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## Why the United States Should Adopt the First-to-File System for Patents.

Bernarr R. Pravel

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## WHY THE UNITED STATES SHOULD ADOPT THE FIRST-TO-FILE SYSTEM FOR PATENTS

BERNARR R. PRAVEL\*

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### I. INTRODUCTION

There are two basic systems for the grant of patents. The system that is in present use in the United States is known as the first-to-invent system.<sup>1</sup> The other system is known as the first-to-file system. Except for the United States and the Philippines, the rest of the world has adopted and now uses the first-to-file system.<sup>2</sup>

Briefly, the first-to-invent system provides that even if a person does not file his or her patent application first, that person may obtain the patent by establishing proofs of conception and reduction to practice of the invention before the party who actually filed first.<sup>3</sup> In other

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1. Kakinuki, *How the Japanese Handle Interference Issues In Their First-to-File World*, 18(1) AIPLA Q.J. 80, 81 (1990); Masterson, *Protection of Intellectual Property Rights in International Transaction*, in THE COMMERCE DEPARTMENT SPEAKS 1990: THE LEGAL ASPECTS OF INTERNATIONAL TRADE 229 (1990).

2. 2A J. BAXTER, *WORLD PATENT LAW AND PRACTICE*, App. 1-2 (1989); Dunner, *First to File: Should Our Interference System Be Abolished?*, 68 J. PAT. OFF. SOC'Y 561, 561 (1986) (Canada had first-to-invent system in 1986); Masterson, *Protection of Intellectual Property Rights in International Transactions*, in 1 THE COMMERCE DEPARTMENT SPEAKS 1990: THE LEGAL ASPECTS OF INTERNATIONAL TRADE 228 (1990).

3. See, e.g., *Hahn v. Wong*, 892 F.2d 1028, 1032 (Fed. Cir. 1989); *Oka v. Youssefyeh*, 849 F.2d 581, 584 (Fed. Cir. 1988) (party must establish either conception and reasonable diligence

words, although a "first inventor" is second to file a patent application in the United States Patent and Trademark Office he may, nevertheless, become entitled to the patent as against another inventor who filed his or her application first.<sup>4</sup> The process of determining the "first inventor" is accomplished through an interference proceeding.<sup>5</sup> An interference can be a relatively complex proceeding in which the parties are permitted to take testimony, produce documents, and in effect go through a trial-like procedure before experienced members of a Patent Office Board of Patent Appeals and Interferences.<sup>6</sup> When such an interference occurs, the normal time for processing the patent applications involved is extended by the length of time it takes to resolve the interference. Not only is a proceeding before the Board of Patent Appeals and Interferences possible, but the Board's decision may be appealed to the United States Court of Appeals for the Federal Circuit.<sup>7</sup>

Those unfamiliar with patent interference procedures should understand that maintaining good records of an invention's conception and reduction to practice is extremely important for the party with the second-filed application to be able to prevail in the interference.<sup>8</sup> In fact, a witness must normally corroborate such records before the records will be accepted as evidence in an interference.<sup>9</sup> Through the

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or reduction to practice to establish priority); *Brown v. Braddick*, 595 F.2d 961, 963 n.1 (5th Cir. 1979); *Benett v. Sonnenfeld*, 117 F.2d 762, 766 (C.C.P.A. 1941) (party failing to claim reduction to practice must prove conception and reasonable diligence); see also 35 U.S.C. § 135(a) (1988). See generally MANUAL OF PATENT EXAMINING PROCEDURE, Chap. 1100 (Rev. 2 1985); E.B. LIPSCOMB, WALKER ON PATENTS § 13.1 (3d ed. 1986). Section 135(a) requires the Commissioner to give notice when he determines that a patent application would interfere with a pending application. 35 U.S.C. § 135(a) (1988).

4. See *supra* note 3.

5. 35 U.S.C. § 135(a) (1988); see E.B. LIPSCOMB, WALKER ON PATENTS § 13:1 (3d ed. 1986).

6. The Board of Patent Appeals and Interferences is granted the authority to determine questions of priority in interferences and their refusal to issue a patent is the final act of the Patent and Trademark Office. 35 U.S.C. § 135(a) (1988). The Commissioner is then authorized to issue a patent to the party found to be the prior inventor. *Id.* See generally MANUAL OF PATENT EXAMINING PROCEDURE Ch. 1100 (1989).

7. 35 U.S.C. § 141 (1988). A party has a choice to either appeal the decision to the United States Court of Appeals for the Federal Circuit under § 141 or he may file a civil action. 35 U.S.C. § 146 (1988). See generally LIPSCOMB, WALKER ON PATENTS § 12:60 (3d ed. 1986) (discussion of civil action under 42 U.S.C. § 146).

