

FESTO: BLESSING TO PATENT HOLDERS OR THORN IN THEIR SIDES?

The Supreme Court makes another attempt to strike a balance between protecting an inventor's patent rights and ensuring adequate notice to the public of what constitutes patent infringement. This iBrief discusses the Supreme Court ruling in Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.,¹ and its foreseeable effects on the practice of patent law.

On May 28, 2002, the Supreme Court changed the doctrine of equivalents as we now know it. Their earlier decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*,² held that any patent application amendment made for patentability purposes which narrows the scope of the patent is subject to prosecution history estoppel.³ This latest decision overrules the Federal Circuit's holding that when it applies, estoppel acts as a complete bar against any claim of equivalence.⁴ The Supreme Court held that an amendment creates a presumption that estoppel bars such a claim, but that presumption is rebuttable.⁵ In order to rebut the presumption, a patentee "must show that at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent."⁶ The Court further held that not only is the burden on the patentee to show that an amendment was not made for the purpose of patentability,⁷ but he or she must also show that the amendment does not surrender the particular equivalent in question.⁸

Background

Facts

Festo Corporation is the owner of two patents for a "magnetic rodless cylinder, a piston-driven device that relies on magnets to move objects in a conveying system."⁹ After submitting its initial patent application, Festo amended the claims of its applications. The amendments to the

¹ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, No. 00-1543 (S. Ct. May 28, 2002).

² *Id.*

³ *Festo*, No. 00-1543.

⁴ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558, 574-575 (Fed. Cir. 2000) (en banc).

⁵ *Festo*, No. 00-1543.

⁶ *Id.*

⁷ *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 33 (1997).

⁸ *Festo*, No. 00-1543.

⁹ *Id.*

first application were made after the patent examiner rejected the claims under 35 U.S.C. §112.¹⁰ The examiner stated that the claims themselves were unclear and were made in an impermissible way. The amendments of both applications had the effect of adding a new limitation to the patents. Specifically, the claims of both patents were amended to recite a pair of sealing rings, each having a lip on one side. The claims of the first application were also amended to limit the outer shell (“sleeve”) to magnetizable material.

After issuance of the patents, Festo filed suit, claiming that a device placed in the market by defendants, Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (“SMC”) infringed Festo’s patents under the doctrine of equivalents. The accused device employs a single sealing ring with a two-way lip, rather than a pair each having a lip on one side, and contains a sleeve that is made of a non-magnetizable alloy, rather than a magnetizable material. The device, therefore, does not fall within the literal claims of Festo’s patents.

Competing Sides

It is important to note that conflicting interests lie at the heart of patent law. In particular, there is a realistic need for clear and concise boundaries to a patentee’s rights under his patent. The patentee and the public both need to be able to determine what is and is not covered under the patent. Working against this, however, are the inadequacies of any language as well as the patentee’s inability to predict the directions his or her and other technologies will take. The most certain alternative for providing clear and unquestionable notice to the public and the patentee of the boundaries of a patent would be to limit the coverage of the claims to only that which they literally convey. However, because there are not always words that can be used to relay every aspect of an invention, this could severely limit the value and scope of the patent.

In order to strike a balance between these competing sides, the Supreme Court has adopted the doctrine of equivalents, but has limited its use by employing prosecution history estoppel. In theory, therefore, the patent holder is granted greater leeway in enforcing his or her patent, but at the same time, the public is given a concrete record from which to interpret at least the amended terms of the patent and what is covered therein.

¹⁰ Section 112 states “[t]he specification shall contain a written description of the invention ... in such full, clear, concise, and exact terms as enable any person skilled in the art to which it pertains ... to make and use the same... The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”

Doctrine of Equivalents

The doctrine of equivalents holds that a patentee can claim rights to inconsequential alterations to the thing patented, which are not literally covered by the original claims, but that could be achieved with little effort. In other words, it protects a patentee from infringement by a person who makes insubstantial changes to the patented invention, taking the new device out of the literal realm of the claims, yet basically embodying the same invention.¹¹ The theory is that “if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form or shape.”¹²

