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# The Advantages and Disadvantages of the 2011 New Patent "First-to-File" System

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**Abstract**
This paper examines the perceived advantages and disadvantages of the new patent law or change that shifts the patenting system of the United States from a first-to-invent to a first-to-file system. The author briefly describes the historical process of filing a patent as based on the "first-to-invent" system, and then explores and defines the change in patent law which occurred under the America Invents Act (AIA) of 2011, and which has come to be known as a "first-to-file" system. The advantages and disadvantages of this new patent law filing system are explored relative to the challenges of the former "first-to-invent" system. Finally, the author deliberates on its potential and future impact given current competitive, economic, legal, and political challenges.
**Keywords**: America Invents Act (AIA), Entrepreneurship, First-to-file system, First-to-invent system, Nonobvious, Novel, Patent law, Patent, U.S. Constitution, Useful, U.S. Patent Act, U.S. Code, United States Patent and Trademark Office (USPTO).

## 1. Introduction

A patent refers to an invention or process that is novel, useful, and nonobvious (Girasa, 2002). It is the grant of a property right to inventors by the U.S. Patent and Trademark Office (USPTO) for an invention for a term of usually twenty years from the date the application was filed for the patent (Ferrera, Lichtenstein, Reder, Bird, & Schiano, 2004). The USTPO administers the patent laws, examines new applications for patents, grants patents, publishes issued patents, publishes applications for patents, records assignments of patents, and maintains a database in order to search patents (Ferrera, Lichtenstein, Reder, Bird, & Schiano, 2004; United States Patent and Trademark Office, 2012). The patent system that protects inventions is recognized by the United States Constitution, with the power to grant patent protection residing with Congress (Ferrera, Lichtenstein, Reder, Bird, & Schiano, 2004). Patents have been protected since the founding of the republic (Girasa, 2002), and have been part of Article 2, Section 8, clause 8 of the U.S. Constitution. The Patent Act was first established in 1790 and provides that an individual is entitled to a patent for an invention that is novel, nonobvious, and a proper subject for protection (Dreyfuss & Kwall, 2004; Burgunder, 2004; Ferrera, et al, 2004; Girasa, 2002).

Ferrera and colleagues view patents as essentially government-sponsored monopoly to recognize and reward inventors by granting them exclusive control of the patent subject matter. This grant confers on inventors a right to exclude others from making, using, offering for sale, or selling the invention. Burgunder (2004) concurs by stating that,

Patent protection can be likened to an agreement with the government wherein the inventor promises to divulge sufficient information about a new invention so that others may readily understand and replicate it and have the opportunity to consider improvements to it. In return for those disclosures, the government provides the inventor a narrowly circumscribed and temporally limited right to exercise exclusive control over who makes, uses, and sells the invention within the nation's borders (pp. 81-82).

This means that the government is in effect, bestowing a "limited monopoly" (Burgunder, 2004, p. 82) over claims to the invention as a way of amply rewarding an inventor for creative energies. Ferrera, Lichtenstein, Reder, Bird and Schiano (2004) also concur with this by stating that the primary goal of patent laws is to create an incentive to innovate through the conferral of s monopoly. The idea behind this is to secure the invention for the benefit of the public and advance useful arts and sciences. The source of patent regulation in the United States Constitution is Article 1, Section 8, where it states, "Congress shall have the power… 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" (Ferrera, Lichtenstein, Reder, Bird & Schiano, 2004, p. 112).

## 2. Functions of the Patent System

According to Ferrera, et al (2004), the patent protection system of the United States represents an "effort to promote the progress of science and useful arts, by securing for limited times in authors and inventors the exclusive right to their respective writings and discoveries" (p. 111). The patent system was developed to act as a vital incentive for inventors and as a vehicle for the development and growth of new technologies, and a way of improving the domestic economy (Ferrera, Lichtenstein, Reder, Bird, & Schiano, 2004). These purposes or

 

underlying rationale for the patent system remain the same today with further developments in intellectual property rights laws affecting inventions and the patent system resulting from the changes fueled by global technology, especially the Internet and use of the worldwide web.