8. See *Wiesner v. Weigert*, 666 F.2d 582, 588 (C.C.P.A. 1981) (actual proof of invention's successful operation necessary to show reduction to practice).

9. *Reese & Katz v. Hurst*, 661 F.2d 1222, 1225 (C.C.P.A. 1981); see also *Ritter v. Rohm*

years, some very complex considerations have developed concerning interferences, including proof requirements for the actual making and testing of the invention (reduction to practice) and the diligence used in reducing the invention to practice. For a party who is first to conceive, but last to reduce to practice, diligence is determined from the time just prior to the conception by the other party to the interference.<sup>10</sup> Further, during an interference proceeding, several technicalities are a part of the process, such as motions to change, add, or delete the claims or "counts" of the interference. Parties generally try to gain advantages through these procedural matters.<sup>11</sup> Because interference proceedings are complex and time consuming, the interferences commonly cost far in excess of the normal costs of preparing and prosecuting a patent application. The legal costs of an interference may be hundreds of thousands of dollars and may be difficult to avoid. Individual inventors attempting to handle an interference *pro se* are rare and perhaps even foolhardy because of the complexities and the peculiarities of the interference procedures.

Another negative factor of the first-to-invent system is the necessity for a statutory framework in which the life of the patent dates from the actual grant of the patent. Under the first-to-invent system, patent information remains secret until the patent is issued. This secrecy exists during the entire time a patent is proceeding in the United States Patent and Trademark Office, which may be months or even years. If this time period is extensive, serious consequences may flow from the surprise issuance of such a patent especially if it occurs long after an industry has made extensive capital investment to develop the same technology. By way of example, Gordon Gould was issued a patent in 1977 for a laser he invented as a graduate student in the late 1950's.<sup>12</sup> By 1977, laser art was well known, highly developed, and widely used in the industrial field. Thriving businesses, similar to the defendant in the *Gould* case, which used and developed this technology independent of Mr. Gould could, nevertheless, be forced to pay

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& Haas Co., 271 F. Supp. 313, 319 (S.D.N.Y. 1967) (corroborating evidence necessary to prove prefiling invention date).

10. *E.g.*, *Naber v. Cricchi*, 567 F.2d 382, 385 (C.C.P.A. 1977); *Anderson v. Scinta*, 372 F.2d 523, 530 (C.C.P.A. 1967); *see also* 35 U.S.C § 102(g) (1988).

11. *See generally* *Standard Oil Co. v. Montedison S.p.A.*, 431 F. Supp. 1064 (D. Del. 1977) (fraud and inequitable conduct associated with interference proceedings discussed).

12. *See Gould v. General Photonics Corp.*, 534 F. Supp. 399, 401-02 (N.D. Cal. 1982) (U.S. Patent No. 4,053,845).

royalties to Mr. Gould or discontinue using the laser art.<sup>13</sup>

In a first-to-file system, the first to file a patent application in the United States Patent and Trademark Office, or a foreign patent office with reciprocal priority provisions, is entitled to the patent even though someone else made the invention first.<sup>14</sup> Under the first-to-file system, there is no need for an interference to determine who is entitled to the patent. As discussed later, there are a few instances, albeit rare, where it must be determined who is entitled to a patent,<sup>15</sup> but that determination does not require an "interference" proceeding.

As a corollary to the first-to-file system, the term of the patent is determined from the date of filing the patent application.<sup>16</sup> In the present U.S. system, the term of the patent is seventeen (17) years from the date the patent was granted, no matter how long the patent application remained pending in the United States Patent and Trademark Office.<sup>17</sup> In the countries presently using the first-to-file system, the patent term is usually twenty (20) years from the date of the patent application filing.<sup>18</sup> Further, to be sure that the inventor has an adequate protection term, the inventor may obtain damages from an infringer from the patent application publication date. Countries with the first-to-file system define the publication date as eighteen (18) months after the filing of the application.<sup>19</sup>

## II. THE PROPOSED HARMONIZATION TREATY

The debate on the first-to-file system versus the first-to-invent system could be argued on the merits of the two systems without considering current attempts to harmonize the world's patent laws. Today, however, the primary reason the United States is considering the adoption of the first-to-file system in place of its first-to-invent system

13. See *id.* at 405 (defendants agreed to pay royalties and other damages).

14. See 2A J. BAXTER, *WORLD PATENT LAW AND PRACTICE* App. 1-2 (in European countries first applicant who is either inventor assignee or successor entitled to patent grant).

15. See generally Gholz, *How the United States Currently Handles the Interference Issues That Will Remain in a First-to-File World*, 18(1) *AIPLA Q.J.* 1 (1990).