The Supreme Court first adopted the doctrine in *Winans v. Denmead* in 1854.¹³ In *Winans*, the patent at issue involved a new mode of operation for railroad cars.¹⁴ The accused device employed this same mode of operation; however, the geometrical form of the cars was different than that claimed by the patentee.¹⁵ The Court held that because “[t]he exclusive right to the thing patented is not secured, if the public are at liberty to make substantial copies of it, varying its form or proportions[,] ... the patentee, having described his invention, and shown its principles, and claimed it in that form which most perfectly embodies it, is, in contemplation of law, deemed to claim every form which his invention may be copied, unless he manifests an intention to disclaim some of those forms.”¹⁶

The doctrine of equivalents was invoked primarily for the purpose of accommodating for the inability of language “to capture the essence of innovation.”¹⁷ It recognizes that words may not always be able to aptly convey the basis of an invention. It also recognizes that “to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing.”¹⁸ The Supreme Court reaffirmed the doctrine in 1950 in *Graver Tank*¹⁹ and again in 1997 in *Warner-Jenkinson Co*²⁰.

¹¹ “The Supreme Court in *Graver Tank* ... made insubstantial differences the necessary predicate for infringement under the doctrine of equivalence.” *Hilton Davis Chemical Co. v. Warner-Jenkinson Co., Inc.*, 62 F.3d 1512, 1517 (Fed. Cir. 1995). The court in *Hilton Davis* went on to explicitly hold that “the application of the doctrine of equivalents rests on the substantiality of the differences between the claimed and the accused products or processes, assessed according to an objective standard.” *Id.* at 1518.

¹² *Union Paper-Bag Machine Co. v. Murphy*, 97 U.S. 120, 125 (1877).

¹³ *Winans v. Denmead*, 15 How. 330 (1854).

¹⁴ *Id.* at 339.

¹⁵ *Id.*

¹⁶ *Id.* at 343.

¹⁷ *Festo*, No 00-1543.

¹⁸ *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 607 (1950).

¹⁹ *Id.* at 607-10.

²⁰ *Warner-Jenkinson*, 520 U.S. at 40.

In *Graver Tank*, the Supreme Court concluded that the doctrine of equivalents only applies if the differences between the accused and claimed inventions are insubstantial. It also held that when considering an allegation of infringement under the doctrine an important factor to consider when comparing the claimed and accused invention “is whether persons reasonably skilled in the art would have known of the interchangeability of an ingredient contained in the patent with one that was.”²¹

Nearly 50 years later in *Warner-Jenkinson* the Court “endeavored to clarify the proper scope of the doctrine.”²² The Court first held that an inquiry into equivalence of an invention should be performed on an “element-by-element basis” rather than as a comparison of the inventions as a whole.²³ The essential inquiry is therefore, “[d]oes the accused product or process contain elements identical or equivalent to each claimed element in the patented invention[.]”²⁴ The Court went on to hold that prosecution history estoppel does serve as a limit on non-literal infringement, but refused to apply it to all claim amendments regardless of the reasons for them.²⁵

Prosecution History Estoppel

The price of this broadening of a patentee’s rights enabled under the doctrine of equivalents is uncertainty. Innovators and competitors are left without a clear indication of what is and is not covered by a patent. One helpful source of clarity has been the prosecution history of the patent. Prosecution history estoppel dictates that the claims of a patent must be interpreted in light of the prosecution history, or the process through which the Patent and Trademark Office (“PTO”) issued the patent based on a submitted application. More specifically, the claims must be interpreted in light of their rejections, cancellations and amendments. A patentee is estopped from asserting equivalence for a claim element when, for the purpose of patentability, he or she has amended a claim in a way that surrenders the subject matter that he or she is now alleging is an equivalent. For example, if the PTO rejects a claim, and the patentee forfeits his or her right to appeal the rejection and amends the claim such that the scope is narrowed, he or she cannot then allege infringement under the doctrine of equivalents for something that would have been literally covered under the original claim but that is not covered by the amended claim.

Because the purpose of the doctrine of equivalents is to allow the patentee to claim what may have been indescribable at the time of drafting, either because of the limitations of the

²¹ *Graver Tank*, 339 U.S. at 609.

²² *Id.* at 21.

²³ *Id.* at 18.

²⁴ *Id.* at 19.

²⁵ *Id.* at 30-31.

language, unforeseeability, or general equity, when subject matter is encompassed in the original claim but then eliminated from it in response to a rejection in order to receive a patent, the applicability of the doctrine is no longer justified. The patentee can no longer contend that he or she was unable to put into words or to foresee the particular subject matter, or that it would be equitable to interpret the claims as covering the subject matter that was surrendered.

