FESTO DECIDED BY UNANIMOUS SUPREME COURT

Any narrowing amendment may give rise to an equivalents estoppel, and “flexible bar” re-endorsed.

Court points to Warner-Jenkinson as providing complete guidance on these issues.

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On May 28, 2002, Justice Kennedy delivered an opinion for a unanimous Supreme Court regarding the Festo patent case. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., No. 00-1543, slip op. at 1 (U.S. May 28, 2002). As the Supreme Court pointed out, Festo was a case that again sought the Court’s guidance on the relationship between the doctrine of equivalents and prosecution history estoppel. Under the so-called “doctrine of equivalents,” an accused product or process that is not literally covered by a patent claim may nonetheless be infringing if the accused product or process contains identical or equivalent elements to each element in the patent claim. Prosecution history estoppel is a legal limitation upon the doctrine of equivalents which operates to prevent a patentee from essentially reclaiming any subject matter that was surrendered from the patent application in order to receive a patent.

Procedural History Below

Festo brought suit against SMC in the District Court of Massachusetts for infringing both their Carroll and Stoll patents. The district court granted summary judgment for Festo, finding that SMC’s one seal cylinders infringed the dual seal cylinders claimed in the Carroll patent under the doctrine of equivalents. Also on summary judgment, the district court denied Festo’s motion for infringement of the Stoll patent since statements made during the prosecution of the Stoll patent created a material issue of fact. This issue was sent to the jury who concluded that SMC infringed the dual seal cylinders disclosed by the Stoll patent under the doctrine of equivalents.

SMC appealed, and the Federal Circuit affirmed the judgments of infringement under the doctrine of equivalents of both the Stoll and Carroll patents. Festo, 72 F.3d 857 (Fed. Cir. 1995). Concurrently, the Supreme Court decided Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17 (1997), and SMC petitioned the Supreme Court for a writ of certiorari. The Supreme Court granted SMC’s petition for certiorari and vacated and remanded the case for further consideration in light of the Warner-Jenkinson decision. Festo, 520 U.S. 1111. On remand, a panel of the Federal Circuit again affirmed the district court's judgment of infringement under the doctrine of equivalents with respect to the Carroll patent, and vacated and remanded for further proceedings with respect to the Stoll patent, and reinstated the prior decision on all other issues. Festo, 172 F.3d 1361 (Fed. Cir. 1999). SMC then petitioned the Federal Circuit for a rehearing en banc which was granted. Festo, 187 F.3d 1381.

The en banc Federal Circuit decision in Festo Corporation v. SMC Corporation, 234 F.3d 558 (Fed. Cir. 2000) reversed the finding of infringement with respect to both patents, and held that prosecution history estoppel applies to any amendment made for a reason related to patentability. This included any reason related to the statutory requirements employed or referenced in obtaining a patent. Further, the Federal Circuit held that prosecution history estoppel acts as a complete bar to the application of the doctrine of equivalents concerning the amended claim language.

Questions Presented

The Supreme Court specifically considered two questions. First, whether prosecution history estoppel applies to only prior art-related changes to a claim, or, more broadly, to any changes made to a claim. Second, the Court considered whether the Federal Circuit correctly held that “by narrowing a claim to obtain a patent, the patentee surrenders all equivalents to the amended claim element.” Slip op. at 2. Of particular note to the Supreme Court
with regard to this second issue was the dissenting opinion of Judge Michel, to which the Court referred. Judge Michel had voiced a concern that the Federal Circuit’s adoption of a complete bar “required the Court of Appeals to disregard 8 older decisions of [the Supreme Court], as well as more than 50 of its own cases.” Id. at 5.

Guiding Principles

The Court considered the underlying patent policies relevant to the dispute. First, clarity of the boundaries of a property right, such as a patent, was “essential to promote progress, because it enables efficient investment in innovation.” Id. Clarity and certainty foster both legitimate enterprise and investment in competition. Id. at 7. On the other hand, “language in the patent claims may not capture every nuance of the invention or describe with complete precision the range of novelty.” Id. at 6. Thus, equity permits a patent to reach “all equivalents to the claims described,” despite the fact that such an approach makes the boundaries of a patent less certain. Id.

Justice Kennedy cited to the Court’s Graver Tank opinion and noted the Court’s reaffirmation of the viability of the doctrine of equivalents. Telegraphing how the Festo Court would come down when it reached the issue of a complete bar of the doctrine of equivalents (and perhaps hinting that the Court was perplexed by the fact that it was again presented with the issue of a complete bar of the doctrine of equivalents), the Justice emphasized that a “unanimous” Supreme Court in Warner-Jenkinson had “reaffirmed that equivalents remain a firmly entrenched part of the settled rights protected by the patent,” and that were the doctrine “to be discarded, it is Congress and not the Court that should do so.” Id. at 8.

However, the Court noted that when a patentee claims subject matter and subsequently narrows the claims in response to a Patent Office rejection, the patentee plainly cannot later claim, after patent issuance, that the “surrendered territory comprised unforeseen subject matter that should be deemed equivalent … .” Id. Indeed, the rule of “prosecution history estoppel ensures that the doctrine of equivalents remains tied to its underlying purpose.” Id. at 9. In other words, a patentee cannot argue “that he lacked the words to describe the subject matter in question.” Id. To the contrary, it demonstrates that the patentee “affirmatively chose” the words that described a narrower claim. Id.