16. See 2A J. BAXTER, *WORLD PATENT LAW AND PRACTICE* App. 1-3 (1989).

17. 35 U.S.C. § 154 (1988).

18. See generally 2 J. BAXTER, *WORLD PATENT LAW AND PRACTICE* App 6-1 to 6-8 (1990) (20 year term most popular, 17 year term unique to Canada, Cuba, U.S.A., and Philippines; table provides period for each country). Currently the patent term may be measured from five different dates depending on the applicable law. The date may be either based on priority, complete specification, grant, application or publication. *Id.*

19. *Id.*

is due to the proposed harmonization treaty. This treaty is premised on the belief that harmonizing the patent laws of all the countries is desirable.<sup>20</sup> This effort to harmonize the patent laws has proceeded for a number of years through meetings of experts under the auspices of the World Intellectual Property Organization (WIPO) headquartered in Geneva, Switzerland.<sup>21</sup> The Ninth Session of such meetings was scheduled for October and early November of 1990. A diplomatic conference is scheduled for December of 1991 to finalize the harmonization treaty. As of this writing, the treaty still has several provisions which require changes or compromises before many countries will accept it. The major stumbling block for the United States to become a party to the harmonization treaty is whether the United States is willing to adopt the first-to-file system. Thus, the primary focus in the United States' discussions concerning the proposed harmonization treaty is whether the first-to-file system should be adopted.<sup>22</sup>

### III. THREE PRIMARY CHOICES

Based upon the reactions of the patent practitioners who have considered this issue, there are three choices or approaches which seem to have been taken:

1. "Accept" the first-to-file system only if it is a part of a balanced harmonization treaty with certain clear benefits to the United States.
2. "Advocate" the first-to-file system without qualification or any specific advantages being insisted upon in order to adopt the first to file system.
3. "Reject" the first-to-file system on any basis because of a belief that the first-to-invent system is so much better than the first-to-file system for United States inventors and/or patent owners even though harmonization cannot be accomplished.

In my debate with Mr. Ned Conley on the issue of the first-to-file system versus the first-to-invent system, I am an "advocate" of adopting the first-to-file system based on its merits, regardless of whether the United States adopts the harmonization treaty. I am, neverthe-

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20. *Draft Treaty on the Harmonization of Patent Laws; Draft Regulations Under the Draft Treaty*, U.N. WIPO Doc. HL/CE/VIII/2, Preamble (1990).

21. *Id.*

22. Meetings of ABA/PTC in San Francisco (Aug. 1988); Washington, D.C. (Sept. 9-10, 1989); Chicago (Aug. 3-8, 1990).

less, also an advocate of the harmonization treaty. I believe that the United States has an opportunity to not only adopt the first-to-file system, which is better than the first-to-invent system, but if done in conjunction with the United States' adoption of the harmonization treaty, obtain other substantive advantages for the United States' inventors and/or patent owners as discussed below.

Mr. Conley would "reject" the first-to-file system on any basis, as I understand his position, and he would reject the harmonization treaty since it requires the United States to adopt the first-to-file system.

#### IV. ADVANTAGES OF THE FIRST-TO-FILE SYSTEM

First, the advantages of the first-to-file system are not limited to eliminating interferences, but also include: providing a patent term which is measured from the filing date of the patent application,<sup>23</sup> allowing damages which are recoverable under certain conditions for infringement prior to the patent issuance, and allowing an early publication of the patent application shortly after the application filing date.<sup>24</sup> These features of the first-to-file system make it superior to the first-to-invent system.

According to a statistical report from the United States Patent and Trademark Office, there were 530 interferences between October 1, 1985 and September 30, 1988.<sup>25</sup> Although arguably the number of interferences per year is relatively small compared to the number of patents processed in the United States Patent and Trademark Office, the number is, nevertheless, significant because of the complexity and cost involved in an interference. Furthermore, the expense and complexity associated with interference proceedings usually increases in direct proportion to the importance of the concept involved. Our law firm, for example, is currently involved in a four-party interference in which we represent the University of Houston and Dr. Chu on inventions in superconductivity. The other three parties to that interference are AT&T, IBM, and the Naval Research Laboratory. The potential economic value of a patent covering the basic concepts of superconductivity is of such tremendous significance that the resulting interference proceeding has become extremely expensive and time-

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23. See 2A J. BAXTER, *WORLD PATENT LAW AND PRACTICE* App. 1-3 (1989).