As stated above, in *Warner-Jenkinson* the Supreme Court affirmed the application of prosecution history estoppel to claims under the doctrine of equivalents, but refused to apply it to all claim amendments regardless of the reasons for them.²⁶ To do so would be inconsistent with prior cases and could “upset the basic assumptions of the PTO without substantial reason for doing so.”²⁷ The Court held that there is a *presumption* that the amendment was made for a reason relating to patentability, and therefore, the patentee is estopped from claiming infringement under the doctrine of equivalents with respect to that claim.²⁸ However, the patentee is given the opportunity to rebut this presumption with evidence indicating a different reason behind the amendment.²⁹

Holding of Festo

The district court held that because the amendments made by Festo during the prosecution process were not made with the purpose of overcoming prior art, they did not invoke prosecution history estoppel and Festo was not barred from claiming infringement under the doctrine of equivalents.³⁰ SMC’s device, therefore, was held to infringe Festo’s patents.³¹

The Federal Circuit affirmed.³² However, the Supreme Court vacated and remanded³³ in light of its decision in *Warner-Jenkinson* where the Court reaffirmed the doctrine of equivalents, but recognized that competitors should be able to rely on the prosecution history, when an amendment is made for the purpose of attaining a patent, to ensure that the subject matter surrendered by that amendment cannot later be recaptured by the patentee.³⁴ On remand, the Federal Circuit reversed, holding that estoppel arises whenever *any* amendment is made to the claims in order to comply with the Patent Act, not just amendments made to avoid or escape prior

²⁶ *Id.*

²⁷ *Id.* at 32. The examiner may have requested a change in the language of the claim without the intention of narrowing its scope.

²⁸ *Id.* at 34.

²⁹ *Id.*

³⁰ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, No. 88-1814-PBS (D. Mass., 1994).

³¹ *Id.*

³² *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 72 F.3d 857 (Fed. Cir. 1995).

³³ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 520 U.S. 1111 (1997).

³⁴ *Warner-Jenkinson*, 520 U.S. at 29-33.

art.³⁵ The court went on to hold that whenever estoppel applies, it acts as a complete bar to any claim of infringement under the doctrine of equivalents.³⁶ This was in sharp contrast to the flexible bar that was applied in prior cases. The court justified its disregard of precedent by concluding that the flexible bar had proved unworkable.³⁷

The end result was that the Supreme Court affirmed the Federal Circuit's holding that prosecution history estoppel applies to all claim amendments, but held that it does not create a complete bar to claims of infringement under the doctrine of equivalents.³⁸ Now, a rebuttable presumption is created in favor of the alleged infringer and the burden is on the patentee to prove not only that the amendment was not made for patentability, but also that the subject matter of the alleged equivalent was not surrendered by the amendment and that the particular equivalent was not foreseeable at the time the claim was amended.³⁹

Festo's Impact on Patent Law

The ruling in Festo made three significant changes to the prior law regarding the doctrine of equivalents and prosecution history estoppel. First, it makes prosecution history estoppel applicable to any claim amendment made during the course of prosecution proceedings. This is in contrast to its prior application only to amendments made for a limited number of reasons. Second, it eliminates the complete bar to the use of the doctrine of equivalents imposed by the Federal Circuit whenever an amendment is made. This enabled patentees to assert claims of equivalence despite amendments made during the prosecution proceedings. Third, the Court added guidelines on how the flexible bar should be applied. These guidelines shift more of the burden onto the patentee to disprove the presumption that he surrendered any right to equivalence when he made the amendment.

Possible Effects of Changes

Festo has been characterized as “one of the most important patent law cases in decades,” and has been described as having “reaffirmed a central tenet of patent law and restored the inherent value of more than a million patents.”⁴⁰ Rather than declaring that the inherent value of millions of patents has been restored, it may be more accurate to say that rights which the patent

³⁵ *Festo*, 234 F.3d at 563-64.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Festo*, No. 00-1543.

³⁹ *Id.*

holders believed that they had at the time of the prosecution proceedings have been restored to them. As stated in the Supreme Court's opinion, fundamental alterations, like the one made by the Federal Circuit in invoking a complete bar to claims of equivalence when no such bar had been in existence, "risk destroying the legitimate expectations of inventors in their property."⁴¹ Prior to the Federal Circuit's decision, inventors were operating under the assumption that when choosing to amend a claim rather than utilizing their right to appeal a rejection, they were not completely giving up all rights to claims of equivalence. Had they known that they were giving up such rights, they may have opted to appeal. Thus, it would seem unfair to impose such a complete bar on patentees whose patents were issued prior to the ruling. The Supreme Court's reversal and reinstatement of a slightly altered, but still flexible bar, may have remedied the apparent injustice.

