



IP Insight

by Christopher R. Monday

The Good and Bad of U.S. Patent Law Harmonization

“It was the best of times, it was the worst of times ...”

The opening phrase from the Charles Dickens classic *A Tale of Two Cities* is an accurate characterization of how those involved in the patenting of inventions have historically viewed the now obsolete “first-to-invent” patent filing system of the United States. The Leahy-Smith America Invents Act (AIA), the most significant overhaul of the U.S. patent system since 1952, replaced the “first-to-invent” system on March 16, 2013 with a “first-to-file” system.

There was a popular belief that the newly implemented “first-to-file” system would bring about harmonization of U.S. patent law with patent systems in foreign jurisdictions. However, the AIA attempted too many compromises and ultimately failed to implement a “first-to-file” system in the United States that would be completely harmonious with “first-to-file” systems in other jurisdictions. As a result, for better or worse, patent practitioners and inventors alike may characterize the new “first-to-file” system as the best, and worst, of times to come.

In many ways, the “first-to-invent” system previously used in the United States is regarded by some as satisfying the true intent of our patent system, namely, to reward innovation by empowering an inventor to prevent others from practicing his or her invention without permission. Indeed, this sentiment is embedded in Article 1, Section 8 of the U.S. Constitution, which states “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” However, only a handful of other countries, including Canada and the Philippines, historically ever utilized a “first-to-invent” system, and, as of 1998, the United States was the lone nation to utilize the “first-to-invent” system. On the contrary, every other country with a patent system utilized a “first-to-file” system.

Generally, the “first-to-invent” system that represented U.S. patent law prior to March 16, 2013 specified that the first individual (or a group of individuals) to conceive of a novel and non-obvious invention was entitled to a patent on that invention. Thus, even if a second party reduced the invention to practice and filed a patent application before the first individual to conceive of the

invention, that first individual was still entitled to the patent on that invention. Although disputes related to whether which inventor was, in fact, first to conceive of an invention, required lengthy and complicated interference proceedings, the “first-to-invent” system was generally considered clear and predictable due to its longevity and a large body of case law.

In addition, the “first-to-invent” system was largely championed as being “friendly” to smaller corporations, individual inventors, and those having limited financial resources with which to pursue patent protection. For example, the “first-to-invent” system provided a one-year grace period allowing inventors to engage in activities (sale, offer of sale, publication, or public use) surrounding an invention for one year from the first date of those activities without relinquishing the right to obtain a patent on the invention, provided that a patent application directed to the invention was filed by the end of the grace period. This mechanism was especially advantageous for smaller corporations and individual inventors concerned with the substantial time and expense necessary to obtain a patent versus the potential payoff that could be received by obtaining the patent.

By contrast, a “first-to-file” system provides that the first individual (or a group of individuals) to file a patent application directed to a novel and non-obvious invention is entitled to a patent on that invention. Thus, it does not matter that a second party may have conceived of the invention prior to someone who first filed the patent application. Indeed, under the “first-to-file” system, the party who first files a patent application may be, in fact, the second or third party to conceive of the underlying invention.

Therefore, the previous patent system of the United States was unique and created certain dilemmas for parties wishing to file patent applications in both the U.S. and foreign jurisdictions. For example, the conflicting nature of the “first-to-invent” and “first-to-file” systems made it possible for a party to be entitled to patent protection in the U.S. while being barred from patent protection in another jurisdiction, and vice versa. Further, no other jurisdiction employed the U.S. one-year grace period. As a result, an inventor disclosing an invention prior to the filing of a patent application would still be able to obtain patent protection in the United States

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by filing the U.S. application within a year from the disclosure, while simultaneously being barred from obtaining patent protection on the same invention in other jurisdictions.

The uniqueness of the United States filing system proved to be controversial, especially in view of the aforementioned grace period. Foreign parties occasionally claimed that U.S. parties received preferential treatment under the “first-to-invent” system. Moreover, many domestic practitioners noted that litigation involving domestic or foreign filing dates of patent applications was more common than interference proceedings. In fact, interference proceedings were rare and complicated enough to create a sub-specialization in conducting interference proceedings.

Due to many of the above-referenced concerns, an increasing number of practitioners and corporations began to encourage the harmonization of the unique U.S. patent system with foreign patent systems. This momentum eventually led to the initial proposal for the replacement of the “first-to-invent” system with a “first-to-file” system in the Patent Reform Act of 2005, although no progress was realized until the AIA was introduced into the U.S. Senate on January 25, 2011 and signed into law by President Barack Obama on September 16, 2011. The AIA established an effective date of March 16, 2013 for the replacement of the “first-to-invent” system by a “first-to-file” system.

However, when looking closer at the alleged harmonization of U.S. patent law with other jurisdictions, one can see a significant amount of discord in the enacted AIA law. For example, the one-year grace period was not eliminated by the AIA. True and complete harmonization of U.S. patent law with other jurisdictions would have required elimination of this grace period in its entirety. Instead, the AIA completely restated and redefined the grace period with new language to coexist with the “first-to-file” system.

Many details of the newly defined grace period are not important for the purposes of this discussion. Nevertheless, employing any grace period to coexist with the “first-to-file” system does not serve to harmonize U.S. patent law with other jurisdictions that expressly prohibit such activities. On the contrary, continuation of the U.S. grace period will likely provide a less predictable patent system for some time, and require complex litigation to determine its metes and bounds. While it has been opined that other jurisdictions may attempt to harmonize their patent systems with the U.S. grace period, this is not at all a certainty and may take a considerable amount of time to come to fruition.

In another example, since the date of invention conception is no longer determinative of patent protection, interference proceedings are no longer necessary for new applications filed after March 16, 2013. Even so, the new grace period language has created an even more complicated procedure, called a derivation proceeding, that seeks to determine, when two parties have applied for opposing patent applications on the same invention, whether one patent applicant derived the invention from the work of the other. While the derivation proceedings will necessarily be somewhat different from the obsolete interference proceedings, it is likely that much of the same analysis will be used to determine



if one party has derived an invention from another party. Thus, the AIA has effectively replaced the sub-specialized interference proceedings with the new, sub-specialized proceeding related to derivations.

Further, the AIA did not even attempt to address many other areas of U.S. patent law that are currently not in harmony with other jurisdictions. For example, the United States is still one of the only jurisdictions to require a duty of disclosure for all applicants and practitioners to disclose any items that could be relevant to patentability. At most, other jurisdictions may require the submission of search results from other patent offices, though many have no formal requirements. Moreover, few of the changes in the AIA recognize the uniqueness of U.S.-style litigation, in which the potential damages for infringement are higher than other countries. Similarly, litigation costs are higher, largely because of discovery, which is not as common or as intrusive as in the U.S.

As a result, it appears that any harmonization hoped for by the implementation of the new “first-to-file” system in the U.S. will largely be counteracted for some time to come by both preexisting and newly created differences with foreign jurisdictions.

Let the good (and bad) times roll. ☺