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ALERT

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Supreme Court Holds Laches Is Not a Defense to Patent Infringement Damages

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On March 21, 2017, in *SCA Hygiene Products v. First Quality Baby Products, LLC*, the Supreme Court overturned long-standing Federal Circuit law regarding the defense of laches, holding that laches is not a defense to damages for patent infringement. In 2014, the Court addressed a closely related question for copyright infringement in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), and applied that reasoning here in the patent context. By eliminating laches, this decision gives patent owners more time to file infringement suits, could increase the risks to potential accused infringers of delayed litigation, and reduces the degree of comfort that a company can take based on a patent owner's perceived indifference to potentially infringing activity.

Background

This case began in the Western District of Kentucky, where SCA Hygiene sued First Quality for infringement of a patent covering adult incontinence products. In 2003, the parties exchanged letters regarding SCA Hygiene's infringement allegations. Without notifying First Quality, SCA Hygiene then sought *ex parte* reexamination of its own patent at the USPTO; the reexamination concluded in 2007. During the reexamination, First Quality expanded its products. SCA Hygiene did not file suit until 2010. During the litigation, First Quality successfully obtained summary judgment on its equitable defense of laches, based on SCA Hygiene's delay in asserting the patent.

Meanwhile, the Supreme Court decided *Petrella*, holding that laches is not a defense to damages in a copyright infringement suit because the Copyright Act has an express three-year statute of limitations, which supersedes any court-made equitable timing defenses such as laches. The Court determined that laches "cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window," but that laches could affect equitable relief, and "a plaintiff's delay can always be brought to bear at the remedial stage."

On appeal, the Federal Circuit affirmed the laches ruling of the Western District of Kentucky, holding that SCA Hygiene unreasonably delayed its lawsuit while First Quality suffered prejudice by investing in accused products during the delay. 767 F.3d 1339 (Fed. Cir. 2014). The court applied its precedent under *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*), noting that "[d]elays exceeding six years give rise to a presumption that the delay is unreasonable, inexcusable, and prejudicial." SCA Hygiene sought rehearing *en banc*, which the court granted. In the resulting *en banc* decision, the Federal Circuit reached the same result on laches, holding that *Petrella* did not control, reasoning in part that the 1952 Patent Act preserved the availability of laches as a defense under 35 U.S.C. § 282. 807 F.3d 1311 (Fed. Cir. 2015) (*en banc*).

Supreme Court Proceedings and Decision

In response to a petition from SCA Hygiene, the Supreme Court granted certiorari on May 2, 2016 and held argument on November 1, 2016. Multiple *amici curiae* filed briefs, including intellectual property groups, bar associations, companies, and law professors. The briefing by the parties and *amici* focused on whether *Petrella's* ruling on laches in the copyright context should apply to patents, the legislative history of the 1952 Patent Act (including commentary by one of its principal drafters, P.J. Federico) and whether the existing laches doctrine promotes competition or improperly forces patent owners to file suits more quickly.

On March 21, 2017, the Court issued its opinion. Reviewing *Petrella*, the Court observed that "applying laches within a limitations period specified by Congress would give judges a 'legislation-overriding' role that is beyond the Judiciary's power." Turning to § 286 and the Patent Act, the majority concluded that "*Petrella's* reasoning easily fits the provision at issue here" and rejected the argument that § 286 is not a true statute of limitations. The Court reviewed the case law regarding laches and determined that there was no "settled, uniform practice of applying laches to damages claims." The Court rejected First Quality's policy arguments in favor of retaining laches, but suggested that "the doctrine of equitable estoppel provides protection" against potentially unscrupulous practices.

In his lone dissent, Justice Breyer contended that § 286 leaves a "gap" that would allow patentees to delay litigation unreasonably, which the laches doctrine fills. He also cited a "virtually unbroken chain" of court decisions supporting the laches defense, as well as a prior statute of limitations on patent suits in courts of equity. Finally, Justice Breyer disagreed with the majority's application of *Petrella*, noting distinctions between copyrights and patents and suggesting that *Petrella* was wrongly decided.

Implications

By applying *Petrella* to patent infringement and eliminating laches for damages claims, the Supreme Court's decision restricts the scope of a commonly pleaded defense and gives patent owners more time to file cases. As a result, potential accused infringers might face a greater risk of unexpected patent lawsuits, particularly following unsuccessful or inconclusive licensing communications (as occurred between SCA Hygiene and First Quality). In response, potential infringers may seek recourse to declaratory judgment suits. Laches and unreasonable delay remain relevant considerations for equitable relief, though they no longer bar damages claims. Nonetheless, patent infringement damages remain subject to the six-year statute of limitations in 35 U.S.C. § 286.

SCA Hygiene could also affect the Court's decision in the pending case of *Impression Products, Inc. v. Lexmark International, Inc.*, No. 15-1189, in which the Court held oral argument on the same day it issued its opinion in *SCA Hygiene*. *Impression* also involves a question of the relationship between copyright law and patent law, in the context of the exhaustion doctrine.

If you would like to discuss the foregoing or any related patent litigation matter, please contact Dalila Argaez Wendlandt, the Ropes & Gray attorney with whom you regularly work, or any attorney in our IP Litigation practice.