



BANNER & WITCOFF, LTD.
INTELLECTUAL PROPERTY LAW

TEN SOUTH WACKER DRIVE, SUITE 3000
CHICAGO, IL 60606-7407
TEL: 312.715.1000
FAX: 312.715.1234

1001 G STREET, NW
WASHINGTON, D.C. 20001-4597
TEL: 202.508.9100
FAX: 202.508.9299

28 STATE STREET – 28TH FLOOR
BOSTON, MA 02109
TEL: 617.227.7111
FAX: 617.227.4399

601 SW SECOND AVENUE, SUITE 1900
PORTLAND, OR 97204
TEL: 503.279.6330
FAX: 503.279.6328

**SUMMARY OF
SUPREME COURT ARGUMENT
IN FESTO V. SMC**

Brad Wright*
January 8, 2002

Today I attended the Supreme Court's oral argument in Festo Corp. v. Shoketsu Kinzoki Kogyo Kabushiki Co (SMC Corp.), No. 00-1543. The following summarizes my observations and opinions regarding the argument. Festo was represented by Robert Bork; SMC was represented by Arthur Neustadt; and the United States was represented by Larry Wallace, Deputy Solicitor.

In summary, it is my opinion that the Supreme Court will reverse the Federal Circuit's decision and return to some flexibility in applying prosecution history estoppel, but with some safeguards to prevent an overly broad application of the doctrine of equivalents. Justices O'Connor, Breyer, and Stevens seemed intrigued by the test proposed by the amicus Institute of Electrical and Electronics Engineers (IEEE), which offered a "foreseeability" test: "Notwithstanding a patentability-based limiting amendment . . . the doctrine of equivalents should be permitted to apply unless the limiting effect of the amended language with respect to an accused device would have been foreseeable at the time of the amendment." The IEEE amicus brief stated that the doctrine of equivalents would be prohibited "only where the objective inference to be drawn from the patentee's choice of language shows that the equivalent subject matter in the infringing device was in fact abandoned during the patent's prosecution, thus opening the door to competitor's lawful use of that subject matter."

Some of the justices also seemed interested in the U.S. government's position, which proposed various presumptions and burdens of proof before allowing the doctrine of equivalents to be invoked. Nearly all of the justices expressed concerns that the Federal Circuit's decision had gone too far, and Justice Breyer went so far as to refer to the Festo decision as an "experiment that might fail."

Amicus Brief of the United States:

http://www.usdoj.gov/osg/briefs/2001/3mer/1ami/2000-1543_mer.ami.html

Amicus brief of the IEEE:

<http://www.ieeeusa.org/forum/policy/2001/01aug31festo.pdf>

Detailed Argument Flow

Bork began by stating that the Federal Circuit's Festo decision was inconsistent in many respects with the Supreme Court's earlier decision in Warner-Jenkinson and represented a "new rule" that eviscerated millions of patents. Bork conceded that where a claim was amended to avoid the prior art, prosecution history estoppel might bar application of the doctrine of equivalents as to the amended element.

Justice Kennedy inquired as to whether it was always apparent why a claim was amended (e.g., whether it was amended under sections 102, 103, 112, or other sections). Bork replied that it was usually clear, and that no estoppel should arise unless there was a "surrender of subject matter," which referred to amendments to avoid the prior art.

O'Connor asked whether Bork would agree with the U.S. government's approach, which required various presumptions and burdens of proof as a kind of check. Bork replied that it was still too narrow, and stated that estoppel should apply only where the patent application disclaimed or "surrendered" subject matter.

Justice Ginsberg asked why one could not presume that no equivalence would be available if it was not clear what was surrendered; Bork replied that even in that case, the patent owner should be entitled to present evidence regarding what was actually surrendered.

Justice Breyer asked why the Court should not leave it to the Federal Circuit to work out the details, since they are the "patent experts," and referred to the "foreseeability" test. Bork replied that the PTO should engage in rulemaking procedures to define the outer boundaries of any such test (i.e., to establish any prospective effect of any estoppel). Rehnquist retorted that the PTO had no authority to establish any such regulations. Justice Breyer agreed that the English language was imprecise, and would allow equivalence where an equivalent was not "foreseeable" to the patent claim drafter. Justice Breyer also asked whether applicants could rely on means-plus-function claiming to achieve equivalents.

Bork argued that the new rule established by the Federal Circuit did not reduce uncertainty, but instead shifted uncertainty to other parts of the patent system. He also argued that inventors had no real choice at the PTO but to either appeal claim rejections (which could take years) or to allow the patent to issue with amended claims. This is having a huge impact on drug patents, according to Bork. Justice Stevens wondered what percentage of patent infringement cases relied on the doctrine of equivalents.

Justice O'Connor asked Bork whether there was any difference between a "limitation" and an "element," and Bork said he did not think there was any difference.

Deputy Solicitor Wallace, speaking on behalf of the Government, began by pointing out that the real issue was whether an amendment was "narrowing," and that not all amendments were narrowing amendments. As evidence, he pointed to recent Federal Circuit decisions finding that an amendment was not a "narrowing" amendment. He also asserted that estoppel could arise even where a claim was not amended to avoid the prior art (e.g., some section 112, second paragraph amendments could be "narrowing.").

