determine the strength of the association between the specified attributes common to a group and specific outcomes related to medical or life risk.

The inventors use their method to help individuals select appropriate types of insurance coverage based on outcome implications of their attribute profiles. Coverages are recommended based on which would be most likely to result in benefit payments. If this invention becomes widespread, it could have an impact on adverse selection. Insurance companies would then have to make their own inventions in order to adapt accordingly.

The patent application has been assigned to Expanse Networks, Inc. Expanse Networks is a technology development and licensing firm. Charles Elderling, one of the inventors, indicated in a recent discussion with us that he felt that developing intellectual property in the social network space was one of the best long terms investments his company could make.

US 2009/0037470, "[Connecting Users Based on Medical Experience](#)", by John Otto Schmidt, describes the use of social networks by patients suffering from chronic

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diseases so that they can better manage their health and share their experiences. Specific provision is made for patients to share information about their insurance providers so that they can better manage their relationships with them. In particular, users of the social network can assign grades to their medical insurance providers. The insurance companies, in turn, would be able to search for the grades and comment as they saw fit.

Schmidt appears to be an independent inventor with a web site, GenerationMed.com, under development.

US2008/0172257, "[Health Insurance Fraud Detection Using Social Network Analytics](#)", by Bisker et al. describes a method that the inventors feel could significantly reduce the estimated \$200 billion per year in US health care expenditures that is lost to fraud, abuse, and waste. This loss corresponds to 10% of all US health care costs.

Fraud would be detected by constructing social networks to find linkages between individual participants (typically physicians and other health care providers) in order to establish patterns of behavior which might be indicative of fraud. These observed patterns are then used to more efficiently focus investigative efforts on situations in which fraud is more likely to occur. Results are then fed back into the process to improve the pattern analysis.

This application is assigned to IBM.

US2007/0136105, "[Insuring Decisions within an Organization](#)", by Huberman, et. al., describes an invention aimed at solving a problem caused by the divergence of employee and employer interests with respect to business project risks. The proposed solution is "project insurance". Project insurance pays a benefit if an insured project fails. Through project insurance, employees are encouraged to undertake riskier projects which may have greater payoff potential to an employer rather than sticking to safer projects with less potential. The employee's interest is aligned with his employer's by having the employee pay the premium for such insurance protection. The economics of the project insurance structure are established so that the employee is better off financially if the project succeeds than if it fails.

The moral risk in this approach is addressed, in part, by the construction of social networks. Social networks based on executives' email communication patterns are then

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developed. The social networks serve in an oversight role to monitor and verify that insured employees engage in behavior beneficial to the employer.

This application is assigned to Hewlett Packard.

The inventions described in these patent applications point the way to how our economy in general and the insurance industry in particular might change in the years ahead. Social networks create a source of information and market influence that may drive that change. The number of new patent applications related to social networks is more than doubling every year. The field is growing rapidly and may get very crowded in the near future. If you have new ideas on social networks, now is the time to get your patent applications on file.

Patent Q & A

New Director - USPTO

Question: Has the Obama administration nominated a new director for the US Patent and Trademark Office?

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. **David Kappos**. David is currently the VP of patents and trademarks for IBM.

Details: On June 18 [it was announced](#) that David Kappos has been nominated for the position of Director of the US Patent and Trademark Office. David is currently the VP and Assistant General Counsel for patents and trademarks at IBM. He has also been a [strong champion](#) for the Peer to Patent process.

[Reactions among patent attorneys and agents](#) have been generally favorable, although there is some concern that his agenda will be too closely allied with IBM's.

From a business method perspective, we view this as overall good news. IBM is one of the largest filers of business method patents and we are hopeful that Mr. Kappos will increase the resources in this critical area.

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Announcement

THE FIRST OF PCT'S COMPLIMENTARY WEBINAR SERIES.

