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Memorandum

Laches No Longer A Defense Against Damages For Patent Infringement

March 23, 2017

On March 21, 2017, in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927, the Supreme Court held that the equitable defense of laches is not a defense to damages for patent infringement occurring within the six-year period prescribed by 35 U.S.C. § 286. The result was widely expected following oral argument in the case, and in light of the Supreme Court's prior decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), which held that laches is not a defense to a claim of damages for copyright infringement brought within the Copyright Act's statute of limitations.

The essential points from the Court's opinion are summarized below, followed by a more detailed discussion of the case and its likely future impact.

- Laches is no longer a defense to claims for retrospective patent infringement damages.
- Laches may still be a defense to equitable relief (e.g., injunctions) in patent cases.
- Equitable estoppel may still be a defense to claims for retrospective patent infringement damages.
- Courts should attempt to apply the same principles in patent cases as in other areas of civil litigation to the extent relevant.

Background

Prior to *SCA Hygiene*, the equitable doctrine of laches, as applied in patent cases, limited damages for patent infringement where the plaintiff was aware of the claim, but unreasonably delayed in bringing suit, thereby prejudicing the accused infringer. Cases like *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*[1] found that laches could bar damages even where the alleged infringement occurred within the six-year limit on pre-suit damages imposed by 35 U.S.C. § 286.

In 2003, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA"), sent a cease and desist letter to First Quality Baby Products, LLC, alleging that First Quality infringed SCA's patent for an adult diaper. First Quality responded that it owned an earlier adult diaper patent that antedated and invalidated SCA's patent. In 2007, following an *ex parte* reexamination of SCA's patent in light of First Quality's patent, the USPTO confirmed that SCA's patent was valid.

SCA then sued First Quality in August 2010 for patent infringement in the U.S. District Court for the Western District of Kentucky. The district court granted First Quality's motion for summary judgment on laches and equitable estoppel, and SCA appealed to the Federal Circuit.

Before the Federal Circuit panel issued its opinion on SCA's appeal, the Supreme Court decided *Petrella*, which, invoking separation-of-powers principles and the traditional role of laches as an equitable defense, largely eliminated the defense of laches in copyright actions. The Federal Circuit panel, reading *Petrella* narrowly, held that it did not apply to patent cases because *Petrella* did not explicitly overrule the Federal Circuit's prior *en banc* opinion in *Aukerman*. The panel did, however, reverse the district court's holding on equitable estoppel after concluding that SCA raised genuine issues of material facts relating to First Quality's defense.

The Federal Circuit reheard *SCA Hygiene en banc* in order to reconsider its prior decision in *Aukerman* in light of *Petrella*. In a 6-5 decision, the Federal Circuit reaffirmed *Aukerman's* holding that laches can be asserted to defeat a claim for damages, notwithstanding the six-year period set out in § 286. Relying on its reading of the legislative history of the Patent Act, the Federal Circuit reasoned that Congress, by enacting § 282, which enumerates the general categories of defenses to patent infringement, codified laches as a defense to both damages *and* equitable relief (*e.g.*, injunctions). The Federal Circuit held that because laches was codified into the Patent Act by Congress, the separation-of-powers concerns undergirding *Petrella* were absent. Of note, because the dissent in the Federal Circuit *en banc* decision joined the majority in holding that laches is available to bar equitable relief, the *en banc* court was unanimous on that point.

[1] 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*).

Summary of the Supreme Court's Decision

In a decision delivered by Justice Alito and joined by all of the Justices except Justice Breyer, the Court extended its prior holding in *Petrella* to patent cases, and held the defense of laches cannot be invoked as a defense against a claim for patent damages accrued within the six-year limitations period set forth in § 286.

The Court summarized *Petrella's* reasoning that the enactment of a federal statute of limitations reflects a Congressional decision to evaluate the timeliness of the covered claim by a "hard and fast rule," and that applying laches to limit damages within a limitations period specified by Congress would give judges a "legislation-overriding" role beyond the Judiciary's power. *Slip op*. at 5. Laches, according to *SCA Hygiene*, is a "gap-filling doctrine," *Id*. at 5, that provides defendants an equitable defense against damages accrued during a plaintiff's undue delay only when there is no applicable federal statute of limitations.

The Court found the Federal Circuit's *en banc* decision that § 282 of the Patent Act codified the defense of laches to be unpersuasive. In particular, the Court reasoned that the Patent Act does not explicitly address laches, and that the prevailing law at the time the Patent Act was enacted did not lead to the conclusion that by failing to address laches explicitly, Congress intended to codify it into § 282.

However, the Court did not address the Federal Circuit's unanimous holding that laches remains a bar to equitable relief, such as an injunction, in patent cases. The Court also reaffirmed its holding in *Petrella* that the doctrine of equitable estoppel, which requires acts that mislead an accused infringer into believing that the alleged infringement was authorized, can provide a defense to claims of infringement—including for damages claims falling within the statutory period—in appropriate circumstances.

Finally, it is notable that the Chief Justice and Justice Kennedy, who joined Justice Breyer's dissent in *Petrella*, joined the majority in *SCA Hygiene*. Because neither Justice filed separate opinions in either case, it is difficult to be certain of the reason for their decision, but the Chief Justice and Justice Kennedy likely viewed *SCA Hygiene* as an implementation of the rule announced in *Petrella*.

Implications

The implications of *SCA Hygiene* are clear. Laches is no longer a defense to a claim of damages for patent infringement occurring within the six-year period prescribed by 35 U.S.C. § 286. But this change may have limited practical significance because laches was rarely a successful total defense to damages claims for patent infringement before *SCA Hygiene*. Moreover, laches remains a potential defense to equitable relief. And the doctrine of equitable estoppel retains its vitality to eliminate all liability in patent infringement cases.

We do not expect *SCA Hygiene* and *Petrella* to have any impact on the law governing the assertion of laches in trademark infringement cases. In *Petrella*, the Court noted that "the Lanham Act, which governs

trademarks, contains no statute of limitations, and expressly provides for defensive use of 'equitable principles, including laches.'" Nothing in *SCA Hygiene* calls that conclusion into question.

Finally, *SCA Hygiene* reminds litigants and courts that "patent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation." *Slip op*. at 9. Taken alongside recent Supreme Court rulings in cases relating to injunctive relief, attorneys' fees, and enhanced damages, such as *eBay Inc. v. MercExchange, L.L.C.*,[2] *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*,[3] and *Halo Electronics, Inc. v. Pulse Electronics, Inc.*,[4] this case is another caution not to "dismiss the significance of" Supreme Court pronouncements on "general rule[s]" merely "because they were not made in patent cases." *Slip op*. at 9.

[2] 126 S. Ct. 1837 (2006).
[3] 134 S. Ct. 1749 (2014).
[4] 136 S. Ct. 1923 (2016).

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