

**RECENT PATENT LAW CASES IN THE UNITED STATES:
FESTO'S EFFECT ON PATENT ACQUISITION PRACTICES**

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We live in the midst of a new age of intellectual property. Intellectual property is a central concern of the world commercial theater. This new age of intellectual property requires, above all, enforcement of legal norms. Frankly the great engine of this new age – the internet – is both an opportunity and a threat. The opportunity is obvious because instant communication on the internet facilitates commerce worldwide. That same instant communication, however, can also pose a threat to the advance of technology. Inventive ideas, often ideas of great value, can also fly around the world in seconds. Without protection, those inventions would lose vast value instantly upon unauthorized publication. If inventions lose value instantly, then the incentive and funding for scientific advance would disappear just as fast. In a very real sense, patent law protections are even more important in this internet age to guarantee a future with swifter cures, better communication, safer products, and in general, an improving standard of living. Thus, this new age requires informed enforcement of intellectual property rules.

Instant international communication and commerce also pose some genuine challenges for patent drafters and patent enforcers. An internet business transaction can easily involve several parties in different nations interacting to perform a task or consummate a business transaction. For a court enforcing patent laws, these transactions can involve complex questions about jurisdiction and choice amongst the

laws of various nations. Under patent laws in the United States, these transactions can raise questions of indirect infringement. Indirect infringement could make the operator of an internet business outside the U.S. liable as an infringer for inducing a U.S. citizen to directly infringe a U.S. patent -- inducement under 35 U.S.C. § 271 (b) -- or for supplying a component to accommodate direct infringement in the U.S. -- contributory infringement under 35 U.S.C. § 271 (c).

A patent drafter, on the other hand, faces a related set of challenges. The patent drafter must anticipate the nature of international internet transactions and draft claims to cover activities that may occur in this environment. The patent drafter must write some claims to cover the internet business provider, some claims to cover the internet business customer, and still other claims to cover joint activities that may cumulate to infringe an e-commerce invention.¹

To properly devise claims in this complex business environment, however, a patent drafter must understand the scope courts give to various claim forms. In this context, a patent drafter needs to understand one of the most important patent cases in the twenty-year history of the U.S. Court of Appeals for the Federal Circuit, namely Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co. Ltd., 234 F.3d 558 (Fed. Cir. 2000) (*en banc*), *cert. Granted*, 121 S. Ct. 2519 (2001). Because Festo influences the scope of patent claims, it necessarily influences as well the process of acquiring those claims.

The facts of Festo belie its importance. On its face, Festo involves a simple mechanical patent claiming a magnetically-coupled rodless cylinder. Moreover the legal

¹ Professor Harold Wegner's paper for this conference entitled "E-Business Patent Infringement" provides some guidance on claim drafting in the international e-business environment.

principles addressed in the case further limit one of the three limitations on the doctrine of equivalents – itself an exception to the standard doctrine of literal infringement.

London v. Carson Pirie Scott & Co., 946 F.2d 1534, 1538 (Fed. Cir. 1991) (“[a]pplication of the doctrine of equivalents is the exception, however, not the rule”). Thus Festo deals with one of three limitations on an exception. See, Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co., 520 U.S. 17, 30 (1997) (prosecution history estoppel imposes a “legal limitation on the doctrine of equivalents”). In that context, Festo might appear to have only a limited effect on patent scope and patent acquisition procedures.

Nonetheless the case has extensive implications for both. Future generations of patent scholars may well consider the final result in Festo -- after Supreme Court review next year -- a turning point in U.S. patent law jurisprudence.

To understand Festo's effects on patent prosecution requires an examination of its effect on the scope of patent enforcement. As mentioned earlier, Festo significantly expands the doctrine of prosecution history estoppel. In turn, the Federal Circuit has elevated prosecution history estoppel to prominence as a limit on the doctrine of equivalents. See, Festo, 234 F.3d at 613-615 (Michel, J, dissenting) (extensive listing of Federal Circuit cases invoking prosecution history estoppel). Under the *en banc* Festo decision, any narrowing amendment during prosecution precludes a patentee from asserting any range of equivalents on the amended claim limitation. Festo, 234 F.3d at 574-78. In colloquial terms, if you amend, you cannot extend. Moreover even without amending a claim, an applicant can forfeit equivalents coverage by making arguments during prosecution that disclaim or narrow claim scope. Id. at 564; Pharmacia & Upjohn Co. v. Mylan Pharms. Inc., 170 F.3d 1373 (Fed. Cir. 1999). According to the *en banc*

dissenters, under Festo, “most patentees will lose the protection against copying that the Supreme Court unanimously reaffirmed in [upholding the doctrine of equivalents].” Festo, 234 F.3d at 601 (Michel, J., dissenting). “Anyone seeking to lawfully copy a patented technology will only have to adopt the following method: (1) read the prosecution history to identify amendments made for patentability reasons; (2) copy every other limitation exactly, but substitute any known interchangeable structure, matter, or step for any limitation that has been amended.” Id. at 616.

This new Festo doctrine, assuming it survives Supreme Court review, erects substantial new challenges for the already daunting task of claim drafting. A claim drafter must draft claims that do not need the added protection of the doctrine of equivalents. In other words, the claim drafter must anticipate future efforts to circumvent the claims and draft language that captures literally any known interchangeable features for each limitation of the claims.

