

## SUPREME COURT WILL RULE ON KEY PATENT INFRINGEMENT DOCTRINE

by

Glenn G. Lammi and Gastón P. Fernández

The importance of the U.S. Supreme Court's decision to review *Festo Corporation v. Shoketsu Kinzoku Kogyo Kabushiki (SMC Corp.)* 234 F.3d 558 (Fed. Cir. 2001), *cert granted*, 121 S. Ct. 2519 (June 18, 2001) cannot be overstated. The Federal Circuit's ruling in the case, if upheld, stands to drastically alter the way that patents are drafted and prosecuted, as well as the scope of protection from infringement available to the holders of over 1.2 million current patents. While the case is no doubt an important one, it is equally complex, as shown by the seven separate opinions filed in the case.

The patent application process has traditionally been a give-and-take bargaining session between the applicant and the Patent Trademark Office (PTO), known in patent circles as "prosecution." Often applicants will submit first drafts with broad claims, only later adding specifics to distinguish the claim from "prior art" and to satisfy other statutory requirements. As a result of this process, a vast majority of current patent claims have been amended at some point during their prosecution.

Prior to the *Festo* case, when reviewing claims of patent infringement, the courts have typically examined not only the text of the claim itself, but the history of changes made to the application throughout the process of obtaining the patent. Changes narrowing a claim constitute "prosecution history estoppel" — those wishing to reclaim changes that were made in the process of obtaining a patent are "estopped," or prevented, from doing so in future infringement suits. Ideally, the written record of the claim and its amendments should serve as notice to the public of the scope of existing patents.

**Case Background.** At the heart of *Festo v. SMC Corp.* is the "doctrine of equivalents," a long-standing principle of patent law which was created to prevent potential copiers from dodging any literal violation of a patent claim while simultaneously duplicating the function of the invention by making minor technical changes. The doctrine sought to balance the need for public awareness of a patent's scope with the need to protect inventors from infringements which, though not literally identical, copied the design and substance of the original invention: filing a patent claim should not "place the inventor at the mercy of verbalism" *Graver Tank & Mfg. Co. v. Linde Air Products* 339 U.S. 605, 607 (1950)

After the Supreme Court's decision in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.* 520 U.S. 17 (1997), the doctrine of equivalents was ripe for review. In that case, a unanimous Court affirmed the doctrine, but at the same time recognized that it "has taken on a life of its own" and that "when applied broadly, it conflicts with the definitional and public notice functions of the statutory claiming requirement."

*Id.* at 29. Because of the unpredictability of the doctrine's limits, the Court suggested that "the Federal Circuit [] refine the formulation of the test for equivalence in the orderly course of case by case determinations." *Id.* at 40. With this directive in mind, the Federal Circuit set out to limit the doctrine of equivalents.

***The Majority's Holdings.*** In *Festo*, the Federal Circuit, sitting *en banc*, reached decisions on four questions relating to what should constitute prosecution history estoppel, and when it should be appropriate to apply the doctrine of equivalents. In three of these questions, the court came to nearly unanimous conclusions. However, the remaining, and crucial, question of the range of equivalents available to amended patent claims produced an 8-4 split in the court, thereby forming the central controversy in the case.

The Federal Circuit came to a broad agreement on a number of issues. First, the court held that all amendments "related to patentability" constitute prosecution history estoppel. In addition to being distinct from previous claims, new patents must satisfy a number of other statutory requirements relating to patentability<sup>1</sup>; amendments made for reasons relating to any of these requirements create estoppel. Second, the court held that even voluntary amendments create estoppel; it is only reasonable to suppose that amendments inform the public of surrendered subject matter, regardless of whether the applicant makes a change prior to being asked by the PTO. Third, absent any clear statement to the contrary in the prosecution history, there is a presumption that all amendments are related to the patentability of the invention, thus creating prosecution history estoppel. When the reason for an amendment is in doubt, that ambiguity should be interpreted in favor of the public rather than the patentee.