The Patent Act is the major statute providing that "whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the condition and requirement of" the statute (*35 U.S.C. § 101 - Inventions patentable* - Ferrera, et al, 2004, p. 113; Legal Information Institute, 2013, p. 1). The Patent Act sets forth three types of patents that are afforded protection: (1) utility patents; (2) design patents; and (3) plant patents (Girasa, 2002). The utility patent is granted under Title 35 of the U.S. Code and its validity is met by three major factors: (a) novelty, (b) usefulness, and (c) nonobviousness – Section 102, and Section 103(a) of the Patent Act. Design patents are covered under Section 171 of the Patent Act, which defines design patents as new, original and ornamental design for an article of manufacture. Finally, plant patents describe the "invention or discovery and asexual reproduction of any new and distinct variety of plants, including hybrids, mutants, cultivated spores, and newly founded seedlings other than those found in an uncultivated state" (Girasa, 2002, p. 250).

Patents provide substantial benefits for inventors or patent holders because only with a patent can an inventor keep others from independently creating and marketing the same invention (Burgunder, 2004). Patents reinforce awareness of the power and benefits of protection by virtue of the numerous and significant successful infringement lawsuits that have dotted the American legal system. For example, Polaroid highly publicized suit against Eastman Kodak for violating its instant photography patents resulted in an $873 million lawsuit, Pitney Bowes, Inc. sued Hewlett-Packard in 1995 for over $1 billion for an alleged infringement of the patents for its light scanning system in HP's Laser Jet III printer, and settled for $400 million, among numerous other examples, including Minolta's ordered payment of $96 million to Honeywell for infringing its patents for autofocus and automatic flash technologies (Burgunder, 2004). Thus, with patent protection inventors can foresee the possibility of being reward in either of two ways for their inventions: (1) through limited temporal monopoly production and sale, and/or (2) through successful infringement lawsuits for which they recover monetary damages.

Apart from creating economic incentives for entrepreneurship and inventiveness, and driving innovation, the patent laws are designed to act as barriers to theft or misappropriation. Ferrera, Lichtenstein, Reder, Bird and Schiano (2004) describe this as "sort of an economic balancing act" (p. 113) because it functions to motivate and repay inventors while acting as a complete temporary barrier to entry.

## 3. The 2011 Changes in the U.S. Patent System

According to Ferrera, Lichtenstein, Reder, Bird, and Schiano (2004), the conventions of the patent system had not changed over the last two centuries, except for the character of inventions and creations. However, this was the case until the new amendments to U.S. patent law in the year 2011. These 2011 changes in patent laws in the United States have created extensive discussions in the legal, economic, and business spheres because of the existing and perceived future impact on patent cases, economy, and the ownership of intellectual property. According to Moore (2012), the America Invents Act (AIA) of 2011 brought the most important changes to patent law since Thomas Jefferson wrote patents into the Constitution in 1787. The new law takes the United States from a first-to-invent to a first-to-file system in which patents are awarded to the entity that files first with priority now given to the date of application rather than the date of invention. This change has created significant discussions among legal and non-legal experts including politicians and economists because of the perceived impact it will have on intellectual property rights, the handling of infringement and patent cases, and how it will affect the way in which patent applications are handled.

## 4. The New Patent System

Previously, where two or more persons allege that they are entitled to patent rights in the United States for the same development, priority was given to the person deemed to have invented first - the "first-to-invent" standard of the United States patent system (Burgunder, 2004). However, this was recently changed to match the standard of other countries to a system wherein priority is granted to the first inventor to file for the patent – a "first-to-file" system (Burgunder, 2004; Moore, 2012). Patent laws have undergone significant changes over the past several decades, but none has been received as being so important as that accompanying the America Invents Act (AIA) of 2011 because the government and many in the private sector see it as a necessary step in dealing with a less competitive American economy. America is lagging behind in economic competition and there is a national vested interest in changing the laws of commerce to better facilitate trade and business activities. Thus, the national hope has caused the government to be especially fond of this new system which essentially should create a rush to the market in terms of new inventions.

