The Festo Decision

Festo & The Supreme Court: The New Strict Construction Of Patents

On May 28, 2002, the U.S. Supreme Court issued its long-awaited patent decision in *Festo v. Shoketsu*, No. 00-1543. In the coming months, many words will be written and spoken about *Festo*, but the reader may need practical insights now.

The purpose of this article is to provide a business-oriented analysis of *Festo* in the context of the new patent environment.

Summary

Festo imposes tough new standards for preparation and prosecution of patent applications. A renewed focus on patent prosecution will be required in order to obtain strong patents that will withstand competition and court challenges.

Festo also introduces new variables, cost and uncertainty into patent litigation. An unintended consequence of Festo may be an increase in mediation as a way to resolve patent disputes without the uncertainty, expense and delay of litigation.

The *Festo* Holding

In *Festo*, the Court applies a presumption of prosecution history estoppel whenever a patent claim is amended, and a further presumption that suit is barred against every equivalent of the amended claim element. The Court touts "flexibility" but actually imposes a strict standard for claim drafting while predicting "wasteful litigation" over claim interpretation.

Context for *Festo*: Working Definitions

"Prosecution" is the shepherding of a patent application through the Patent Office to obtain issuance of a patent having one or more claims defining an invention. Thus, the "prosecution history" is the file of correspondence between the applicant and the Patent Office.

"Prosecution history estoppel" arises when the applicant makes amendments or arguments narrowing the claims to obtain allowance; it precludes the applicant from later asserting a broader claim interpretation to establish infringement.

The "doctrine of equivalents" holds that even though an accused product may not literally infringe a claim, it may nevertheless be found to infringe if it is substantially equivalent to the claimed invention. The range of "equivalents" may be limited by prosecution history estoppel.

Background of *Festo*

The Festo Corporation is the owner of two patents, U.S. 3,779,401 and 4,354,125, both for a rodless cylinder that uses magnets to move objects. The patents originated in foreign filings in 1971 and 1979, respectively, and in each case a U.S. filing was completed within one year, leading to issuance of the U.S. patents in 1973 and 1982. Both patents were amended in reexamination proceedings.

After Festo began selling its rodless cylinder, respondents Shoketsu (or SMC) entered the market with a device that was similar, but not identical.

Festo filed suit in U.S. District Court, leading to a judgment for Festo, rejecting SMC's prosecution history estoppel argument. There followed an appeal to the Federal Circuit, a grant of certiorari to the Supreme Court, a remand to the Federal Circuit for another panel decision, a reversal by the en banc Federal Circuit and a second grant of certiorari to the Supreme Court.

Now, the Supreme Court once again vacates the Federal Circuit's judgment and remands for further proceedings.

Implications of *Festo*

The Supreme Court's holding is that prosecution history estoppel applies to every narrowing amendment made to satisfy the Patent Act, whether to avoid prior art or to clarify the nature of the invention. The Court puts the burden on the patentee to show that amendments were not for the purpose of establishing patentability. Slip op. at 14. The Court holds that Festo was so estopped in view of its concessions that limitations were added to satisfy the Patent Act, but it leaves open the question of "what territory the amendments surrendered." Id. at 17.

The Court goes on to place the burden on the patentee to show that "one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent." Slip op. at 16. The Court suggests that unforeseeability of the equivalent might meet this "skilled claim drafter" standard.

In *Festo*, the Court purports to restore the "flexible" approach of its prior holding in Warner-Jenkinson, which would suggest a broader interpretation of patents than offered by the "rigid" application of prosecution history estoppel adopted below by the Federal Circuit.

But *Festo's* "skilled claim drafter" standard will be difficult to meet. Indeed, the Court predicts that respondents SMC "may well prevail" in view of the prosecution history, but it remands the question to the lower courts for determination "in the first instance." Slip op. at 17.

The Court concedes that its so-called "flexible" approach to the doctrine of equivalents may result in "wasteful litigation," but it embraces "this uncertainty as the price of ensuring the appropriate incentives for innovation." Slip op. at 7, 13. This dicta begs the question, "How will 'wasteful litigation' encourage inventors?"

Contrary to the Court's promise of "flexibility," the *Festo* holding is unlikely to give any real relief to patentees. All amendments give rise to a presumption of estoppel, shifting the burden to the patentee to prove, first, that the claims were not narrowed to satisfy the patent laws and, then, that even a skilled claim drafter could not have foreseen the equivalent adopted by the accused infringer.

In sum, *Festo* continues two modern trends in patent law and practice. It imposes tough standards for preparation and prosecution of patent applications, including skilled claim drafting. It also introduces new variables, expense and uncertainty into patent litigation.

Festo Lessons

In view of *Festo,* managers will want to obtain strong patents that will withstand competition and court challenges. Those responsible for patent litigation should take a new look at mediation to avoid the uncertainty, expense and delay predicted by the *Festo* Court. More than ever, CEO's need to realize that a successful patent strategy requires the joint efforts of managers, engineers and patent counsel.

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