However, the court's response to the remaining question will have a far greater effect on the patent process. After holding that practically all amendments to patent claims create prosecution history estoppel, the court proceeded to hold that in such instances where an amendment creates estoppel, the amended claim element is entitled to no protection whatsoever under the doctrine of equivalents. In explaining its reasoning, the court noted that the current patent system is fraught with uncertainty, much of it due to the nature of the doctrine of equivalents:

In today's world, the specter of unpredictable equivalence claims haunts too many business decisions, while the overwhelming majority of equivalence claims ultimately fail. It is more than justified to lessen this fear and hold patent applicants to the consequences of their public prosecution decisions. The rule we announce today should encourage innovation, lessen uncertainty, and diminish the volume of unnecessary litigation. 234 F.3d at 597

In amended applications, the majority argues, it should be presumed that the applicant has carefully crafted the words of his amendment to completely protect his original claim, thus eliminating the need for a doctrine which is often abused. After having been applied too broadly for too many years, the doctrine of equivalents had come to interfere with a primary goal of patents: providing the public with knowledge about what inventions are protected, and what areas are still open for innovation.

Beyond looking to legal precedent in the case, the Federal Circuit majority also explained the policy change they hoped to enact through their ruling. Reducing the scope of equivalents available to existing

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<sup>1</sup>"In addition to satisfying the novelty and non-obviousness requirements ... claims must be directed to patentable subject matter and the claimed invention must be useful, as set forth in 35 U.S.C. §§ 101 (1994). Additionally... the patent specification [must] describe, enable, and set forth the best mode of carrying out the invention.... [T]he second paragraph of section 112 requires that the claims set forth the subject matter that the applicant regards as his invention and that the claims particularly point out and distinctly define the invention... 35 U.S.C. §§ 112 (1994)." 234 F.3d at 566

patents could increase innovation of incremental improvements on existing devices. The court hoped that companies reluctant to improve upon patented material in the past will now feel free to act without fear of being sued for an infringing equivalent. Another goal of the majority's decision was to simplify the current system. There is no doubt that will be the case for current patents, because almost all patent claims are amended at some point during application, and the ruling of the court will be enforced retroactively, the Federal Circuit's *Festo* decision will certainly reduce the number of infringement suits filed on behalf of past claims.

***The Dissent's Argument.*** The dissenting opinions in this case present a number of arguments against such a strong limitation on the doctrine of equivalents. They claim that such a drastic measure not only conflicts with the principle of *stare decisis*, but also the majority's policy arguments are flawed and unsubstantiated. Since most claims are amended at some point during the prosecution of a patent, the minority claims that *Festo* effectively kills the doctrine of equivalents. Predicting a number of unintended consequences that will flow from this decision, they urge that further deliberation ought to be made before enacting such a major policy change. And while the doctrine of equivalents was originally invented by the judiciary, they question the authority of the Federal Circuit to reverse it in such an abrupt manner.

One of the dissent's primary concerns in so greatly limiting the doctrine of equivalents is that it constitutes a sudden change in nearly 150 years of Supreme Court precedent.<sup>2</sup> While it appears to be true that no Supreme Court ruling has made a specific holding on the scope of equivalents available to amended claims, it is clear from the text of previous decisions that there was not assumed to be a bright-line test precluding amended claims from receiving any protection from equivalents. Moreover, the complete bar of equivalents to amended claims in effect eliminates the doctrine of equivalents — at least for most patents made until very recently. This change in policy, without any "grandfathering" clause, could have an unsettling effect on business arrangements made under the old system.

The minority also disputes the majority's contention that the current system is "unworkable." After all, the current patent regime has been in place for a long time, and during that period, technology has advanced considerably, they argue. Although the doctrine of equivalents may create some uncertainty and discourage some improvements on patented material, the minority sees it as necessary to protect patent owners from potential copyists.

