FLETCHER YODER

Intellectual Property Law

Keywords: **Damages; Laches; Statute of Limitation; Defenses; 35 U.S.C. § 286; 35 U.S.C. § 282**

General: **Laches does not preclude a claim for damages incurred within the Patent Act's 6-year limitation period**

SCA Hygiene Products AB v. First Quality Baby Products, LLC
U.S. Supreme Court
No. 15-927
Decided: March 21, 2017

I. Facts

SCA Hygiene Products (hereinafter "SCA") was issued U.S. Patent No. 6,375,646 (hereinafter "the '646 patent"), which relates to adult incontinence products. In October 2003, SCA sent a letter to First Quality Baby Products (hereinafter "First Quality") asserting that products made and sold by First Quality infringed the '646 patent. In response, First Quality contended that the '646 patent was invalid by citing U.S. Patent No. 5,415,649 (hereinafter "the '649 patent"), which antedated the '646 patent.[1]

In July 2004, without notifying First Quality, SCA initiated reexamination proceeding for the '646 patent in view of the '649 patent. In March 2007, the USPTO confirmed validity of the '646 patent and issued a Reexamination Certificate.

In August 2010, SCA filed suit against First Quality for damages in District Court alleging infringement of the '646 patent. The District Court granted summary judgement for First Quality based on a laches defense[2] and an equitable estoppel defense.[3] SCA appealed to the Federal Circuit. Citing *Aukerman*,[4] a Federal Circuit panel affirmed that SCA's claim for damages was barred by a latches defense.[5] Before the Federal Circuit issued its decision, the Supreme Court decided *Petrella*,[6] which held that laches cannot preclude a claim for damages incurred within the Copyright Act's 3-year limitation period.

Since the Patent Act has a similar 6-year limitation period, the Federal Circuit *en banc* reheard the case in view of *Petrella*. In a 6-to-5 decision, the Federal Circuit *en banc* reaffirmed its holding that a laches defense can be asserted to defeat a claim for damages incurred within the

[1] Having not received further correspondence from SCA, First Quality continued to develop and market the allegedly infringing products.
[2] Unreasonable delay in filing suit + material prejudice →bar recovery for conduct prior to suit
[3] Misleading statement or conduct + act in reliance + resulting prejudice →bar recovery
[4] *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*)
[5] The Federal Circuit panel concluded that there were genuine disputes of material fact relating to whether an equitable estoppel defense is applicable and, thus, reversed summary judgement based on equitable estoppel defense.
[6] *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct 1962 (2014).

Patent Act's 6-year damages limitation period. In particular, the Federal Circuit pointed to the "[e]xcept as otherwise provided by law" language in 35 U.S.C. § 286 and reasoned that 35 U.S.C. § 282 provides the "otherwise" by codifying a laches defense.[7] SCA appealed to the Supreme Court.

II. Issue

Does a laches defense preclude a claim for damages incurred within the Patent Act's 6-year limitation period?

III. Discussion – Alito joined by 6 other justices

No – Laches does not preclude a claim for damages incurred within the Patent Act's 6-year limitation period.

In support of its holding, the Supreme Court reasserted its reasoning in *Petrella*. In particular, the Supreme Court emphasized that laches is an equitable defense, whereas damages is a legal remedy. Additionally, the Supreme Court noted that laches is a gap-filling doctrine. Thus, when a statute of limitations is provided, the Supreme Court reasoned that there is not a gap to be filled. Furthermore, the Supreme Court emphasized that enactment of a statute of limitations is a congressional decision that timeliness of a claim is better determined based on a hard and fast rule rather than a fact-specific determination, which occurs when a laches defense is asserted. With this understanding, the Supreme Court reasoned that allowing a laches defense within the congressionally specified limitations period would give judges a "legislation-overriding role" that exceeds Judiciary Power.

In further support of its holding, the Supreme Court emphasized that laches and a statute of limitations serve a similar function – namely as a shield against untimely claims. The Supreme Court noted that they were unaware of any federal statute that provided dual protection against untimely claims.

With regard more specifically to patent law, the Supreme Court reasoned that, although worded differently, the Patent Act's 6-year limitation period is analogous to Copyright Act's 3-year limitation period. In particular, since the Copyright Act's 3-year limitation period was interpreted as a statute of limitations in *Petrella*, the Supreme Court held that the Patent Act's 6-year limitation period is also a statute of limitations.[8] Moreover, the Supreme Court emphasized that, as of the 1952 Patent Act, the general rule was that laches cannot be invoked to bar a claim for damages incurred within a limitations period specified by Congress. With this understanding, the Supreme Court held that there was not a broad and unambiguous consensus to support a patent-specific rule.[9]

With regard to equitable considerations that could result from excluding a laches defense, the Supreme Court noted that it is not there place to overrule Congress's judgment based on its

[7] Support appears to be based on common-law understanding of "unenforceability" recited in 35 U.S.C. § 282.
[8] Supreme Court recognized that it is debatable whether the Patent Act's 6-year limitation period is a "true" statute of limitations, but found that this determination would not affect its holding.
[9] Supreme Court held that pre-1952 cases that even allowed a laches defense are too few to establish broad an ambiguous consensus and dismissed post-1952 cases that allowed a laches defense based on reasoning that Congress has not altered 35 U.S.C. § 282 after 1952.

own policy view. Nevertheless, the Supreme Court noted that, as in the present case, equitable estoppel may provide protection against equity issues that could arise.

IV. Conclusion

The Supreme Court vacated in part the holding of the Federal Circuit and remanded for further proceedings. By its decision, the Supreme Court aligned treatment of laches in copyright law and patent law.

V. Dissent - Breyer

Focusing on relevant statutory language, the dissent reiterated that position that 35 U.S.C. § 282 provides the "otherwise" recited in 35 U.S.C. § 286. Additionally, the dissent distinguished the Patent Act's limitations period from other statutory limitation periods in that 35 U.S.C. § 286 permits a patentee to sue at any time after infringement and merely limits damages to the preceding six years.[10] Moreover, the dissent emphasizes that almost all courts have held laches as a defense against a claims for damages in patent infringement cases.[11]

VI. Relevant Statutes

35 U.S.C. § 286. Time limitation on damages

Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action. …

35 U.S.C. § 282. Presumption of validity; defenses

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,….

17 U.S.C § 507. Limitations on actions

(b)Civil Actions.— No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.

[10] Dissent gives an interesting example where patentee could sue every six years if laches is precluded as a defense. Dissent also distinguishes specifically from copyright law in that 1) patent infringement is strict liability, whereas copyright infringement requires copying and 2) untimely delay is expected to have more detrimental effect against defendant in patent suit compared to copyright suit.

[11] Dissent recognizes that *Petrella* is Majorities strongest position, but believes *Petrella was incorrectly decided.*