No. 07-1066

IN THE

Supreme Court of the United States

FESTO CORPORATION,

Petitioner,

v.

SHOKETSU KINZOKU KOGYO KABUSHIKI CO., LTD., A/K/A SMC CORPORATION AND SMC PNEUMATICS, INC.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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TABLE OF CONTENTS

Page

INTRODUCTION 1

REASONS FOR GRANTING THE WRIT 2

- I. SMC Mischaracterizes The Legal Decision Below. 2
- II. SMC Mischaracterizes The Factual Record Below. 5
- III. The Amici Emphasize The Importance Of This Case. 9

CONCLUSION 11

TABLE OF AUTHORITIES

Page(s)

Cases

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (Festo II), 2 F.3d 857 (Fed. Cir. 1995) 8, 9

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (Festo VIII), 535 U.S. 722 (2002) 2, 5, 6

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (Festo X), 344 F.3d 1359 (Fed. Cir. 2003) 6

Other Authorities

Brief for Wisconsin Alumni Research Foundation et al. as *Amici Curiae* In Supp. Of Pet. For Writ Of Certiorari 9, 10

Brief for Federation Internationale Des Conseils En Propriete Industrielle as *Amicus Curiae* In Supp. Of Pet. For Writ of Certiorari 10

INTRODUCTION

In its brief in opposition, SMC does not defend the actual decision below. SMC spends the bulk of its time trying to prove the factual point that its device was a foreseeable equivalent at the time of Festo's amendment. But that was not the ground for the Federal Circuit's decision. The panel majority below did not adopt that factual rationale, because it is clearly incorrect.

The panel majority rested its decision instead on a legal rule: that SMC's alternative did not need to be foreseeable as an equivalent at the time of Festo's amendment. SMC does not even attempt to defend that legal rule, again because it is clearly incorrect. Instead, SMC recasts the decision below, *see* Opp. 20-21, and argues that the panel majority actually looked to foreseeability at the time of amendment. It did no such thing. Indeed, that was the entire ground of distinction between the panel majority's decision and Judge Newman's dissent. Those opinions speak for themselves—and they cannot be silenced simply because SMC ignores them.

Nor is that all SMC ignores. Its brief in opposition turns a blind eye to the jurisprudential civil war raging within the Federal Circuit over the doctrine of equivalents. SMC blithely pretends that the Federal Circuit is of cheerful unanimity with respect to this critically important doctrine. It is not. As explained in dissent by Judge Newman (an experienced and distinguished patent practitioner who has served on the Federal Circuit for decades), the panel majority's decision resurrects the complete bar to equivalents that this Court earlier

rejected. That telltale fact is amply demonstrated by the Federal Circuit's growing body of anti-equivalents caselaw. Moreover, the views of the *amici*—including some of this nation's leading research universities—stand as a sharp rebuke to SMC's dismissive stance. As those *amici* make clear, this Court's review is warranted on this important and recurring issue.

REASONS FOR GRANTING THE WRIT

I. SMC Mischaracterizes The Legal Decision Below.

This Court has recognized that when making a narrowing amendment, a patentee may not foresee all possible equivalents surrendered by such an amendment. Since it would be unfair to hold that a patentee surrenders unforeseeable equivalents, this Court found that the presumptive surrender of equivalents could be overcome by a showing that an equivalent was unforeseeable at the time of amendment. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (Festo VIII)*, 535 U.S. 722, 740 (2002).

The question, then, is what renders an alternative device or structure foreseeable as an equivalent. The only reasonable answer—as Judge Newman explained in dissent—is that a person skilled in the art would recognize the device or structure as an equivalent. In other words, a person skilled in the art must know that the alternative structure is capable of functioning in substantially the same way to achieve substantially the same result.

By contrast, the panel majority concluded that "an alternative is foreseeable if it is disclosed in

pertinent prior art in the field of the invention." App. 20a. That inquiry wrongly focuses on whether *the alternative itself* was disclosed in the prior art—rather than on whether *its functional equivalency* was disclosed in the prior art. In other words, a patentee can lose rights on the basis of an "equivalent" that no one, even those skilled in the art, would have thought to include in the amended patent application.

The panel majority's example makes this point perfectly:

> For example, if a claim before amendment broadly claimed a metal filament for a light bulb but was later amended to avoid prior art and to specify metal A because of its longevity, the equivalent metal B, known in the prior art to function as a bulb filament, is not unforeseeable *even though its longevity was unknown at the time of the amendment*.

App. 25a (emphasis added). Under the panel majority's approach, when the patentee narrows his claim scope to include only a metal filament with increased longevity (metal A), he must include all other metals known to serve as filaments (like metal B). It does not matter if the longevity of other metals like metal B is unknown. If it turns out post-amendment that other filament metals also provide the function of longevity, then an unscrupulous copyist may substitute that newly-discovered alternative and avoid altogether the doctrine of equivalents.

