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Intellectual Property Alert

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Key Points

- The Supreme Court held that laches is no longer a defense against patent infringement. The Patent Act's six-year statute of limitations already limits the window for damages for infringement, which precludes any further laches defense.
- Ultimately, a patentee may recover damages for any infringement committed within six years of the filing of the claim, regardless of unreasonable delay in bringing suit and prejudice to the defendant.

Supreme Court Eliminates the Laches Defense in Patent Cases

Introduction

On March 21, 2017, in a 7-1 decision delivered by Justice Alito, the Supreme Court in *SCA Hygiene Products AB v. First Quality Baby Products LLC* held that laches is no longer an available defense to patent infringement damages, even if a patentee "lies in wait" for more than six years before bringing suit. The decision follows the Court's recent opinion in *Petrella v. Metro-Goldwyn-Mayer* that similarly eliminated the laches defense in copyright infringement cases. Following its reasoning in *Petrella*, the Supreme Court again reasoned that Congress' statutory time limit on damages under Section 286 of the Patent Act[1] pre-empts the Judiciary from imposing its own time requirement (i.e., laches) on a case-by-case basis. The Court vacated the decision and remanded to the Federal Circuit, holding that "[l]aches cannot be interposed as a defense against damages where the infringement occurred within the period prescribed by § 286" and that Section 282's inclusion of "unenforceability" as a general defense to infringement does not codify a defense of laches within the Patent Act.

The Old Laches Defense Provided Protection Against Patent Owners "Lying in Wait"

Laches is an equitable doctrine that is a defense to a claim if the defendant can prove that a plaintiff unreasonably delayed bringing the claim and the delay was prejudicial to the defendant. Laches is traditionally asserted when a statute does not adequately protect defendants from plaintiffs' delays and, thus, is known as a "gap filler." Historically, laches has been allowed in patent infringement cases to fill the gap that occurs when patent owners "lie in wait" for more than six years, allowing a patented technology

[1] Section 286 of the Patent Act states that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement."

to be adopted to increase damages and leveraging power, before bringing suit. Justice Breyer focused on these policy issues in his dissent.

Case Background

In 2003, SCA Hygiene Products ("SCA") notified its rival First Quality Baby Products ("First Quality") that some First Quality products infringed SCA's patent on adult diapers. First Quality responded that the asserted patent was invalid. In view of the response, SCA sought re-examination proceedings on the patent in 2004. After the re-examination confirmed the patent's validity in 2007, SCA sued First Quality in district court in 2010, more than seven years after originally notifying First Quality of its infringement. Since First Quality invested hundreds of millions of dollars in its allegedly infringing technologies during the years that SCA waited to bring its suit, the district court granted summary judgment in favor of First Quality based on a laches defense and equitable estoppel. Despite the Supreme Court's holding in *Petrella* (which took place between the district court case and the appeal and eliminated laches in copyright cases), the Federal Circuit affirmed the decision based on laches, but reversed it as to equitable estoppel (due to genuine issues of material fact).

The Supreme Court Followed Petrella and Separation of Powers Principles

Despite the policy reasons for a laches defense, as illustrated by Justice Breyer's dissent, the majority held—as it did in *Petrella*—that congressional intent to time-limit the recovery of patent damages under Section 286 pre-empts the Judiciary from applying further time-related limitations, such as laches, in infringement cases. Furthermore, the Court held that it is not the Judiciary's role to decide whether the Patent Act left a "gap" in cases when patent owners wait to optimize damages.

In *Petrella*, the Supreme Court held that the three-year statute of limitations in the Copyright Act pre-empts the Judiciary from allowing laches defenses in copyright infringement cases. This is because a statute of limitations reflects a congressional decision that timeliness is better judged by a strict limit than a case-specific judicial determination. Thus, applying laches within a limitations period specified by Congress would give judges a "legislation-overriding" role that exceeds the Judiciary's power under the Constitution and the Separation of Powers.

In SCA Hygiene, the Supreme Court held that its reasoning in *Petrella* requires the same outcome in patent cases because the Patent Act, while not including a traditional statute of limitations, includes a six-year statutory limit on the recovery of damages. Thus, similar to the Copyright Act in *Petrella*, Section 286 of the Patent Act represents Congress' judgment that a patentee may recover damages for any infringement committed within six years of the filing of the claim, whether or not the patentee delays in asserting the patent infringement claim.

Addressing the dissent and First Quality's arguments that the time limit under the Copyright Act is "forward-looking," compared to the "backward-looking" time limit under the Patent Act, the majority noted that the *Petrella* Court also analyzed the case from a backward-looking perspective. Under the Court's interpretation of both acts' statutory time limits, plaintiffs can recover for only a certain time period before the cause of action. The Court also rejected the dissent's assertion that Section 282 of the Patent Act—

which states that "unenforceability" is a defense to patent infringement—is a codification of the laches defense because "it would be exceedingly unusual, if not unprecedented, if Congress chose to include in the Patent Act both a statute of limitations for damages and a laches provision applicable to a damages claim."

Case Impact

The Supreme Court's opinion all but eliminates a laches defense for damages in patent infringement cases. As Justice Breyer described in his dissent, "there remains a gap to fill" in the Patent Act because the statute "permits a patentee to sue at any time after an infringement takes place," which has, "for more than a century," been filled by laches doctrine. Now, patentees might be able to "lie in the weeds" as companies (or even a whole industry) adopt certain technologies, only to find that, after years of investment and development, the technology is now patented—a scenario amici asserted is "far from uncommon." Because of the patentees' purposeful delay, those companies may be subject to even greater potential damages, less leverage in negotiating settlements and significant harm to their businesses.

The majority suggests that equitable estoppel may alleviate some of these concerns. However, this doctrine requires a heavier burden of proof (i.e., that the patent owner misled the defendant to induce infringement, and the defendant relied on the misleading act). This could be difficult when a patent owner merely waits, taking no outwardly apparent action. The utility of equitable estoppel to address the concerns with SCA Hygiene's holding is uncertain. As Justice Breyer puts it, although he hopes that equitable estoppel "fills the gap" left by laches, he would rather the Supreme Court be "cautious before adopting changes that disrupt the settled expectations of the inventing community."

SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods. LLC, No. 15-927, slip op., (U.S. Mar. 21, 2017).

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