 

### 4.1 Advantages of the New System

One of the important rationales of patent protection in the United States is that it is aimed at stimulating research and development of new inventions and to encourage thorough and rapid disclosure (Burgunder, 2004). The new first-to-file system is believed to be more in concert with this rationale because priority being shifted from first-to-invent to first-file will motivate and encourage inventors to engage in more rapid research and creation in order to become the first to reach the Patent and Trademark Office (PTO) in essentially what will become a rush-to-the market approach to inventions. There are several perceived advantages that have resulted in an overwhelming reception and support for the new shift in patent application. Some perceive that the new system will accomplish the following:

The new first-to-file patent system is believed to be a panacea for lessening conflicts between inventors or multiple claims for inventions because the evidence needed is no longer base don proof of who first invented or invents, but who first filed an application. Thus, the new law eliminates or lessens the problem of interference. According to Dreyfuss and Kwall (2004), section 135 of the Patent Act controls priority practice and gives the Commissioner of Patents the authority to declare an interference whenever an application claims the same thing as is claimed in a pending application or an unexpired patent. Given that the change from a first-to-invent to first-to-file system, this will necessary become an obsolete consideration and unnecessary obstacle in the patenting process. The person first to file will receive the patent provided that all requirements for patents are met according to USC 35.

The changing of the patent laws of the United States to reflect a first-to-file rather than the previous and longstanding first-to-invent system will result in fewer infringement claims stemming from an application process that now bases priority on filing date rather than on priority inventions. The change to a priority application date rather than an invention date-system will strengthen the exclusive rights protection that inventors seek and lessen the interferences and conflicts that occur in the application process, thus reducing costs and time for the inventors involved, as well as for the United States Patent and Trademark Office (USPTO) via reviewing and declaring interferences. Thus, the change in the patent laws will probably cut the costs associated with handling patent cases involving interference issues and challenges to inventions for both individuals and corporations.

One of the argued advantages of the current change in U.S. patent laws is that it will promote faster economic growth and discourage those with inventions from delaying patent applications. As Fabio (2012) notes, a major goal of the change is to bring the United States in line with Europe, Canada and most other first-world nations that already follow a “first to file” system, thus, making the United States more competitive in the inventions industry and ultimately the economic spheres. The change in the patenting laws were instrumentally directed and enacted under economic and competitive motives to enhance national well-being and thus, this is seen as the greatest potential benefit to society. In fact, Ferrera, Lichtenstein, Reder and Bird (2004) tell us that the patent system was meant to create economic incentive for entrepreneurship and inventiveness. Entrepreneurship drives new ideas, productivity and growth, and contributes significantly to the health and competitiveness of the United States economy. Thus, if the 2011 changes in the patent laws can achieve this then it is meeting the goals than effective patent system and patents laws were designed to achieve.

The new system will create a “rush to the market” that will increase competition and economic activities as both individuals and corporations invest more in research and development and speed up innovation in order to become the first to introduce new products through a faster patent system. Additionally, increased productivity will result from the business- business competition for inventions, and from corporation-individual competition for inventions. Goldman (2012) believes that the new patenting system which now uses a first-inventor-to-file approach will directly place the individual inventor against large corporations such as Google, Apple, and Boeing. While Goldman sees this as an advantage, it is not necessarily so in the eyes of individuals who really lack the resources these large corporations do to effectively research and file patents.

The most significant advantage discussed from a broader and collective perspective is that the recent change in the patent system will increase national competitiveness as Americans rush to file for patent for their inventions, thereby shortening time to invent and market products. Furthermore, in an effort to rush inventions to the United States Patent and Trademark Office (USPTO), could fuel innovation and lead to increased scientific research and cooperation among inventors as they seek to proactively avoid losing opportunities by being only second to file application for the same invention which another company or individual already filed for. This does not mean that the requirements, that is, the legal requirements for patents or patentability determinants have dramatically changed. The only thing that has changed is the priority control practice of the patent process where the filing date becomes even more critical in settling matters that would have created interference.

### 4.2 Disadvantages of the New System

While there are many praises for the new change in United States patent laws bringing about a first-to-file and relinquishing the old first-to-invent approach, there are some potential problems and challenges or disadvantages

 

that can be expected. The first potential disadvantage of the new first-to-file patent system stems from the shifting of priority from first-to-invent to first-to-file which could create too many premature applications for inventions that are either unfinished or useless. As individuals and corporations recognize that inventions are now mainly considered at the patent application level on a first-to-file basis, they might rush research and creation of their products and in so doing, might bypass necessary time-required phases really needed to create a high quality, safe, and durable product. The creation of unsafe products stemming from a system which seems to instill a "rush-to-the-market" mentality in inventors because of fear of loss of inventions to others, increased competition, and an overly involved economic priority by the government may result in more unsafe and harmful products on the market that cause death or injury to consumers, and will eventually result in product liability lawsuits that cost companies and individuals and place further strain on the legal system.

