

Keywords: laches, unreasonable delay, equitable defense.

General: Accused infringer moving for summary judgment that infringement action is barred by laches has not demonstrated that patentee's delay of three and one-half years, during which time it was undertaking reexamination of patent in suit, was an unreasonable delay in filing a claim for infringement.

Motorvac Technologies Inc. v. Norco Industries Inc.
69 U.S.P.Q.2d 1691 (C.D. Cal. 2004)
January 12, 2004

I. Facts

This case concerns a motion for summary judgment regarding laches and estoppel made by Motorvac Technologies Inc. (Motorvac) in response to an attempt by Norco Industries Inc. (Norco) to enforce a patent on a “[t]ransmission super flusher.” In February of 1998, Norco sent a letter to Motorvac accusing them of patent infringement. Nine months later, after several rounds of correspondence with Motorvac, Norco threatened to sue within 10 days. Motorvac then responded with a letter citing potential prior art and alleging invalidity of Norco’s patents. In response to the allegation of invalidity, Norco initiated a reexamination proceeding, but Norco did not inform Motorvac that they initiated the reexamination or that they intended to complete the proceeding before bringing suit. The reexamination proceeding, which affirmed the validity of the patents at issue, was completed in June of 2002. Armed with their patents and the reexamination proceeding results, Norco then sued Motorvac for patent infringement three and one-half years after the initial infringement notification. During this entire time period, Motorvac sold both an infringing version of their product and a noninfringing version of their product that could act as a substitute for the infringing version.

II. Issues

- A. If a delay of three and one-half years, due in part to two years spent pursuing a patent reexamination, without informing the alleged infringer of the reason for the delay, while the alleged infringer continued to sell a version of their product that allegedly infringed the patent at issue, is a sufficient basis to grant summary judgment on a laches defense.

III. Discussion

- A. No. Laches focuses on the reasonableness of the plaintiff’s delay in bringing suit, not on what the defendant has been led to reasonably believe from the plaintiff’s conduct, and damages only attributable to a finding of liability are not sufficient to show prejudice.

A motion for summary judgment on the basis of laches requires that the alleged infringer prove that there is no genuine issue of fact that the patentee: (1) delayed filing suit for an unreasonable and inexcusable length of time after they knew or reasonably should have know of their claim, and (2) the delay resulted in material prejudice to the alleged infringer.

In evaluating the reasonableness of Norco's delay, the court focuses on the reason for the delay and not the effect of the delay on Motorvac. The court notes that Norco merely took Motorvac's responses to its claims seriously and reasonably pursued a patent reexamination, explaining that a reexamination was a prudent course before bringing suit. When addressing the fact that Norco did not inform Motorvac of the reason for the delay, the court explains that "laches focuses on the reasonableness of the plaintiff's delay in suit ... [whereas] equitable estoppel focuses on what the defendant has been led to reasonably believe from the plaintiff's conduct." *Aukerman*, 960 F.2d at 1034.

The court then goes on to address the issue of material prejudice. In this case, Motorvac was attempting to prove economic prejudice. To show economic prejudice, the alleged infringer must both show both that they changed their position for the worse and that the change in position was caused by the unreasonable delay in bringing suit. In this case, Motorvac was attempting to prove economic prejudice by arguing that they sold an infringing version of their product during the period prior to the suit, when they could have substituted a noninfringing version of their product that was offered during the same time period. The court responds to this argument by explaining that economic prejudice does not include potential damages attributable to a finding of liability. By way of example, if an alleged infringer both built a factory to produce an infringing product and sold an infringing product during a period of unreasonable delay, only the worsening in position resulting from the construction of the factory would qualify as economic prejudice. The additional damages accrued by continuing to sell the product do not qualify as economic prejudice for purposes of laches. Indeed, were the court to adopt a rule that included additional infringement damages accrued during the period of delay, the second element of the laches defense would essentially be meaningless. Because laches is a defense to damages accrued prior to the patentee bringing suit, a laches defense is only raised in cases where additional damages were accrued during the period prior to bringing suit. Thus, any case where a laches defense was raised would satisfy the prejudice element. Consequently, the court ruled that Motorvac continuing to accrue potential damages for infringement because they believed Norco did not intend to bring suit does not constitute prejudice for purposes of a laches defense.

IV. Conclusion

The motion for summary judgment was denied on two independent and sufficient grounds: Motorvac failed to prove that there was not a material issue of fact concerning the unreasonableness of Norco's delay in bringing suit, and Motorvac failed to prove that there was no material issue of fact concerning the delay causing them to suffer prejudice.