Patent Harmonization: Moving To A First-To-File Patent System

By Michael R. Hull

Congress is currently considering the Patent Reform Act of 2010. If passed, and there is a good chance it may be passed, one significant change would be the adoption of a "first-to-file" system and the abandonment of our current "first-to-invent" system. Most corporations are strongly in favor of making this change. However, some small businesses and individual inventors are outraged over this proposed change. We at Miller Matthias & Hull LLP favor the change to a first-to-file system and think the concerns of some small businesses and individuals are unfounded for the following reasons.

First of all, what is the difference between our current first-to-invent and the proposed first-to-file system? In short, in the U.S., under 35 USC § 102(g) if two people create the same invention and file competing patent applications claiming the same invention in the U.S. Patent Office, the Patent Office will award the patent to the inventor who was the first-to-invent, not the inventor who filed the first patent application. The Patent Office uses a complex legal proceeding known as a patent interference to determine the first inventor. The inventor who prevails in the interference will be the inventor who establishes the earliest date of conception (*i.e.*, the "eureka moment"), in combination with diligence between (1) the date of conception and (2) the filing date of the application or the date the invention was reduced to practice (*i.e.*, an embodiment of the invention was created or practiced). Interferences often require inventors to spend enormous amounts of time on these historical matter issues instead of doing what they do best—creating new inventions. Not only do interferences consume vast amounts of inventor time, they can be as costly as patent litigation, which, as you may know, is a budget busting experience for U.S. litigants.

In contrast, just about every other industrialized country awards the patent to the inventor who was the first-to-file the patent application in their patent office. On its surface, it seems as though our first-to-invent system is inherently fairer. Why would someone be awarded the patent if he or she created the invention after the first inventor simply because the latter inventor was faster in getting a patent application prepared and filed? It seems as though the first inventor, would be unfairly denied the benefits of his or her invention just because he or she lost the race to the Patent Office.

However, this hypothetical is an extremely rare situation; interferences that are decided on a first-to-invent claim occur in only about 0.01 percent of U.S. patent applications. A more common situation is where an inventor, as a patent applicant, must establish his or her conception date to overcome a prior art reference cited by a patent examiner. However, this more common situation only occurs in about 1 percent of all U.S. patent applications. Thus, while evidence of pre-filing conception, diligence and reduction-to-practice can help the inventor win an interference proceeding and negate a prior art reference cited by the examiner, this evidence, which is difficult to obtain and prove, is useful in only about 1 percent of all U.S. patent applications.

In contrast, a first-to-file system, practiced by the vast majority of other countries, ignores pre-filing invention activity such as conception dates, diligence and reduction to practice. Instead, the rest of the world relies on the filing date of the inventor's patent application to establish priority. Why? Because the first-to-file system encourages inventors and their employers to file patent applications sooner rather than later, which is good for the patent system. Further, determining who is the first inventor is difficult, time consuming and costly. Simply put, the first-to-file system simplifies matters, which ultimately reduces costs.

Others suggest that we not use the term first-to-file but instead, use the term "first- inventor-to-file." The term first-inventor-to-file is an attempt to dispel the myth that someone who steals an invention under the first-to-file system can obtain a patent if the thief beats the actual inventor to the Patent Office. This myth is unfounded because all patent applicants have to sign a declaration attesting to the fact that they were indeed the true inventors or the rightful owners of the claimed subject matter. In short, one cannot lawfully obtain a patent in either the current U.S. system or any first-to-file system unless you are the true inventor or the rightful owner of the claimed subject matter. However, the label "first-inventor-to-file" is reasonable because two people

can independently invent the same thing at different times and/or at different places, and there may be a race to the Patent Office by two actual inventors in a first-to-file or first-inventor-to-file system. But again, this scenario occurs less than 1 percent of the time.

Let us review the advantages and disadvantages of both systems. In a first-to-invent system, there is no race to the Patent Office; if the first inventor has the resources to prove priority, the first inventor will obtain a patent. Further, interferences are rare and do not consume an excessive amount of Patent Office resources. Also, maintaining the first-to-invent system in the U.S. provides continuity. Why switch from a system that has worked for over 200 years?

On the other hand, adopting a first-to-file system would bring the U.S. in closer harmony with the rest of the industrialized world. This argument has merit. Most companies that are big enough to have a patent portfolio are also big enough to compete internationally. The differences in legal systems and laws in various countries increase the costs of doing business. While commercial laws will not be harmonized anytime soon, patent laws are excellent candidates for international harmonization, which will ultimately increase the efficiency of the global patent system. Lack of harmonization with the patent laws of other countries can lead to different entities in different markets controlling the rights to the same invention. On balance, having patents that cover a single invention in the hands of different entities in different countries is undesirable.

A first-to-file system would eliminate costly interference practices in the U.S. As noted above, interferences are very expensive and can consume vast amounts of the inventor's time. They are archaic proceedings but are unavoidable only if we keep our current, archaic first-to-invent system.

A first-to-file system will simplify U.S. Patent Office procedures. §102 of our patent laws is a very complex statute. §102 include the conditions for novelty as well as the basis for the current interference practice. It is not only complex to understand, but complex to implement for the Patent Office and patent practitioners. Moving to a first-to-file system simplifies the issue of what is and what is not prior art to a U.S. patent application by removing consideration of when the invention occurred. Making things simpler for the Patent Office will allow the Patent Office to use more of its resources examining patent applications. Reducing the complexities of §102 will also reduce the cost of prosecuting patent applications.

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A first-to-file system would encourage early filing by U.S. inventors, which results in early publications and early public disclosures. One of the key benefits of the patent system is the disclosure or dissemination of inventions to the public. While the public is not free to make, use or sell a patented invention until the patent expires, the dissemination of useful invention information contributes to the knowledge base available to other inventors, which leads to the creation of additional new ideas and inventions.

In our view, the current first-to-invent system adds unnecessary complexities and costs to U.S. patent practice. Moving to a first-to-file system will improve efficiencies in our patent system by phasing out interference practice altogether and simplifying the prosecution process. We view these as good developments. We also view harmonizing our patent laws with those of the rest of the world as another good development. There has been talk about moving to a first-to-file system for decades. We believe the time has come. ■