



# First-To-File And First-To-Invent Priority: An American Historical Perspective

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Since the time the USA was first formed, our founding fathers recognized that rewarding inventors with a limited monopoly on their invention in exchange for public disclosure was an important part of the American nation's fabric. Indeed, the US Constitution included this power in Article I(8)(8), in the patents and copyright clause, and in 1790, one of our nation's first laws was the original Patent Act (see 1 Stat 109 (1990)). However, our founding fathers were also sceptical of granting just anyone a monopoly, based on misuse of this power by the Crown in England in earlier times. So the concept was that only 'Inventors', understood under Anglo-American principles dating to the Cases of Monopolies, *Darcey v Allein*, 77 Eng Rep 1260 (KB 1602) and the Statutes of Monopolies, 21 Jac I, Ch 3 (1624), to mean 'first and true' inventors, should be entitled to a patent award. From that time on, it has been a fundamental premise of the American patent system that only 'first and true' inventors are entitled to a patent.

However, it was also recognized that sometimes inventors needed time to develop, perfect and test their inventions before expending money and resources on seeking patent protection. Thus, US Patent Law developed a 'one-year grace period' for the 'first and true' inventor to seek patent protection. This grace period has been embodied in the US patent laws since its earliest days, and exists in the pre-AIA version of 35 USC § 102. The US system has been referred to as a 'first-to-invent' system. In this system, if two 'inventors' filed for the same invention, the first to invent it would be awarded the patent.

By the last quarter of the 20th century, most other patent systems in the world applied a different rule: the so-called 'first-to-file' rule. These systems would apply an 'absolute novelty' rule that did not allow for pre-filing disclosure, and would grant a patent to the first inventor to file for a patent, irrespective of who invented it first.

Since at least the 1960s there have been periodic debates in the US as to whether to discard the 'first-to-invent' system so well engrained in the American patent ethos, and replace it with the 'first-to-file' system adopted by what ultimately proved to be the rest of the world. In the 1960s, the debate was sparked by a Presidential Commission Report (see Report of the President's Commission on the Patent System, 'To Promote the Progress Of ... Useful Art', in *An Age of Exploding Technology* (1966)). In the 1980s and 1990s, the debate was sparked by the World Intellectual Property Organization treaty negotiations to harmonize the world's patent laws, and obtain stronger patent protection outside the USA. Most recently, the debate was sparked by patent reform efforts resulting in the Leahy-Smith America Invents



Act of 2011.

In the prior efforts to adopt a 'first-to-file' system, the issue was often presented as a battle between big business (who, in order to obtain international patent protection, would essentially follow a 'first-to-file' mentality) and the small inventor (who may not have the funds to seek international patent protection and often was thought to rely upon the one-year grace period). Until the AIA, the objections of the 'small inventor' would trump big business and defeat any effort to change the patent system.

The AIA seeks to overcome this objection by creating a hybrid 'first-to-file'/'first-to-publish' grace period. It is held out as 'harmonizing' US law, and addressing both the concerns of big business and the small inventor, because new 35 USC § 102(a) adopts a 'first-to-file' while new 35 USC § 102(b) created 'exceptions' as a watered down 'grace period' based on prior disclosure.

However, rather than adopting a single harmonized rule for the world, the AIA created a 'third rule'. The language included in the AIA includes vagaries that will be left open to interpretation for decades to come, and will keep many patent attorneys employed. Further, the 'grace period' which small inventors had relied upon in the past, could become a trap for the unwary. The AIA also has a 'fourth rule' which applies to applications that claim priority in part before the March 2013 effective date, but include claims which do not.

More than two decades ago, as a young law student, I performed a scholarly analysis of the benefits of adopting a first-to-file rule in the USA instead of the current first-invent rule (see Charles R Macado 'First-To-File: Is American Adoption of the International Standard in Patent Law Worth the Price?' (1988) Colum Bus L Rev 543). I analysed the two systems in terms of their respective accuracy, efficiency, fairness and acceptability. At the time, I concluded that weighing these factors, the transaction costs of adopting a new patent law would argue strongly against the changing of the system, but if the USA were to receive some other benefit like global harmonization or treaty concessions to help US innovators, a change might be worthwhile.

The adoption of a third and fourth rule as part of the AIA has now incurred those transaction costs, without actually harmonizing US patent law with any other patent system. Likewise, the US did not obtain any treaty concessions as a result of the AIA. We will likely have decades to ponder whether the AIA will set a new international standard, or merely just another new and different rule.

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