24. *Id.*

25. Calvert & Sofocleous, *Interference Statistics for Fiscal Years 1986 to 1988*, 71 J. PAT. OFF. SOC'Y 399, 399 (1989).

consuming. Regardless of the outcome of that particular interference or any other interference, the time involved in the interference extends the pendency of the patent application beyond the normal prosecution time. The extension is usually at least a year or more if the decision is appealed to the Court of Appeals for the Federal Circuit. Thus, patent applications involved in an interference will not be final until the interference has been resolved and all further prosecution before the examiner, if needed, has been completed. At best, the issuance of the patent is delayed for a year. In some exceptional cases, however, patents may be delayed for as long as twenty years or more as evidenced by the Gordon Gould laser patent referred to above.

The interference delay is only one type of delay that occurs in the first-to-invent system. In the first-to-invent system the term of a patent must run from the date when the patent actually issues rather than the patent application date.<sup>26</sup> Otherwise, the applicant involved in an interference has the number of years protected unjustly reduced by the length of the interference proceeding. However, this also means that applications which are prolonged before the United States Patent and Trademark Office examiners, which then go on appeal before the Board of Appeals and ultimately reach the Court of Appeals for the Federal Circuit remain unissued and thus, unknown to the public. The public cannot learn the extent of patent protection for a particular concept until the patent is granted. For example, a patent on a single chip computer was granted to Gilbert P. Hyatt in 1990 approximately twenty years after his patent application was filed.<sup>27</sup> The patent still has seventeen years to run and comes as a surprise to the entire industry involved with that concept.

This situation cannot occur in the first-to-file system because the application would be published, generally within eighteen months after application has been filed.<sup>28</sup> Thus, the industry would be aware of the pending application and, accordingly, capable of making an informed decision as whether to make capital investments, negotiate a license with the inventor, or take other action to either accept or avoid the patent claims. Further, the inventor would be entitled to royalties from the date of publication based upon the claims of the

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26. 35 U.S.C. § 154 (1988).

27. U.S. Patent No. 4,942,516.

28. 2 J. BAXTER, *WORLD PATENT LAW AND PRACTICE* App. 5-13 to 5-15 (1989) (table of countries with automatic publication dates, many at 18 months from date application filed).

publication, assuming that such claims were also in the issued patent.<sup>29</sup> Thus, the inventor's patent protection under the first-to-file system actually exceeds the present U.S. patent term of seventeen years because the patent term is for twenty years after the filing date and infringement damages are available once publication occurs eighteen months after the filing date. Additionally, the first-to-file system avoids the expense and the delay occasioned by interferences, and the "surprise effect" caused by the delayed issuance of a patent. The first-to-file system does not deprive the inventor of any royalties that he would otherwise be permitted to recover under the first-to-invent system because he can collect royalties from the date of publication of the application.<sup>30</sup> Thus, the first-to-file system has several major advantages over the first-to-invent system.

An argument has also been made that the first-to-file system gives established businesses an advantage over individuals unavailable in the first-to-invent system because established businesses have the funds and organization to file applications quickly whereas individuals do not.<sup>31</sup> There are a number of reasons why this is not a valid argument.

First, unless the individual patent applicant is independently wealthy, the expense of an interference is generally far greater than an individual applicant can handle. The potential expense of an interference is a greater disadvantage to individual inventors than to established businesses.

Also, in an interference the second-to-file applicant must establish documentary evidence and corroboration by one or more witnesses that he conceived and reduced the invention to practice to succeed in obtaining a patent as the first inventor.<sup>32</sup> Based upon my experience, individual inventors, particularly first-time inventors, are usually unaware that they must keep such records and have such corroboration. Thus, the likelihood of an individual inventor winning against an established knowledgeable company is extremely remote.

Although arguments have been made that individuals are less likely to file a patent application as promptly as an established company, my

29. *See, e.g.*, 33 HALSBURY'S STATUTES 202 (4th ed. 1987) (Patents Act, 1977, § 69).

30. *Id.*

31. *See* Dunner, *supra* note 2, at 564.

32. *Horton v. Stevens*, 7 U.S.P.Q.2d 1245, 1246 (Pat. Bd. App. 1988).

experience and logic tells me otherwise.<sup>33</sup> Most inventors recognize the need for urgency in seeking patent protection, and therefore, seek advice from a patent attorney at a very early conceptual stage. Furthermore, very few individual inventors are involved in any kind of detailed research primarily because they lack the necessary funds and research facilities. On the other hand, inventors capable of conducting research, are generally better informed about the patent requirements, thus, a first-to-file system would not penalize them. Nevertheless, the one-time or occasional inventor is at no greater a disadvantage under the first-to-file system because even under the first-to-invent system the inventor should still file an application as early as possible. Under the first-to-invent system an early application affords the inventor the advantage of being the "senior party" in any interference which may develop.<sup>34</sup>