SMC responds that "[t]o whatever extent [the panel majority's] standard might require less than foreseeability *as an equivalent* … it plainly requires more than the mere known *existence* of what is later alleged to meet the claim element as an equivalent." Opp. 16 (emphasis in original). But SMC never explains what more must be known than the mere existence of an alternative structure. All SMC highlights from the panel majority's example is that metal B is "'*known in the prior art to function as a bulb filament*.'" Opp. 16 (quoting App. 25a with emphasis). That is nothing more than knowledge that metal B exists in the prior art. A patentee who is unaware of metal B's longevity has no reason to include metal B in its amended patent application. After all, the whole point of the amendment is to specify a metal filament with increased longevity (like metal A).

At that point, SMC's only response is that "although the Federal Circuit's bulb filament hypothetical includes a subsequently discovered characteristic (the longevity of metal B), the facts of this case include no subsequently discovered characteristic." Opp. 22 n.3. That is just a claim about the facts, and as explained below, SMC misrepresents the factual record. *See infra* at 5-9. This case *does* involve a subsequently discovered characteristic: namely, the capability of SMC's aluminum alloy sleeve to shield magnetic fields, which was unknown in the literature or to one of ordinary skill at the time of Festo's amendment in 1981.

The legal point here, however, is that the Federal Circuit has now thrown its weight behind the wrong rule for foreseeability. Under the panel

majority's approach, a patentee may surrender alternatives that everyone in the field believed to work differently and possess different properties at the time of the patentee's amendment. That approach is flatly at odds with what this Court intended in *Festo VIII*, effectively reinstating the Federal Circuit's complete bar to the doctrine of equivalents. Patentees only retain rights in the rare case: alternative structures that are themselves entirely unknown at the time of amendment. And they lose rights in the common case: alternative structures that are themselves known, but whose properties are not known at the time of amendment. Once again, the Federal Circuit has rendered the doctrine of equivalents virtually meaningless, and once again this Court should intervene to prevent that result.

II. SMC Mischaracterizes The Factual Record Below.

SMC strives in vain to establish that the equivalent at issue was actually foreseeable, and thus that the decision rests on an independent factual ground. That is not true. At the time of its amendment, Festo could not foresee that SMC's sleeve (made of aluminum alloy) was a functional equivalent to the claimed sleeve (made of magnetizable material). It was not known that SMC's aluminum alloy sleeve would shield magnetic fields, or as the District Court put it, "any shielding capability of non-magnetic aluminum alloy was unknown in the literature or to one of ordinary skill in 1981," i.e., the time of the amendment. App. 54a.

To be more precise about this case's complex procedural history, this Court rejected the Federal

Circuit's complete bar on equivalency in favor of a presumption against equivalency in *Festo VIII*. *See Festo VIII*, 535 U.S. at 739-40. It then remanded to the Federal Circuit, for a determination as to whether Festo fell within any of the three exceptions to the presumption carved out by this Court (including the exception for unforeseeability). *Id*. at 740. On remand, the *en banc* Federal Circuit determined as a matter of law that Festo did not satisfy the other two exceptions, but it remanded to the District Court for a finding on foreseeability. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (Festo X)*, 344 F.3d 1359, 1370-74 (Fed. Cir. 2003).

The District Court then held a bench trial on the issue of foreseeability. It concluded that one skilled in the art would not have foreseen the equivalency of SMC's aluminum alloy sleeve. App. 54a. In other words, one skilled in the art would not have known that an aluminum alloy sleeve could shield magnetic fields at the time of the amendment. That should have ended the analysis. After all, it directly answered the Federal Circuit's reason for remand. The Federal Circuit wanted to know "whether an ordinarily skilled artisan would have thought an aluminum sleeve to be an unforeseeable equivalent of a magnetizable sleeve in the [then] context of the invention." *Festo X*, 344 F.3d at 1371. The District Court answered that question in the affirmative: an ordinary skilled artisan would have thought SMC's sleeve an unforeseeable equivalent.

However, the District Court further found that shielding was not necessary in the commercial product, because the magnetic leakage fields generated by the magnets were small. App. 55a.

Without a need for magnetic shielding, SMC's sleeve was held to be foreseeable. App. 56a. After all, Festo had specified that its sleeve be made of magnetizable metal, precisely in order to shield the device's magnetic fields. Without any need to shield those fields, Festo might as well have picked any metal, including aluminum alloy.