Activity Giving Rise to Estoppel

The Court conceded that Festo was correct in pointing out that courts had most often analyzed estoppel “in the context of amendments made to avoid the prior art,” but it again cited to Warner-Jenkinson, and noted that “we did not purport to define [the] term ['substantial reason related to patentability'] or to catalog every reason that might raise an estoppel.” Id. at 10. Thus, the Festo Court concluded that “a narrowing amendment made to satisfy any requirement of the Patent Act may give rise to an estoppel.” Id. at 11.

While specifically addressing the § 112 amendment at issue in Festo, the Court emphasized a very critical tenet: Festo was “conflat[ing] the patentee’s reason for making the amendment with the impact the amendment has on the subject matter.” Id. (emphasis added). Thus, the proper question is whether, and to what degree, the amendment affects the subject matter. “Estoppel arises when an amendment is made to secure the patent and the amendment narrows the patent’s scope.” Id. Thus, a “cosmetic” §112 amendment would have no impact on the scope of the patent. Alternatively, in the case of a narrowing §112 amendment that was made simply for “the purpose of better description,” estoppel may arise. Id. at 12. According to the Supreme Court, a narrowing amendment made in order to obtain a patent means one of two things. Either the patentee has admitted that he is unable to claim the broader subject matter, or has abandoned the right to appeal the rejection. Regardless of which case it is, “estoppel may apply.” Id.

Flexible Bar is the Correct Standard

The conclusion that a narrowing §112 amendment raises the possibility of prosecution history estoppel brought the Court to the second issue: Does the estoppel completely bar all equivalents to the narrowed element, or could some equivalents still infringe? Id. The Festo Court almost immediately expressed its concern with a complete bar: It avoids the inquiry into the subject matter surrendered, and establishes “a per se rule; but that approach is
inconsistent with the purpose of applying the estoppel in the first place – to hold the inventor to the representations made during the application process.” Id. at 12-13.

Moreover, when an amendment narrows a claim, that fact does not mean “that the amended claim becomes so perfect in its description that no one could devise an equivalent.” Id. at 13. In other words, “a narrowing amendment may demonstrate what the claim is not; but it may still fail to capture precisely what the claim is.” Id. (emphasis added). The Court’s point is that it would be irrational to deem as surrendered unforeseeable equivalents at the time of the amendment.

The Court also made clear why it had earlier singled out Judge Michel’s dissent which had emphasized the direction of precedent. The Supreme Court observed that it had “consistently applied the doctrine in a flexible way, not a rigid one.” Indeed, adopting a complete bar would apply “the very literalism the equivalents rule is designed to overcome.” Id. Furthermore, the Federal Circuit “ignored” Warner-Jenkinson, “which instructed that courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.” Id. at 14. The Federal Circuit’s adoption of a complete bar had seriously undermined those settled expectations.

Again hinting at the Supreme Court’s frustration, the Festo Court pointed out that Warner-Jenkinson had “struck the appropriate balance by placing the burden on the patentee to show that an amendment was not for purposes of patentability.” Id. at 15. Thus, there exists a rebuttable presumption with regard to a limiting amendment. And a bar arises, with regard to “all subject matter between the broader and the narrower language,” when no explanation is established.

Hence, in the context of Festo, the patentee had the burden of proving the amendment did not “surrender the particular equivalent in question.” The Supreme Court provided a short list of possibilities where this might occur: unforeseeability at the time of application; a “tangential relation” between the amendment and the equivalent at issue; or some other basis for why “the patentee could not reasonably be expected to have described the insubstantial substitute in question.” Id. at 16. The Court concluded with the following standard: “[t]he 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.” Id. The Festo Court vacated and remanded to the courts below for resolution of the equivalents issue in light of its opinion.

Ramifications of the Decision

If the Festo opinion clears new ground, the patent bar may find that the opinion has narrowed the doctrine of equivalents and expanded prosecution history estoppel, as compared to a time immediately after Warner-Jenkinson. This is so because, first, Festo clarifies that a narrowing amendment made with regard to any condition of the Patent Act may invoke an estoppel.

Second, it appears that Warner-Jenkinson is modified, with the Court imposing a requirement of “unforeseeability at the time of the application.” Hence, the Supreme Court seems to have turned what had been a positive notion in the past (i.e., that equivalency is determined at the time of infringement, thus allowing for unforeseen developments to be covered by a patent claim), into a restrictive requirement (i.e., that the patentee must meet a standard of “unforeseeability” in order for the doctrine of equivalents to apply when claim language has been amended).

Stay Tuned …

The interesting issue then becomes: how does this affect claim language that has not been changed? Why should unforeseeability be a requirement for claim language changed during prosecution, but not with regard to unchanged language? Will unforeseeability become a requirement in the context of unchanged language? Could this be the next topic to be developed by the courts?
Also, this Spring an *en banc* Federal Circuit decided *Johnson & Johnston Assocs. v. R.E. Service Co.*, No. 99-1076, -1179, -1180 (March 28, 2002), in which it held that the doctrine of equivalents could not apply when a patent’s specification disclosed, but did not claim, a substitute for a claimed element. In a vigorous dissent, Judge Newman explained that the *en banc* holding operated as “a new absolute bar to equivalency …”, and directly contravened the guidance provided by the Supreme Court in *Warner-Jenkinson*.

The Supreme Court in *Festo* may have provided the patentee in *Johnson & Johnston* with considerable motivation to petition for certiorari, for at least two reasons. First, the *Festo* Court makes very clear its opposition to *any* absolute bar against the doctrine of equivalents. Second, *Festo* leaves no room for doubt of the vitality of, and degree of approval for, *Warner-Jenkinson*. If Judge Newman is indeed correct that *Johnson & Johnston* deliberately disregarded *Warner-Jenkinson*, as the Federal Circuit appeared to do in *Festo*, then the case may be ripe for consideration.

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