In summary the first-to-file system is superior to the first-to-invent system because it provides many advantages to both the individual inventor and established businesses by eliminating interferences concerning priority issues, minimizing delays in the patent process, and establishing the potential extent of patent protection at an early stage. Thus, businesses and individuals are better able to make informed decisions concerning capital investments and patent licensing requirements. Investments made without knowledge of potential patent claims subject the investors to being "sandbagged" by a patent that issues many years after the filing of the application. Unlike the first-to-invent system, the first-to-file system allows the inventor to recover royalties from the publication date, rather than limiting recoveries to those incurred after the patent issues. Thus, inventors benefit under

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33. See Dunner, *supra* note 2, at 564.

34. The senior party has an advantage over the junior party because the junior party has the burden of proof and must overcome the presumption that the senior party is the inventor. See *Miller v. House & Yun Jen*, 353 F.2d 252, 253 (C.C.P.A. 1966) (party filing second has burden of proof); *Mitchell v. Hennion*, 143 F.2d 623, 624 (C.C.P.A. 1944) (burden of proof on junior party); *Vanore v. Improta*, 25 F.2d 918, 923, 924 (D.C. Cir. 1928) (first to file presumed to be inventor). But see *Chamberlain v. Kleist*, 112 F.2d 846, 846 (C.C.P.A. 1940) (grant of patent to senior party gave him no advantage if junior party has pending application). Statistics show that only about 25% of the priority awards in an interference are to the junior party, i.e., the party with the second-filed application. Dunner, *supra* note 2, at 561; see also Calvert & Sofocleous, *Interference Statistics for Fiscal Years 1986 to 1988*, 71 J. PAT. OFF. SOC'Y 399, 405 (1989) (table giving statistics on prevailing party in interference proceedings when proceeding goes to final hearing). The party who files his patent application first is considered the senior party in a patent interference. *Farrington v. Mikeska*, 155 F.2d 412, 413 (C.C.P.A. 1946).

the first-to-file system in the early years of their inventions by receiving substantial royalties and protection on their inventions. Under the first-to-invent system, royalties may be lost if potentially protectable concepts are exploited before a patent issues and then discontinued upon issuance.

#### V. ADVANTAGES OF THE FIRST-TO-FILE SYSTEM UNDER THE HARMONIZATION TREATY

In my view, the United States should not be the "reluctant suitor" in the harmonization treaty proceedings due to concerns about adopting the first-to-file system. However, those opposed to the first-to-file system take the position that the United States should not adopt the harmonization treaty unless that treaty also provides "benefits" to the United States.

The advocates insisting on benefits before accepting the harmonization treaty focus on two significant areas. First the advocates stress the importance of the one year "grace period" which is currently in force under the United States patent law.<sup>35</sup> This "grace period" permits an inventor to publish and/or use his invention publicly, or offer it for sale up to one year before filing a patent application.<sup>36</sup> The one year grace period is only presently available in a few other countries.<sup>37</sup> Many in the United States perceive the one year grace period as a distinct advantage because it often protects the first-time inventors and/or careless inventors who unwittingly publish or attempt to sell their invention before filing a patent application.

I believe the United States' one-year grace period is a definite advantage particularly for those involved in university research. Universities often require publication before the patent application process is completed. Today, if an inventor's subject matter is published or offered for sale before a patent application is filed, the inventor can still file an application under the one year grace period and gain patent protection under current United States law. He is forever barred, however, from obtaining a patent in most other countries,<sup>38</sup> notably Europe and Japan. The present harmonization treaty dis-

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35. 35 U.S.C. § 102(b) (1988).

36. *Id.*

37. *See* Becton, Dickinson & Co. v. Sherwood Medical Indus., Inc., 516 F.2d 514, 523 n.27 (5th Cir. 1975).

38. *Id.*

cussed at the WIPO in Geneva, includes a provision for an international grace period of one year.<sup>39</sup> Thus, U.S. citizens would gain rights which would otherwise be unavailable under present foreign patent laws. Adopting an international grace period would change the law in countries such as Europe and Japan, and serve as a significant *quid pro quo* to encourage the United States' acceptance of the first-to-file system.

