

Supreme Court Holds Equitable Laches is No Longer Available to Limit Patent Damages

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SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC, No. 15-927 (March 21, 2017)

Summary

The Supreme Court, in a 7-1 decision written by Justice Alito, has held that laches cannot be invoked as a defense against any claim for damages in a patent case brought within the 6-year limitation on damages prescribed by Section 286 of the patent statute. The Supreme Court had recently held that a similar principle applied concerning the 3-year statute of limitations in the copyright statute, in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014).

The Supreme Court decision represents another reversal disapproving a Federal Circuit holding that a special rule should apply in patent cases. Rather, as the Supreme Court has explained in a series of decisions over the past decade, the rule in patent cases should be the same as in any other sort of litigation – in this case, the equitable doctrine of laches may not be used by accused infringers as a defense because there is a statute of limitations present to limit claims.

Background

SCA Hygiene Products makes and sells adult incontinence products. In 2003, SCA sent a letter to First Quality Baby Products accusing First Quality of infringing SCA's patent. First Quality responded that its own Watanabe patent antedated the SCA patent and "revealed the same diaper construction," which rendered the SCA patent invalid and incapable of supporting an infringement claim. SCA sent First Quality no further correspondence regarding its patent, but instead asked the Patent and Trademark Office to reexamine the SCA patent in light of First Quality's Watanabe patent. In 2007, the Patent and Trademark Office confirmed the validity of SCA's patent. In 2010, SCA sued First Quality for patent infringement. First Quality then moved for summary judgment on the ground that SCA's claims were barred by laches, and the trial court granted First Quality's motion.

Federal Circuit *En Banc* Decision

The Federal Circuit affirmed the district court's judgment, holding, in a 6-5 decision, that laches could still apply in a patent case, and that *Petrella* did not apply, because the patent damages statute was different from the copyright statute. Rather than a true statute of limitations, the Federal Circuit characterized the patent damages statute as a 6 year rolling time limit for past damages. The Federal Circuit also stated that when Congress adopted the Patent Act of 1952, a laches defense existed among the "exceptions" to defenses allowed for Section 286 under the existing common law, which included "unenforceability." *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311 (Fed. Cir. 2015) (*en banc*).

Supreme Court Decision

The Supreme Court concluded that the reasoning in *Petrella* applied to the *SCA Hygiene* case. The Court considered the patent damages statute to be analogous to the copyright statute of limitations, which provides that a copyright damages claim filed within 3 years cannot be dismissed on timeliness grounds. The Court thus construed Section 286 as a statute of limitations. It provides that "[e]xcept 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." The Court held that this represents a judgment by Congress that a patentee

may recover damages for any infringement committed within 6 years of the filing of the claim.

The Supreme Court disagreed with the Federal Circuit's attempt to differentiate the limitations set forth in Section 286 from other statutes of limitations. The fact that the time limitation runs "backward from the time of suit" does not distinguish the patent damages statute from the copyright statute of limitations.

The Supreme Court majority also dismissed the Federal Circuit's rationale that Section 286 allowed laches as a defense when the Patent Act of 1952 was adopted. The Court's review of the case law that existed in 1952 concluded there was no consensus regarding the application of laches as a defense.

Dissenting Opinion by Justice Breyer

Justice Breyer's dissenting opinion made three main points.

First, he stated that the statutory language of Section 286 is important in that it does not set forth a time limit in which to file a lawsuit (that is, it runs backward from the time of suit, and permits a patentee to sue at any time after an infringement takes place, but limits damages to those caused within the preceding 6 years). This creates a potential gap that allows the patentee to wait to bring its lawsuit, after the infringer is locked in.

Second, he disagreed with the majority's conclusion on pre-Patent Act treatment of laches, and concluded that Congress intended the Patent Act of 1952 to keep laches as a defense.

Third, he distinguished the *Petrella* case on several grounds and noted that different policies are at play in a patent case because a plaintiff would have an incentive to delay in bringing an action, while a plaintiff in a copyright case would probably be impaired by waiting (due to loss of proof of infringement (evidence of copying) and evidence of damages).

Analysis

The holding in this case appears to eliminate the laches defense in patent litigation in almost all circumstances. Since patent infringement is a continuing tort, virtually any claim for patent infringement would be considered timely so long as it is brought within 6 years of the act of infringement, even if there were acts of infringement known to the patent holder that were committed more than 6 years before the claim was filed.

This decision will make it easier for patent owners to enforce their patents. While equitable laches was rarely successful as a defense, now patent owners can wait to file patent claims to allow the value of a potential infringement judgment to develop.

The Court's opinion in *SCA Hygiene* did note that an accused infringer can still defend against a claim of infringement based on the defense of equitable estoppel. But that defense requires the defendant to prove, in addition to delay, that the patent owner engaged in misleading conduct that led the accused infringer to infer that the patent owner would not enforce the patent, and the alleged infringer relied on that conduct to its detriment.

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