Given the above argument, it is clear that the new first-to-file system could result in decreased quality as individuals rush the registration or filing for patent of their inventions in order to be the "first-to-file" when they have not developed a robust invention because of the perceived time-factor reduction and increased competitive fears. It can also be argued that the new patent law will promote negative competition and increase disputes among inventors as they have fewer opportunities for filing infringement and interference grievances with the United States Patent and Trademark Office (USPTO) as was provided under Section 135 of the Patent Act based on priority practice. Since inventors will reach the Patent Office at different times, it places at a disadvantage those who lack the resources and means to do so even though they may have been the first to invent a particular product or device. This means that the current and new system could prove rather disadvantageous to individuals and small businesses that lack the necessary support and legal background and assistance to understand and file patents.

Another disadvantage stemming from resource factor consideration with regard to the new first-to-file system is that it can potentially discourage new inventors who do not have the resources to further their inventions enough to meet patent requirements. For example, individuals with great invention ideas lacking the necessary resources may still take a long time to bring their inventions to applications for patents to the USPTO and to the market. This means that the new system will still have no effect on this segment of the inventors market since it does not provide financial support or relief for poor inventors. Thus, it leaves them in the same spot as the old system.

One important and potentially strong disadvantage of the new patent law that should be considered is its impact on innovation. The new law may in essence stifle innovation as first-to-file patent holders now have more immediate exclusive rights because of a "bar to patent challenge" created by this new change in the patent law. Thus, others who could have through infringement and interference challenges lead to innovative solutions and compromise will now not have the same opportunity for examination, consideration, and legal loopholes in bidding for a patent already approved under the first-to-file system. This means that the burden of proof for patents has changed to become narrower and the new system discourages challenges and interferences.

Finally, the recent changes in the patent laws may not bring about the economic benefits and promote the level of competition that the United States government expects because there are diverse forces at work when it comes to the drivers of globalization and change that are affecting national competitiveness. Moreover, simply changing a patent law has not in the past or present proven to significantly affect or increase the numbers or inventions or levels of competitiveness in inventions as to change the economic course of a nature on a path of decline. The government must realize that investments and funding other key areas that are supplementary are needed to make this happen. For example, increased scientific training, science literacy and science education, increase in technical skills and technology uses and applications, and labor force development are needed to create people with high levels skills and creativity to invent new things.

## 5. Conclusion

Patent laws are important because as part of ownership and intellectual property rights they affect economic well-being and progress. A patent system that allows for swift-to-market inventions can create a greater comparative advantage for economies as their inventors are able to take advantage of a much faster and less challenging system in rushing their inventions to market and creating needed products, services, and job opportunities. Despite the current changes in United States patenting laws and system, we must be reminded that, "The legal environment of patent laws consist of the interplay of the Constitution, congressional enactments, agency interpretation of those laws, and judicial review of those laws as applied to commercial transactions" (Ferrera, Lichtenstein, Reder, Bird & Schiano, 2004, p. 112), as well as the influence and impacts of globalizing and global forces that will ultimately determine how successful the new changes will be. Therefore, we must carefully consider both the positive and potential negative drawbacks of the new system in order to be prepared to remedy emerging challenges ahead for inventors, the law itself, and the economy.

The world of intellectual property is affected by the rapidly changing, advancing, and evolving nature of technology and communications. Moreover, globalization and convergence of cultures, national laws and

 

economies, and the attempt to create and manage rights on a global level have significantly impacted the debates and challenges faced in intellectual property law. From copyright and trademarks to patents, even the process of registering and defending rights associated with intellectual property has changed and is rapidly changing to adapt to the pace of global change and the emerging conflicts and disputes faced in the global marketspace and marketplace. Competition is an important economic factor that has fueled changes in intellectual property rights and the America Invents Act (AIA) with its amendments in 2011 is an example of how economy and competition have always been fundamental consideration underlying the basis of intellectual property rights and ownership. As this competition increases for scare resources among peoples and nations, we will potentially have a future with thin lines between rights and ownership, and one where intellectual property laws become less effective in defending what we see as exclusive rights to our works or reward of creative energies.

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