The "Doctrine of Equivalents" is another benefit available in the United States<sup>40</sup> and still unavailable under foreign patent laws. Under this doctrine, a patent claim, even though worded in such a way that it can be literally avoided, nevertheless is infringed if the alleged infringer has used an equivalent to that which is claimed.<sup>41</sup> In other words, this doctrine provides an equitable determination as to the scope of the patent protection based upon numerous factors rather than relying solely on the literal words of the patent claim.<sup>42</sup> Although the doctrine of equivalents is available through the United States court system,<sup>43</sup> it is not available in most foreign countries, including Japan. Thus, foreign patents are often so restricted in their protection that they are of insignificant or no value. The present treaty provides some measure of equivalency and thus, broadens the scope of foreign patent protection in all countries under the treaty, including Japan.<sup>44</sup> These provisions are definitely an important advantage for the United States citizens seeking and obtaining patent protection in countries which do not presently provide an adequate scope of patent protection.

The treaty also provides for injunctive relief and damages on a more uniform basis.<sup>45</sup> In conclusion, if the United States adopts the

39. *Draft Treaty on the Harmonization of Patent Laws; Draft Regulations Under the Draft Treaty*, U.N. WIPO Doc. HL/CE/VIII/3, art. 12(1) (12 month grace period).

40. *E.g.*, *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 608 (1950); *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934 (Fed. Cir. 1987); *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677, 684 (Fed. Cir. 1990). Whether a system is an equivalent to a prior invention depends on the patent specifications, the prior art, and the prosecution history. *Sun Studs, Inc. v. ATA Equip. Leasing, Inc.*, 872 F.2d 978, 986 (Fed. Cir. 1989).

41. *Graver Tank & Mfg. Co.*, 339 U.S. at 608.

42. *See id.* The principal factor to be considered is whether the accused device "performs substantially the same function in substantially the same way" to get substantially the same result. *Id.*

43. *See id.*

44. *See Draft Treaty, supra* note 39, art. 21.

45. *See Draft Treaty, supra* note 39, art. 23(1)(a)-(b). Article 23(1)(a) provides: "Each

first-to-file system in conjunction with the harmonization treaty, the United States gains both the advantages associated with the first-to-file system, and those associated with other countries adopting the one year grace period and the doctrine of equivalents. Thus, for those in the category of being willing to "accept" the first-to-file system only in a harmonization package that provides "benefits" to the United States, the proposed harmonization treaty offers more than an adequate *quid pro quo* for any deficiencies mistakenly associated with adopting the first-to-file system.

#### VI. RESPONSE TO OPPOSITION TO FIRST-TO-FILE MADE BY MR. CONLEY

Mr. Conley, has submitted fourteen reasons why he believes the United States should keep the first-to-invent system. To be orderly, I will quote his points one by one and then submit my response immediately following each point.

1. CONLEY: "It works, it ain't broke, don't fix it."

PRAVEL RESPONSE: I agree, the United States first-to-invent system is not "broke," but I do not believe that the old adage which Mr. Conley quotes should be used to avoid making improvements, or a "better mouse trap" so to speak. Even though patent attorneys are not inventors, there is no reason why they, like inventors, should not seek to improve the world and the way in which things are done, even in the patent system. Further, there is no doubt that the United States' first-to-invent system is out of step with the rest of the world since we are the only major country with a first-to-invent system. Even Canada recently changed to the first-to-file system after having a first-to-invent system for many years. The Philippines is the only other country that has the first-to-invent system and it will probably change if the United States changes.

2. CONLEY: "Those who favor a first-to-file system can go ahead and file, operating under a *de facto* first-to-file system."

PRAVEL RESPONSE: I have to say "ridiculous!" It is impossible for an individual or a company to convert the first-to-invent system to a first-to-file system just by filing promptly after an invention is con-

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Contracting Party shall provide for an injunction to restrain the performance or the likely performance, without the authorization of the owner of the patent of any of the acts referred to in. . . ." Article 23(1)(b) provides: "Each Contracting Party shall provide for full damages for the prejudice caused to the owner of the patent in consequence of the performance, without his authorization, of any of the acts referred to in. . . ." *Id.*

ceived. The second to file an application under the first-to-invent system still can invoke an interference in the present first-to-invent system.

3. CONLEY: "It gives inventors time to develop their inventions before filing."

PRAVEL RESPONSE: Most individual inventors who are not employed as inventors in a company do not "develop" their inventions before filing. They have concepts. They may make drawings and sometimes even models, but they usually do not have the funds to do much more than that. The cost of filing a patent application is much less than "development." Even under the first-to-invent system patent applications are often filed promptly. An early filing allows the applicant the status of the senior party if an interference is declared, providing both procedural and substantive advantages. Therefore, no additional burden is really created under the filing requirements of the first-to-file system. Further, the word "develop" seems to imply getting the invention to some commercial status. If that is the implication, development often takes many months and even years. Thus, waiting to file a patent application until the commercial form of the invention has been reached would be unwise. If the commercial form of the invention contains variations from or improvements to the initial application, then another application can be filed to cover such variations or improvements. This procedure occurs even under the present first-to-invent system. Additional costs are unlikely because the first-to-file system is based upon an inventor taking time to "develop" his or her invention before filing.