Register here: <http://www.pctcompanies.com/events.html>

Title: Supreme Court to Hear In re Bilski: An Executive Briefing and Outlook

Date and Time: Tuesday, June 30th, 2009, 2:00–2:30 p.m. EDT

Description: In a case closely watched by the financial services, software, medical and other industries, the U.S. Supreme Court will review the In re Bilski ruling that denied a patent for a method of hedging in commodities trading. In re Bilski largely disavowed the controversial 1998 State Street Bank decision where the Federal Circuit opened a floodgate for business method patents. According to its detractors, State Street had led to the issuance of weak patents and exposed financial services companies to high-dollar litigation over business method patents. Now the future of business method patents and processes is at stake when the Supreme Court hears In re Bilski during its next term.

Raymond Millien of The PCT® Companies and Michael Lasinski of Capstone Valuation Services – both recently named to IAM's inaugural list of the world's top IP strategists – discuss how the In re Bilski decision has affected the IP marketplace, including:

- Case Background
- Summary of Recent Court Cases
- Speculations on how the Supreme Court will decide
- Effect on valuation of banks, hi-tech firms and start-ups

About the Speakers:

Raymond Millien is the Founder and Chairman of The PCT® Companies – the nation's only integrated provider of Intellectual Property-based public policy, strategic management and monetization advisory services. Prior to PCT, Mr. Millien was General Counsel of Ocean Tomo, and VP and Group IP Counsel at American Express Company.

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Michael J. Lasinski is a Managing Director at Capstone Valuation Services, LLC. He has over fourteen years experience in business and intellectual property valuation, strategic due-diligence, and litigation consulting. Prior to Capstone, Mr. Lasinski was a Managing Director at Ocean Tomo, LLC and Vice President in Charles River Associates' Intellectual Property practice.

Analysis Available

Lincoln National Life Insurance Company Alleges Patent Infringement - GMWB

Lincoln National Life Insurance Company has three patents (US 6,611,815; US 7,089,201; and US 7,376,608) covering the methods and processes used in providing **Guaranteed Minimum Withdrawal Benefits** (GMWBs) for variable annuities. Two additional published patent applications are pending.

Lincoln is asserting its patent rights (see story in [February 2009 Bulletin](#)) through patent infringement lawsuits against competitors who offer GMWBs. An ex parte re-examination request has been granted by the USPTO with respect to US 7,089,201.

Update: *Lincoln National recently received a favorable decision the from Federal District Court in Iowa in its lawsuit against Transamerica Life. The Court ruled that the jury had reasonable grounds to hold the Lincoln patent "was not invalid". Transamerica continues to believe that the patent is invalid and is in the process of appealing to the Court of Appeals for the Federal Circuit.*

GMWBs have been credited with saving the variable annuity industry and are commonly offered by many of the 25+ insurers currently selling variable annuity products. Lincoln National's claim of protected patent ownership of the GMWB benefit is a threat to competitors offering GMWBs in the variable annuity market.

Tom Bakos (co-editor of the **Insurance IP Bulletin**) has prepared a comprehensive **Intellectual Property Analysis** of the Lincoln National GMWB family of IP. This analysis (over 200 pages of printed detail plus supporting documents on CD) represents well over 200 hours of review, analysis, and dissection of the specifications and claimed inventions. It describes prior art (believed to be relevant) either not disclosed or not considered by the USPTO on examination. It addresses the quality of the claims made.

For more information regarding this Analysis and how to acquire it, please go to: [Intellectual Property Analysis](#) (<http://www.BakosEnterprises.com/IPA>).

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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.

	Class 705	Subclass 4
YEAR	#	#
2009	1,259	33
2008	2,673	89
2007	2,065	43
2006	2,224	44
2005	1,453	30
2004	998	23
2003	969	21
2002	887	15
2001	880	19
2000	1,062	29
1999	1,006	36
1998	744	20
1978-1997	2,778	47
1976-1977	80	0
TOTAL	19,078	449

	Class 705	Subclass 4
YEAR	#	#
2009	4,267	132
2008	8,708	199
2007	6,990	183
2006	6,119	169
2005	6,305	148
2004	5,597	156
2003	6,010	129
2002	6,140	164
2001 *	1,327	30
TOTAL	51,463	1,310

* 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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Issued Patents

In class 705/4, 13 new patents have been issued since 4/28/2009 for a total of 33 in 2009 through 6/23/2009. Patents are issued on Tuesdays each week.

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, 44 new patent applications have been published since 4/30/2009 for a total of 132 so far in 2009. 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>