

Nassau Lawyer

Horseshoes, hand grenades & patents (when close counts)

By Anthony E. Bennett

One of the most important legal principles underlying liability for patent infringement has recently been restricted, requiring intervention by the nation's highest court. In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (SMC)*, 234 F.3d 558 *en banc, cert granted* (Fed. Cir. 2001), with the enforceability of no fewer than 1.2 million issued patents hanging in the balance, the Supreme Court is now pondering how close is close enough. The Court is currently reviewing an *en banc* decision issued by the Court of Appeal for the Federal Circuit (CAFC) which significantly limits the scope of protection provided by a U.S. Patent. Balancing notice to the public against the rights of an inventor, the Court must decide how close a competitor may come to a patent holder's invention without invoking the wrath of the patent code.

Abraham Lincoln, the only U.S. President to receive a patent, eloquently stated, "the Patent system added the fuel of interest to the fire of genius." Patents are the legal instrument for protecting new and useful inventions, and they seek "to promote the progress of science and useful arts" as recognized in the Constitution. A patent bestows on the inventor(s) a time-limited right to exclude others from making, using or selling a product or process which is defined by the patent claim(s). This exclusionary right is

granted in return for a full disclosure of the invention to the public. As Mr. Lincoln understood, the right to exclude provides financial incentive to justify significant time and expense in developing new ideas and products.

The metes and bounds of the exclusionary right are defined by the "claims" of a patent. However, unlike defining a parcel of land, defining the boundaries of the protected invention through language is challenging and subject to interpretation. In order to assist the determination of the scope of a patent claim, the law has constructed a delicate balance between the rights of an inventor to obtain meaningful patent protection and the rights of the public to receive adequate notice of those rights, i.e., adequate delineation of the boundaries of the claims. An essential component to achieving this balance has been the well-established understanding announced by the Supreme Court in *Graver Tank & Manufacturing Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950) that to restrict the words of the claims to their literal meaning, would render a patent a "hollow and useless thing." Restricting words of a claim to their literal meaning would encourage "the unscrupulous copyist to make unimportant and insubstantial changes and substitutions in the patent which, though adding nothing, would be enough it to take

the copied matter outside the claim, and hence outside the reach of the law" *Graver Tank*, 339 U.S. at 607.

To prevent the constraints of literalism, the Supreme Court over 150 years ago developed what is known as the doctrine of equivalents. Therefore, to infringe a claim, an accused device must have every element of the claim or its equivalent. An accused device, while perhaps not literally within the scope of the claim, will be found to infringe if it is so close to the claimed invention that not one insubstantial difference can be found.

However, the doctrine of equivalents is constrained by several limitations. One of those limitations is prosecution history estoppel. Patents are awarded only after thorough review of a patent application by the United States Patent and Trademark Office to ensure that the invention is indeed, novel and otherwise meets the requirements set forth by Congress. As a result of examining an application for patent, the inventor may change or amend the claims of the application in order to meet the requirements to obtain the patent. For example, an examiner may believe the language used to describe the invention is not clear, prompting an inventor to amend the claim language to more clearly define the invention. Another common basis for making an amendment is

that the claimed invention is already known (or obvious) in view of prior art. Due to the nature of the patent process, the need to amend claims is quite common during prosecution.

Under the theory of prosecution history estoppel, a patentee is prevented from taking one position before the Patent Office in order to obtain allowance of a claim, and then take a contradictory position to cover an accused device during litigation. Estoppel has traditionally been found to apply when a claim has been narrowed to avoid prior art. Even in this situation some degree of equivalency could be successfully asserted. Basically, equivalents not disclaimed during prosecution were still liable for patent infringement.