In addition, the ruling may have the effect of increasing the costs associated with having a patent issued and enforcing the rights to that patent for a number of reasons. First of all, under this decision patent claim drafting has the potential to be more time consuming and more expensive. Based on the slightly altered flexible bar established, one way to rebut the presumption that estoppel bars the use of the doctrine of equivalents is for the patentee to show that the equivalent was unforeseeable at the time of the application.⁴² Patent attorneys have the new burden of drafting claims that incorporate every foreseeable alteration known at that time. This could mean increasing the number of claims tremendously in order to incorporate every possible angle, as well as increasing the amount of time spent researching prior art and the state of the inventive art at the time of filing. Because the presumption will be against the patentee any time he or she amends a claim, attorneys are likely to spend more time drafting the original claims and to include more and narrower claims in order to ensure that they will be patentable without amending. Another additional cost could arise from an increase in litigation due to the Supreme Court's new guidelines that will need to be tested before they become completely clear.

However, by rejecting the Court of Appeals' complete bar on claims of equivalence when any amendment is made during the prosecution of the patent, the Supreme Court may have enabled smaller businesses to remain competitive.

The previous holding of the CAFC tended to favor large companies that can afford procuring large numbers of patents for an invention and

⁴⁰ Raymond Van Dyke and Steven Pederson, *Decision of Note Festo: The Supreme Court Preserves the Value of Patents, but Increases the Risk of Litigation*, THE INTELLECTUAL PROPERTY STRATEGIST, June 2002, Vol. 8; No. 9; Pg. 1.

⁴¹ *Festo*, No. 00-1543.

⁴² *Id.*

worked against smaller companies and individuals that can typically pursue only a small number of patents on significant inventions. Some gray in claim scope interpretation may somewhat constrain the need for large numbers of patent filings to protect an invention.⁴³

This holding seems to be a mixed blessing for patent holders. On the one hand, it makes enforcing a patent easier now that the doctrine of equivalents is again available despite amendments made to the claims. On the other hand, it may make proving infringement more difficult since now the presumption is against the patentee and the burden is on him to prove that the equivalent was not surrendered or foreseeable. If the accused device emerges on the marketplace relatively soon after the patent is issued, it may be very difficult for a patentee to prove that its differences from the claims if the issued patent were indeed unforeseeable.

Unresolved Issue

The requirement of unforeseeability at the time of amendment raises an interesting question. When a patentee is making an amendment to a claim for whatever reason, he or she is limited to the language in the specification. What does he or she do then if an equivalent invention was not foreseeable at the time the specification was drafted, and thus the language for incorporating it is not present in the specification, but it has since become foreseeable? Is it really accurate for the Supreme Court to say that “the patentee, as author of the claim language, may be expected to draft claims encompassing readily known equivalents”⁴⁴ when patentees do not actually have the whole of the English language at their disposal?

In addition, when a patentee is in the process of amending claims for reasons other than patentability, he or she must work in conjunction with the examiner. In order to get the patent issued, the examiner must agree that the words used convey the required clarity of the subject matter. For this reason, the words ultimately used may not have been the exact words the patentee would have selected given the freedom to choose without restriction. Again, this is in conflict with the Supreme Court’s statement that the patentee has the freedom to choose his words with the knowledge of their effect.

Conclusion

The doctrines of equivalents and prosecution history estoppel recognize that the public needs to have a clear and accurate understanding of what a patent is covering. However, they also recognize that because of the limitations of both language and the patentee’s knowledge at the time of filing an application, it is relatively impossible to literally cover all aspects of an

⁴³ Interview with Rick Jenkins, Partner, Jenkins & Wilson, P.A., in Durham, NC. (July 19, 2002)

invention in one document. Through this case, the Supreme Court has altered the application of both of these doctrines. It has made the application of prosecution history estoppel more frequent and the doctrine of equivalents less difficult. It remains to be seen what the effect of this ruling will be on the practice of patent law in general, but it is clear that it has both helped and hurt an innovator's ability to attain a patent for his or her invention and to protect it from infringers.

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⁴⁴ *Festo*, No. 00-1543.