The dissent's view of the effects that *Festo* will have on the future of the patent system is grim. After observing that the doctrine of equivalents was created to avoid "plac[ing] greater emphasis on literary skill than on an inventor's ingenuity" 234 F.3d at 620, the minority contends the new rule will do just that. Citing *Institutform Technologies, Inc. v. CAT Contracting, Inc.*, 99 F.3d 1098, 40 USPQ2d 1602 (Fed. Cir. 1996), Judge Michel argues that applying *Festo*'s complete bar rule to past cases would so severely limit the protection of patents as to make them useless:

Under the majority's approach, anyone who wants to steal a patentee's technology need only review the prosecution history to identify patentability-related amendments, and then make a trivial modification to that part of its product corresponding to an amended claim limitation. All the other limitations may be copied precisely. 234 F.3d at 600

Judge Michel may be overstating the impact of *Festo* a bit. A more likely scenario could be that

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<sup>2</sup>Justice Clarence Thomas acknowledged in *Warner-Jenkinson* that "This Court approved of the doctrine of equivalents in *Winans v. Denmead*, 15 How. 330 (1854)." In *Winans*, the Court held that "the 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." *Id.* at 343.

future patentees will be more cautious in drafting claims. If the ruling in *Festo* survives at the Supreme Court level, there may still be ways to claim the protection of the doctrine of equivalents. By initially making very specific claims that would not need to be amended, applicants could avoid the consequences of *Festo* altogether. Relations between the PTO and their applicants could become more adversarial; claimants would be more inclined to appeal PTO requests for changes in claims because of the attendant loss in protection that would accompany any amendment. The PTO Board of Patent Appeals and Interferences could become far more important to patentees than it is today — an unwelcome proposition given that the Board "is already backlogged and often takes years to decide an appeal." 234 F.3d at 618. Ironically, many potential patentees might choose not to apply for a patent at all, preferring the safety provided by keeping the invention as a trade secret to the risk of losing it all to infringing equivalents under the new rules. Thus, increased public notice, a motivating factor in the majority decision, may be undermined as a result of their opinion.

***The Future of the Case.*** The Supreme Court's decision to grant *certiorari* has added to the speculation concerning the final outcome in the case. Both the majority and dissent in the Federal Circuit frequently cited *Warner-Jenkinson* as supporting their opinions, and the Court's review of the case promises to be one of the more interesting and important decisions of the coming term. While there is a general dissatisfaction with the ambiguity of the doctrine of equivalents as it has been applied to date, it would be surprising if the Supreme Court affirms *Festo* in whole.

The decision in *Festo* to bar amended claim elements from protection under the doctrine of equivalents marks a major change in current policy, which is unusual in a judicial system normally operating through incremental change. Judge Lourie states that the *Festo* decision "merely extend[s]" prior Supreme Court precedent; however, the great attention it has received among the patent bar belies that claim. Tellingly, if the Federal Circuit's *Festo* holdings were applied to the Court's unanimous decision in *Warner-Jenkinson*, one would end up with a very different outcome.<sup>3</sup>

Another reason that *Festo* may be short-lived is the Court's recent holding adhering to the doctrine of equivalents. Even though the Federal Circuit decision does not completely destroy the doctrine of equivalents, it so severely limits the doctrine's application that it could get a chilly reception from the Court. In *Warner-Jenkinson* the Supreme Court opined that the doctrine of equivalents is well settled law, and though "Congress can legislate the doctrine of equivalents out of existence at any time it chooses" it has declined to do so. 520 U.S. at 28

In light of the Court's tendency to deliberate at length on such important and complicated cases, it is unlikely that there will be a decision on these issues early in the 2001 term. In the meantime, the future of the doctrine of equivalents is unclear. Until the Court decides the case sometime next year, the field of patent law will be filled with uncertainty — the very problem the Federal Circuit sought to avoid by creating its complete bar rule.

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<sup>3</sup>In *Warner-Jenkinson* the Court ruled on the infringement of an ultrafiltration process to be conducted from "approximately pH6 to pH9." Even though the lower limit of 6 was added as an amendment to the claim, the Court declined to reject an infringement claim against a process conducted at pH5. Under *Festo*, the presence of an amendment would preclude any possibility of infringing equivalents for that particular claim element. (Since the pH scale is logarithmic, it cannot be said there is a literal infringement that pH5 is "approximately" pH6.)