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## From “First to Invent” to “First to File” – Changing Lanes in U. S. Patent Procedure?

During the past several weeks, the Senate and the House of Representatives in the United States have passed legislation intended to overhaul the American patent system. The two bills differ in several important respects, and so must be reconciled before they can become law, but there is a very high likelihood that this will occur, implementing sweeping changes in the U. S. patent system.

The legislation contains a variety changes, from purely administrative provisions that could give the United States Patent Office (USPTO) greater control over its own budget, to technical changes governing appellate court jurisdiction in patent law suits, and the addition of a new post-grant review procedure. But among the most controversial and far-reaching changes in the bill are provisions designed to move the American patent system from “first to invent” system to a “first to file.”

For nearly 200 years, the United States patent system has followed a “first to invent” rule – the USPTO grants patents on new, useful, and nonobvious inventions to the first person who can prove she invented what is described in the patent document. Virtually every other country in the world follows a “first to file” rule – those countries grant the patent to whoever is the first to file an application on the invention.

Sometimes the first person to file an application for a patent is not the first person to invent what the patent claims. In the United States, such a situation is resolved by means of a proceeding called an “interference,” in which the patent claimants show evidence regarding their dates of invention. In other countries, such situations are resolved by the date of receipt stamped on the patent application. Proponents of the change in U.S. law argue that the United States is out of step with the rest of the world, and that a first to invent standard creates long and costly interference proceedings.

There has been great concern that the first to file system will benefit large corporations at the expense of small businesses and entrepreneurs. The argument is that large businesses have more resources, can file applications faster, and will win any race to the patent office. Yet others argue that small businesses will actually benefit, because they lack the resources to fight a costly interference battle under the current system.

No matter which kind of business would benefit most under the proposed change, it is clear that all types of businesses will pay very high switching costs. Both the first to file system and the first to invent system have been

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successfully working in different countries for a very long time. The operation of two priority rules has resulted in some inconvenience, but the costs of harmonization could be even greater.

Imagine a similar choice, such as which side of the road cars will use. It doesn't much matter which side of the road drivers use, as long as everyone in the country drives on the same side. Countries might choose alternative sides. Certainly there is some individual cost when a driver moves from one type of country to another; there will be some inconvenience and even a few accidents as the driver adjusts to the alternate system. But imagine the enormous costs of changing an entire country over to the alternate system; not simply re-training all the drivers, but changing all the signage, the instruction manuals, and even retrofitting the vehicles themselves.

There will similarly be very high switching costs in moving from the current system to that used by the most of the world. The cost is not merely the cost of changing business practice in filing patents, or even changing the rules of the Patent Office, or re-orienting the examiners in the Patent Office. The major cost is in the disruption of settled law.

Under the current American system, the inventor and invention are defined by the occurrence of conception and reduction to practice – the formation in the mind of the inventor of the complete and operative concept of the invention, and then its actual instantiation. These concepts of inventorship that have been developed under the “first to file” system have migrated into all areas of American patent law – they are now pervasive throughout American patent doctrine.

To take only one example, courts have defined the disclosure requirements for American patents in terms of conception and reduction to practice. Similarly, the non-obviousness or inventive step requirement for American patents is based on the definitions of conception and reduction to practice. It is unclear what will result from stripping out of the statute the first to file statutory provisions that contains these terms – can courts continue to rely on legal constructs that are no longer in the statute, or will the provisions, such as disclosure and non-obviousness, that have come to rely on these terms, need to be re-defined?

Additionally, the priority system proposed in the new legislation is not truly a “first to file” system – it contains exceptions for certain types of derivation and prior use, and procedures for adjudicating claims of derivation. Some observers have been calling this a “first inventor to file” approach – a hybrid that is neither the system now familiar in the United States, nor one truly harmonized with the rest of the world. Thus, it appears the American priority system will continue to be an oddity, with neither the virtue of familiarity nor the virtues of harmonization.

This is why I recently told a House of Representatives subcommittee that the current legislative proposals should perhaps be captioned as the “Patent Lawyer Full Employment Act of 2011.” Changing from the current func-



tional, stable regime will undoubtedly subject inventors who file American patents to years of legal cost and uncertainty. This, of course, is not merely a concern for American firms, given the enormous numbers of non-American firms that routinely file applications in the USPTO. The benefits of the change are uncertain, but there are certain to be decades of litigation ahead to clarify the law now being enacted.