Justice Rehnquist asked whether estoppel required taking a contrary position rather than drawing inferences. Wallace replied that it was reasonable to draw inferences from behavior, such as amending claims. Breyer asked whether the Federal Circuit could change its mind and adopt a different test in the future if its “experiment failed.” Wallace replied that the Federal Circuit could of course change its analysis in the future, given the equitable origin of the doctrine of equivalents.

Wallace repeatedly cited the Supreme Court’s 1942 Exhibit Supply case for the proposition that when an applicant narrows a claim, he gives up everything in between what was claimed and the prior art, and that this acts as an implied disclaimer. Wallace also said that the public was on notice of the Exhibit Supply decision and so should not be surprised by recent developments under Festo. O’Connor asked how the test proposed by the Government, which “backed off” from the Federal Circuit decision, differed from that offered by the IEE. Wallace replied that the IEE essentially still retains a “flexible bar” rule, where the Government would impose various presumptions and burdens on a patent applicant before the doctrine of equivalents could be invoked in the face of prosecution history estoppel. Justice Souter retorted that if there were exceptions to the absolute bar, then everyone would try to fit into the exceptions.

Art Neustadt began by pointing out that the patent statute, via section 112 sixth paragraph, provides a way for patent applicants to invoke equivalents without relying on the doctrine of equivalents. He also pointed out that of 31 cases decided by the Federal Circuit in favor of the patent holder during the year 2000, all but 4 were decided on the basis of literal infringement.

Justice Stevens asked why a patent applicant who started out with one claim should be entitled to invoke the doctrine of equivalents, whereas another applicant who arrived at an identical claim only after an amendment should be estopped. Neustadt replied that all claims must be interpreted in light of the prosecution history; the public is entitled to rely in a change of position by the applicant. Neustadt also stated that the Federal Circuit could change its law in the future, to which Scalia inquired: would they also make any such change retroactive?

Neustadt stated that the Supreme Court’s Exhibit Supply case was controlling, to which Rehnquist retorted: “The Federal Circuit went much further than we did in Exhibit Supply.” Rehnquist also pointed out that the Supreme Court’s Graham v. John Deere case only found estoppel on the basis of amendments made to avoid the prior art. Neustadt responded that finding estoppel based on amendments under section 112, second paragraph, was a small extension to Graham, and also pointed out that amendments made in response to enablement rejections should properly invoke estoppel. If there is no enabling disclosure, an applicant is not entitled to broader scope, according to Neustadt. He also argued that most amendments were not actually narrowing amendments, and that patent attorneys had control over the claim drafting process to prevent narrowing amendments. Neustadt also argued that the flexible bar rule was unworkable and actually impeded innovation by preventing others from innovating in the “gap” of flexibility between the amended claim and the prior art.

O’Connor asked Neustadt whether he would agree with the presumptions and burdens offered by the United States as a test. Neustadt agreed that it was better, but that it was not a real improvement. He asserted that in the 13 months that Festo had been the law, there had been “no real effect” on patents. Kennedy asked how frequently patent claims were amended during prosecution, and Neustadt said that probably 50% or more, but that many of these were not “narrowing” amendments. Justice Kennedy asked

whether this was just going to result in a backlog at the PTO in patent appeals, but Neustadt said there was no evidence of this. Rehnquist replied that “maybe everyone is waiting for this decision to come out before appealing.”

Justice Ginsberg asked why the complete bar rule was consistent with Warner-Jenkinson, which stated that the Supreme Court did not intend to “change the rules.” Neustadt replied that Warner-Jenkinson clarified the difference between amendments made for reasons of patentability versus other amendments. Rehnquist asserted that there was an inconsistency between the position taken by Neustadt and the Supreme Court’s holding in Warner-Jenkinson, to which Neustadt replied: the Supreme Court asked the Federal Circuit to figure this out, which is what they did. Justice Ginsberg stated that Warner-Jenkinson left open the question whether there would be any sort of complete bar to asserting equivalence. Justice Scalia did not find satisfactory Neustadt’s explanation as to what constituted an amendment that was “related to patentability.” Neustadt argued that the real issue is whether an amendment was narrowing or not.

On rebuttal, Bork asserted that the term “narrowing” had no limits, and was unworkable. He also asserted that the Festo decision constituted a taking of property rights under the Constitution having retroactive effect. Rehnquist terminated the argument when the time limit had expired.

###

**Bradley C. Wright is a Partner in the Washington, D.C. office of Banner & Witcoff, Ltd.*

Banner & Witcoff is dedicated to excellence in the specialized practice of intellectual property law, including patent, trademark, copyright, trade secret, computer, franchise and unfair competition law. The firm actively engages in the procurement, enforcement and litigation of intellectual property rights throughout the world, including all federal and state agencies, and the distribution of such rights through licensing and franchising. The firm has 80+ attorneys and agents in its Chicago, Washington, D.C., Boston and Portland, OR offices.

WWW.BANNERWITCOFF.COM