Even with this added care, however, the Festo doctrine may frustrate a legitimate purpose of the doctrine of equivalents – namely protection in the event of “after arising technology” which by definition no claim drafter can anticipate in advance. See, Warner-Jenkinson, 520 U.S. at 37. Another Festo dissent explains:

A claim using the terms “anode” and “cathode” from tube technology would lack the “collectors” and “emitters” of transistor technology that emerged in 1948. Thus, without a doctrine of equivalents, infringers in 1949 would have unfettered license to appropriate all patented technology using the out-dated terms “anode” and “cathode.” . . . By definition, applicants could not have surrendered [during

prosecution] something that did not even exist at the time of the claim amendment, namely after-arising technology.

Festo, 234 F.3d at 619-20 (Rader, J., dissenting).

In any event, in Festo, the judges of the Federal Circuit were unanimous on one point: the new doctrine of prosecution history estoppel will significantly affect application of the doctrine of equivalents. To the extent that the doctrine of equivalents shields patentees, the new rule has reduced the scope of patent coverage.

Because it affects patent scope, the new Festo rule also changes the strategy an applicant must pursue to acquire patent rights at the United States Patent Office. To protect the scope of their future patents, particularly against forfeiture in the event new technology arises to change the terms of the art, applicants must adopt new prosecution strategies. Before Festo, standard claim drafting practice counseled drafting the broadest claim allowable by prior art and then successively narrowing claims to encompass every known embodiment of the invention. See, e.g., Landis, John, Mechanics of Patent Claim Drafting, 1978, Practising Law Institute, at p. 9 (“The usual practice is to begin with the broadest claims and proceed to the narrowest . . .”). After Festo, however, a claim drafter must worry that a broad claim is more likely to draw a rejection from the examiner. Because any narrowing amendment or disclaiming argument to overcome that rejection will endanger the patent’s coverage, a claim drafter will likely avoid any broad claim likely to draw objection. Instead applicants will seek to cover their invention with more claims and with narrower claims. From the applicant’s perspective, this blizzard of narrower claims will more likely avoid prior art objections. From the examiner’s perspective, however, this blizzard means

considerably more work. A narrow claim, by definition, contains more limitations – each of which the examiner must check against prior art. More of these narrower claims will multiply the work of the examiner and perhaps cumulatively slow patent issuance.

Besides more and narrower claims after Festo, applicants will also probably use more functional claims. Under 35 U.S.C. § 112, paragraph 6, an applicant receives a statutory right to equivalents for functional claims.² No doubt standard patent prosecution strategy after Festo will include more means-plus-function claims. Even if amended or narrowed by argument during prosecution, a means-plus-function claim embraces a structural (or process “act”) equivalent. The structural equivalent guaranteed by 35 U.S.C. § 112, however, does not address the primary claim scope forfeiture problem posed by Festo, however, namely after-arising technology. In AI-Site Corp. v. VSI Intern., Inc., 174 F.3d 1308 (Fed. Cir. 1999), the Federal Circuit explained:

An equivalent structure or act under § 112 cannot embrace technology developed after the issuance of the patent because the literal meaning of a claim is fixed upon its issuance. An “after arising equivalent” infringes, if at all, under the doctrine of equivalents.

Id. at 1320. Although a functional claim format would not likely enable a functional claim subject to prosecution history estoppel to cover after-arising technology, it would likely cover an interchangeable substitute in existence before the filing date of the patent.

² 35 U.S.C. § 112 states: “An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.” (emphasis added).

In the wake of Festo, patent applicants will also have an incentive to use creative continuation practices to prevent disclosure of damaging prosecution history. Under 35 U.S.C. § 120, an applicant may continue to prosecute an application beyond the examiner's rejections. Under continuation practice, an applicant could elect to place any claims rejected by the examiner into a separate continuing application. Because this continuing application remains confidential, any commentary with the examiner limiting the scope of those continuing claims would not appear in the public record when the rest of the claims issue. With an invention of considerable economic value, a patentee may even elect to pay the fees necessary to continue that application throughout the life of the patent, thus hiding any damaging prosecution history.

Finally, the most obvious change in prosecution strategy occasioned by Festo will counsel prosecuting attorneys to never amend and never concede. Amending a claim or conceding a narrower interpretation of the initial claim language forfeits any coverage for equivalents of that limitation. Because a potential competitor can gain full access to the invention by substituting a known interchangeable feature for the narrowed claim element, any narrowed claim has lost value after Festo. Moreover, that narrowing prosecution history can deprive unamended claims with the same feature of their equivalent coverage as well. Builders Concrete, Inc. v. Bremerton Concrete Products Co., 757 F.2d 255, 256 (Fed. Cir. 1985). Once again, the Festo rule promises to complicate prosecution practices.

In conclusion, Festo is not simply a case affecting one of three limitations on an exception to the standard rule of infringement. Instead it may directly and substantially affect the value of patented inventions by reducing their coverage and their protection

against intervening “after-arising” technology. To protect the value of patented inventions, patent drafters will need to adjust their claim drafting and prosecution strategies to account for the Festo rule.