4. CONLEY: "Under the first-to-invent system inventors have a choice — file right away, or wait until the invention is developed."

PRAVEL RESPONSE: Inventors do have a choice under the first-to-invent system, but relying upon that choice is a very dangerous procedure. If the inventor waits to file, he may be the junior party or the second-to-file and will have the burden of proof in an interference proceeding.<sup>46</sup> Certainly, if the word "developed" means that the invention reaches a commercial form, individual inventors and even established companies would rarely wait until development because of the pitfalls involved in interferences.

5. CONLEY: "Under first-to-file, there is no choice."

PRAVEL RESPONSE: There is really no more of a choice under the first-to-invent system in view of the potential rights lost to an inventor if he waits until the invention is "developed" to file an application under the first-to-invent system.

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46. *Miller v. House & Yun Jen*, 353 F.2d 252, 253 (C.C.P.A. 1966) (party filing second has burden of proof).

6. CONLEY: "The perception would be that the application must be filed quickly to beat others to the Patent Office."

PRAVEL RESPONSE: For the reasons stated in response to items 4 and 5, filing an application as quickly as possible is a reality even today under the first-to-invent system. Under the first-to-invent system, an inventor must file quickly to beat others to the Patent Office to avoid the disadvantages associated with being a junior party in an interference.<sup>47</sup>

7. CONLEY: "Innovation would be adversely affected."

PRAVEL RESPONSE: I see no basis for Mr. Conley's conclusion on this point. In fact, it is contrary to what occurs in countries with first-to-file systems. We are all aware that the Japanese in particular have acquired the reputation for being great innovators in recent years, and in fact, close to half of the patent applications filed in the United States today come from foreign inventors living in countries with the first-to-file system.<sup>48</sup> The public benefits from the early disclosures under the first-to-file system, and generally speaking, the dissemination of information accelerates innovation.

8. CONLEY: "Interferences are not a problem."

PRAVEL RESPONSE: To say that interferences are not a problem is to put one's "head in the sand." My experience indicates that interferences, even though encompassing a relatively small percentage of the total applications filed, are significant problems to those involved. Interferences involve much time and expense, and result in many disadvantages such as lengthening the time of patent issuance due to the potentially prolonged patent prosecution. Further, and perhaps most important, the presence of an interference is the "tail that wags the dog" because it carries with it the problems of measuring the patent term from the date the patent is granted rather than the application date.

9. CONLEY: "First-to-file would not do away with interferences. Entire issues of AIPLA Quarterly Journal are devoted to how to handle interference issues in a first-to-file world."

PRAVEL RESPONSE: I have of course read the "AIPLA Quarterly Journal" issue discussing how to handle interference issues in a first-to-file world.<sup>49</sup> Those authors who wrote on the Canadian, European and Japanese practice did not express concern with respect to "in-

47. See Dunner, *supra* note 2, at 561. Since only about 25% of those who file second in the U.S. Patent and Trademark Office, i.e., those who are the "junior party," are winners in an interference, the odds clearly favor the first-to-file or "senior party."

48. Commissioner of Patents and Trademarks: "Annual Report Fiscal Year 1989." (Note: 45% of patent applications were from foreign-origin applicants).

49. See generally Gholz, *supra* note 15.

terferences” in the first-to-file systems actually in use.<sup>50</sup> One author in the United States discussed “interferences” in a first-to-file system based on very rare circumstances, mostly derivation cases.<sup>51</sup> A derivation occurs when a person derives or “steals” his invention from someone else.<sup>52</sup> Derivations do not occur as a result of inventions made independently by two or more inventors, like the interferences in our present first-to-invent system.<sup>53</sup> Derivation, of course, cannot be tolerated and is not tolerated even under the first-to-file system.<sup>54</sup> The resolution of who owns the patent in the case of an alleged derivation or theft is indeed a rare case which a court could handle as any other tort case completely independently of the Patent Office.<sup>55</sup> The issues in derivation or theft are totally different than in interferences under the first-to-invent system.<sup>56</sup> The instances which were discussed in the “AIPLA Quarterly Journal” are so rare as to be virtually non-existent in the first-to-invent system.<sup>57</sup>

10. CONLEY: “Not an individual v. established business conflict.”

PRAVEL RESPONSE: I agree with Mr. Conley that the differences between the first-to-invent and the first-to-file systems is not an individual versus established business conflict, although people have argued that the first-to-file system is a disadvantage to individuals. In my view, as expressed above, the first-to-file system is not a disadvantage to individuals but may give the individual a greater advantage in most instances.