The present litigation began over 13 years ago when Festo Corporation of Hauppauge, New York, filed suit in the Federal District Court of Massachusetts charging a competitor, SMC Pneumatics and its Japanese parent, with infringement of two patents directed to what are known as magnetically-coupled rodless cylinders. Such devices include a piston which travels back and forth within a tube under the influence of pressurized air. The piston magnetically drives a follower which travels on the outside of the tube as the piston moves within. There is no mechanical linkage between the piston and the follower as they are coupled only by magnetic force. This device is primarily used in factory automation applications to move parts or machine components from one place to another. Festo's innovations resulted in a commercially successful device which was favorably received in the marketplace. A few years after Festo's introduction of the rodless cylinder, SMC entered the market with a magnetically-coupled rodless cylinder, prompting the present patent infringement suit between the two industrial automation giants.

Based upon the well-established doctrine of equivalents, Festo won its case of patent infringement at trial. The SMC device was found to have only insubstantial changes over the claimed invention of Festo. A jury

verdict and summary judgment decision were both upheld by the CAFC, the court with exclusive jurisdiction to hear patent appeals. The case was then appealed to the Supreme Court who reversed and remanded the case based on a decision in another case involving the doctrine of equivalents. Again, on remand Festo was largely successful. However, the second affirmance by a three-judge panel was vacated by the CAFC as they decided to hear the case *en banc*.

The balance between public notice, the doctrine of equivalents and estoppel had been achieved though over 150 years of jurisprudence was suddenly deemed "unworkable" by the CAFC. In November 2000, the CAFC, sitting *en banc* radically and retroactively changed the law. The CAFC determined that virtually all amendments made during prosecution (whether in response to prior art or not) result in an estoppel which completely bars the doctrine of equivalents.

The implications of the CAFC's decision have wide ranging effects well beyond the world of rodless cylinders. With now virtually every amendment acting as a bar to the doctrine of equivalents, the process of amending claims and the nature of give and take between the inventor's attorney and the Patent Office has fundamentally changed. In order to infringe an amended patent claim, every element of the claim must be found in the accused device. If one element is different - there is no infringement. Now, to escape liability a competitor need only review the patent's prosecution history and find a single claim element which has been amended, and then slightly change its product to avoid the amended element. As Judge Newman stated in her dissent to the *en banc decision*, the new law provides a "blueprint for ready imitation of patented products." Close is no longer close enough to find infringement.

While debate continues over the balance to be struck between notice to the public and scope of protection, the CAFC's decision would not only eviscerate the enforceability of most existing patents, it will significantly

increase the cost of patent prosecution. Patents recognized by the Supreme Court as one of the most difficult legal documents to draft, will be even more difficult and expensive to prepare. In order to avoid the patent-killing effect of the "new law," amendments to claims will have to be avoided at all costs. In instances where an examiner believes some claim language is unclear, an inventor can no longer simply amend to address the patent examiner's concerns. Consequently, more appeals in the Patent Office will be required, significantly increasing the cost and time required to obtain a patent.

The profound effect of the CAFC's decision has resonated with the Supreme Court as evidenced by its granting Festo's writ of certiorari. Additionally, the CAFC's "new law" has been criticized by industry, research institutions and the legal community. Over 40 entities including 3M, Johnson and Johnson, MIT, Stanford, the American Bar Association, and the Solicitor General, filed briefs as friends of the court urging reversal of the CAFC's decision. Among the proponents of the new law are IBM, Ford, Kodak, Intel and Applera who have filed amicus briefs emphasizing the need for clear notice to the public of the scope of the claims. The Supreme Court has recently heard argument in the Festo case and a decision is forthcoming.

The owners of the 1.2 million patents already issued and the countless more which will issue in the future now await the decision from the Supreme Court. This Court is not a stranger to adjudicating close calls, and Festo after 13 years of litigation, three decisions by the appellate court and two trips to the Supreme Court, now waits, along with the rest of us, to see if being close earns one the proverbial cigar.

Anthony E. Bennett is a senior attorney at the intellectual property firm of Hoffmann & Baron, LLP, Syosset, N.Y., which represents Festo Corporation in the referenced litigation.