The District Court's finding was not only unnecessary, but irrelevant. Festo is the master of its own invention. Whether Festo should have claimed a magnetizable sleeve may bear on whether its invention was patentable in the first place—but it bears not at all on the doctrine of equivalents. Festo claimed a magnetizable sleeve, and the only relevant question for the District Court was whether an aluminum alloy sleeve was a foreseeable equivalent to a magnetizable sleeve at the time of amendment. As the District Court found, it was not.

Moreover, the District Court's rationale only drives home the danger of determining foreseeability on the basis of post-amendment knowledge. Festo amended its claim to include a sleeve made of magnetizable material which provides the function of shielding magnetic leakage fields. Even if it later turns out that a non-magnetizable sleeve would suffice to shield leakage fields, Festo, at the time of the amendment, could not foresee such a device. Under the District Court's approach, just as under the Federal Circuit's approach, SMC can use some later-discovered property—of the device or one of its components—to avoid the doctrine of equivalents.

In any event, all that matters here is that the Federal Circuit did not adopt the District Court's rationale. The panel majority decided this case on the basis of a legal rule for foreseeability, and it is that legal rule which is squarely presented for this Court's review. SMC cannot avoid review by pointing to findings that played no role in the decision below.

Finally, SMC claims that the Federal Circuit rested its decision on a finding of foreseeability under the proper legal standard (i.e., foreseeability *as an equivalent*). Opp. 19-20. It did no such thing. As explained above, the panel majority found only that alternatives for the magnetizable sleeve were known to exist in the prior art—not that such alternatives were known to be equivalents at the time of amendment. The Federal Circuit's new and incorrect legal standard draws a sharp rebuke from Judge Newman in dissent.

SMC actually goes so far as to rewrite history in its attempt to establish that equivalency was foreseeable. In recounting the jury trial, SMC falsely states that the jury found equivalency because the leakage fields were slight and there was no need for shielding. Opp. 7. Again, that is simply not true. To the contrary, the jury was presented with evidence that the SMC aluminum alloy sleeve shielded magnetic fields in substantially the same way as Festo's magnetizable metal sleeve. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd. (Festo II)*, 72 F.3d 857, 862 (Fed. Cir. 1995) ("Festo's expert witness in the field of physics and magnetism, Dr. Schroeder, … testified that the SMC sleeve formed a magnetic circuit in substantially the same way as the sleeve of the

patent, that it served the same function of shielding and minimizing leakage fields, and that it obtained substantially the same result of avoiding undesirable braking forces.").

As clearly shown above, SMC resorts to misstatements of the factual record and misapplication of the record to this Court's precedent. Festo established unforeseeability of the equivalent at the time of the amendment. This Court should revisit this case to ensure that the important and valuable rights of patentees are protected by a meaningful doctrine of equivalents.

III. The Amici Emphasize The Importance Of This Case.

The significant importance of the issue now before this Court is reflected by the *amici* that have filed briefs urging review by this Court. As the *amici* make clear, the Federal Circuit's erroneous standard is especially harmful to patent applicants engaged in basic research. The *amici* further bring to the attention of this Court that pioneer inventions which have the highest value to the public are most at risk under the Federal Circuit's holding. *See* Brief for Wisconsin Alumni Research Foundation et al. as *Amici Curiae* In Supp. Of Pet. For Writ Of Certiorari at 21 ("Not only is this unjust, but, as shown above, it is bad policy because it negates the incentive to undertake expensive, demanding, ground-breaking research and thus deprives the public of great benefits.").

By restricting access to the doctrine of equivalents, the Federal Circuit has negatively impacted basic research that drives innovation in the country. As several of this nation's leading

research universities put it, the decision below "renders [the unforeseeability] exception meaningless and, if left uncorrected, will directly and negatively affect the research, development, and commercialization of products and technologies by U.S. universities and businesses." *Id*. at 11.

Indeed, the effect of the decision below will be felt well beyond our shores. Federation Internationale Des Conseils En Propriete Industrielle, a venerable association of over 4,000 patent professionals from over 80 nations, informs the Court of the importance of a vital doctrine of equivalents, and explains that the Federal Circuit is bent on a course to undermine the doctrine. *See* Brief for Federation Internationale Des Conseils En Propriete Industrielle as *Amicus Curiae* In Supp. Of Pet. For Writ Of Certiorari at 7-9. That threatens extreme prejudice to patentees, both domestic and foreign. Notably, SMC makes no effort to respond to the *amici* on the merits, just as it makes no effort to defend the decision below on the merits. To the end, SMC does not come to grips with the Federal Circuit's decision as a matter of law or its consequences as a matter of practice.

CONCLUSION

For the foregoing reasons, as well as those set forth in the petition, this Court should grant the petition for writ of certiorari.

Respectfully submitted,

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