11. CONLEY: “A better way to reduce the number of interferences is to issue the patent to the first to file, but allow interferences to be instigated by one who believes he is the first inventor.”

PRAVEL RESPONSE: Mr. Conley’s proposal is a subtle admission that there is a problem with the first-to-invent system, and that the present first-to-invent system is “broken” to some extent. However, his partial solution is just that and it does not fix the problems. Interferences would still exist, and the United States system would still be the only major country out of step with the rest of the world.

50. See generally Fisher, *A European View Relating to Interference Issues in a First-to-File World*, 18(1) AIPLA Q.J. 52 (1990); Kakinuki, *How the Japanese Handle Interference Issues in Their First-to-File World*, 18(1) AIPLA Q.J. 80 (1990); Wilkes, *The Canadian Viewpoint: A New Perspective Bridging the First-to-Invent and First-to-File Worlds*, 18(1) AIPLA Q.J. 18 (1990).

51. See Gholz, *supra* note 15, at 3.

52. *Id.*

53. *Id.* at 4-5.

54. *Id.* at 3.

55. See Wilkes, *supra* note 50, at 48.

56. See Gholz, *supra* note 15, at 3.

57. *Id.* at 13.

12. CONLEY: "To make first-to-file more palatable, we are asked to adopt other substantive changes which do not rest easy on the palate.

- publication before issue
- a limited right for others to use the invention
- an internal priority document to give a priority right to U.S. citizens but not to residents of other countries

We are being asked to exchange the problems we know about for problems we don't know about."

PRAVEL RESPONSE: Mr. Conley's "imagined" problems with the first-to-file system are just that and certainly are not problems in other major countries that have the first-to-file system. As pointed out above,<sup>58</sup> the publication of the application eighteen months after filing the application is a definite advantage. The applicant can recover damages for infringement from the date of publication. Furthermore, the public is advised that a patent exists and can then take appropriate steps to ascertain the scope of the patent before making capital investments or before negotiating a patent license. We are not being asked to adopt a system which has never been tried before by any other country when we are asked to adopt the first-to-file system. It is a proven, established system and as explained above, it is a better system in many ways than our present system.

13. CONLEY: "The real reason proponents are willing to go to first-to-file is that they perceive that this is necessary in order to get other countries to adopt reforms in their laws. The other countries presumably refuse to act if we won't give up first-to-invent. First-to-file would benefit foreigners, but not Americans."

PRAVEL RESPONSE: Contrary to Mr. Conley's comments, the first-to-file system would benefit United States' citizens in addition to the foreigners who are operating under that system. Mr Conley misconceives the real reason that the proponents of the first-to-file system are advocating it. The first-to-file system is acceptable not just to gain treaty concessions, but because it is a better system regardless of the treaty as explained above. "Foreigners" are already operating under the first-to-file system in their own countries, and a uniform system is necessary for the harmonization treaty. Expecting all countries to adopt our first-to-invent system is unreasonable since we are the only major country that has such a system.

14. CONLEY: "Harmonization would not increase our access to foreign markets. Under present laws, our right to patents is the same as

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58. See *supra* notes 29-31 and accompanying text.

the right of everyone else. Under harmonization, we would still be equal.”

**PRAVEL RESPONSE:** Mr. Conley misconceives the purpose of harmonization and its effect on foreign markets. Although United States’ citizens will have no greater access to foreign markets because of harmonization, obtaining patents in foreign markets would be an advantage because they would provide exclusive rights there. Making the acquisition of such foreign patents more uniform and simple, and the resulting patents more enforceable provides better protection and greater potential market value throughout the world. More uniform procedures and substantive laws should reduce the cost for international protection of inventions. The treaty should also provide for a world-wide one year grace period and more adequate enforcement as explained above.<sup>59</sup> In short, harmonization would increase market potential for U.S. citizens and the rest of the world. Patent protection has gained importance throughout the world and to U.S. citizens because foreign markets, such as the Soviet Union, and the Eastern European countries have been released from the Communist stranglehold thus, making them more accessible.

## VII. CONCLUSION

The time has come for the United States to adopt a first-to-file system. In some sense, the first-to-file system is being forced upon us because of our need, or at least our desire, to be a part of the harmonization of the world’s patent laws. Timely adoption of the first-to-file system will not only confer the benefits of that system, but will also confer the benefits of the harmonization treaty. The United States can no longer stay “out of step” with the rest of the world in its patent system, particularly because of the great advantages of a more uniform patent system to United States innovators as well as those of the rest of the world.

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59. See *supra* notes 47-48 and accompanying text.