

Laches No Longer a Defense to Pre-Suit Damages in Patent Infringement Cases

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On March 21, 2017, the U.S. Supreme Court, in a highly anticipated 7-1 decision, held that laches cannot be invoked as a defense against damages for patent infringement occurring within the six-year damages limitation period set out in the Patent Act. The Court thus threw out what had become an important tool used by accused infringers to combat delayed infringement claims. *SCA Hygiene Products Aktiebolag et al. v. First Quality Baby Products, LLC, et al.*, No. 15-927.

SCA Hygiene involved a dispute over a patent for adult incontinence products. The plaintiff (SCA) accused the defendant (First Quality) of infringement in October 2003, but did not file suit until August 2010—more than six years later. The district court and a Federal Circuit panel held that SCA's delay in filing suit was unreasonable and that laches therefore barred SCA's claim for pre-suit damages, including damages for infringement occurring within the Patent Act's six-year damages limitation period, 35 U.S.C. § 286. In a 6-5 *en banc* decision on September 18, 2015, the full Federal Circuit affirmed the district court's opinion regarding laches, holding that laches remained a viable defense against damages for patent infringement occurring within the Patent Act's six-year limitation period.

The Supreme Court, in an opinion authored by Justice Samuel Alito, vacated the Federal Circuit's *en banc* decision in part and held that claims for patent infringement damages incurred within the Patent Act's six-year limitation period cannot be dismissed on laches grounds. In so holding, the Court found the reasoning of its 2014 decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), a case involving copyright claims against MGM's film *Raging Bull*, to be equally applicable in the patent context. In *Petrella*, the Court held that laches could not be invoked to bar claims for damages accruing within the Copyright Act's three-year limitation period, 17 U.S.C. § 507(b), noting: "[W]e have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1975.

Noting that its *Petrella* decision had "spoke[n] in broad terms," Slip Op. at 4, the Court held that "*Petrella*'s reasoning easily fits [35 U.S.C. § 286]," *id.* at 5. "By the logic of *Petrella*, we infer that [§ 286] represents a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim." *Id.* at 6. To upset this congressional judgment by overlaying an equitable



timeliness rule on the Patent Act's limitation period would, the Court reasoned, impermissibly "give judges a 'legislation-overriding' role that is beyond the Judiciary's power." *Id.* at 4.

The Court rejected the argument, made by First Quality and endorsed by the Federal Circuit, that the reasoning of *Petrella* did not apply to patent infringement claims because Congress in 1952 allegedly codified a laches defense in another provision of the Patent Act, 35 U.S.C. § 282(b)(1). The Court observed, first, that the language of § 282(b)(1) did not of itself establish codification of a laches defense because § 282(b)(1) "does not specifically mention laches." Slip Op. at 8. The Court then surveyed various pre-1952 cases cited by First Quality and concluded that they did not evince a "broad and unambiguous consensus" sufficient to overcome the "well-established general rule," existing at the time of enactment of the 1952 statute, that "laches cannot be invoked to bar a claim for damages incurred within a limitations period specified by Congress." *Id.* at 9-10.

The Court also rejected various policy arguments made by First Quality and its supporting *amici*, concluding that "we cannot overrule Congress' judgment based on our own policy views." Slip Op. at 16. In rejecting these policy arguments, the Court emphasized that estoppel remains available as a complete defense to liability for patent infringement.

The Court's emphasis on the continued vitality of estoppel as a complete defense to patent infringement may provide some solace to those concerned that the elimination of a laches defense will usher in a wave of "unscrupulous patentees inducing potential targets of infringement suits to invest in the production of arguably infringing products." Slip Op. at 16. Even so, considering the more stringent standards necessary to prove estoppel, the Court's decision will likely be a boon to patentees who now face one less potential obstacle to relief.

Today's decision arguably will most acutely impact parties defending against patent infringement claims filed by non-practicing entities, who often are incented to delay suit in order to maximize potential damages. Accused infringers in patent infringement suits filed by competitors, on the other hand, may see less of an impact, as competitor patentees generally are more likely to sue quickly to stop the sale of competing products. In all patent infringement cases, however, patentees will now have more flexibility in asserting claims for pre-suit damages, provided they do so within the Patent Act's six-year limitation period, and accused infringers will do well to consider the applicability of other equitable defenses, such as estoppel.

If you have any questions regarding this alert, please contact your Lathrop Gage attorney or the attorneys listed above.