IPWatchdog
The Uncertain Future of Laches in Patent Litigation
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The equitable defense of laches has long been recognized as an available and effective method for precluding recovery of legal damages, and it can provide a lifeline to defendants who otherwise lack strong noninfringement or invalidity arguments. However, the availability of this defense is now in question. This November, the Supreme Court will hear arguments in *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 15-927 (S. Ct.), a case that will determine the fate of the laches defense in patent litigation.

In patent infringement cases, laches has been used as a defense to claims for both legal and equitable relief where the plaintiff has delayed bringing suit against the defendant for an extended period of time. This situation often arises in the context of demand letters, where a patent owner has threatened an alleged infringer with a potential lawsuit if some infringing and unlicensed activity is not halted immediately. The Federal Circuit set forth the general requirements for establishing a defense of laches in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc). If the patent owner has actual or constructive knowledge of the facts relating to the alleged infringement yet delays bringing suit, the defendant may be able to assert a laches defense if it can show that (1) the patent owner's delay was unreasonable and inexcusable, and (2) the alleged infringer suffered material prejudice attributable to the delay. There is also a presumption of laches if the patent owner delays bringing suit for more than six years after the patent owner had actual or constructive knowledge of the allegedly infringing activities, which has the effect of shifting the burden of evidence to the patent owner. Under *Aukerman*, the laches defense can be a powerful tool to combat such delayed infringement claims, particularly in view of the six-year statute of limitations for seeking damages applicable to patent infringement lawsuits.

Laches is an equitable defense that is not limited solely to assertions of patent infringement. Until very recently, for example, laches was an available defense to bar relief on a copyright infringement claim. However, that changed with *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), in which the Supreme Court held that that the doctrine of laches could not be applied to restrict the three-year statute of limitations for bringing a claim for damages under the Copyright Act. In doing so, the Court held that, "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the [statutory] limitations period, . . . courts are not at liberty to jettison Congress' judgment on the timeliness of suit." In other words, the Court found that the three-year statute of limitations established by Congress already addressed delays in bringing suit under the Copyright Act, and therefore, under separation of powers, the judicially-created doctrine of laches cannot be used to further restrict that statutory time period. Therefore, laches is no longer available to bar a claim for damages brought within the three-year statute of limitations, and will remain unavailable unless and until Congress restores the defense through subsequent lawmaking. While *Petrella* was limited to the context of copyright claims, it is easy to see how the same logic could apply to restrict the use of laches in other contexts. The Supreme Court is now set to address the viability of laches in the context of patent infringement in *SCA Hygiene*.

In *SCA Hygiene*, the district court granted a motion for summary judgment of laches (and equitable estoppel) based on untimely delay where the plaintiffs filed suit over six years after a demand letter was sent to the alleged infringers. On appeal, the Federal Circuit affirmed the district court's opinion as to laches, and specifically rejected the argument that *Petrella* overruled the court's prior en banc opinion in *Aukerman* and abolished laches in patent law.

In a 6-5 decision following rehearing en banc, the full Federal Circuit reconfirmed that laches is a cognizable defense to claims for both legal and equitable relief in patent litigation. With respect to *Petrella*, the court first acknowledged that there was "no substantive distinction" between the three-year statute of limitations in the Copyright Act and the six-year time period for recovery of damages in the Patent Act. However, the court found that Congress had codified the laches defense in 35 U.S.C. § 282(b)(1), which states:
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, ...

While § 282(b)(1) does not mention the term "laches," the court conducted a review of the legislative history behind § 282 and found that it was intended to have "broad" effect, and include "equitable defenses such as laches." Based on this understanding, the court reasoned that while the *Petrella* Court held that laches and the statute of limitations in copyright law were in such conflict that applying laches created a separation of powers problem, no such conflict exists in patent law.

Upon finding that there is no separation of powers issue for a laches defense in patent law, the court turned to the question of whether laches could be invoked to bar claims for legal relief in addition to equitable relief. The court found that while the statutory text and legislative history were silent on the issue, the case law prior to 1952 established that laches can bar legal relief in patent litigation. The dissent disagreed with the majority's analysis, and asserted that there was no basis for concluding that Congress intended the doctrine of laches to trump the statutory limitation on damages set forth in § 286. In doing so, the dissent admonished the majority for improperly creating "special rules for patent cases."

The Supreme Court granted certiorari to address the following question:
Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

Petitioners' arguments substantially mirror the en banc dissent. Specifically, Petitioners assert that *Petrella* directly applies to patent litigation, and therefore laches cannot bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period. Petitioners further argue that the presumption of laches where the patent owner delays bringing suit is inconsistent with the Court's equity jurisprudence. Respondents counter by arguing that the Federal Circuit properly held that laches was codified in § 282, and that Petitioners' arguments are based on a misreading of *Petrella* and § 286. Nearly twenty amicus briefs have also been filed by various parties, most of which side with respondents in urging that laches be preserved as a defense against legal claims in patent infringement actions. The primary argument in support of preserving laches appears to be based on the potential economic hardship on good-faith manufacturers who may be blindsided by unreasonably delayed infringement claims for the purposes of maximizing damages.

The stage is now set for the Supreme Court to weigh in on the future of laches in patent litigation. If the Court closely follows its analysis in the *Petrella* decision, it is fairly likely that the Court will reverse the Federal Circuit and hold that laches cannot bar claims for damages within the six-year period set forth in § 286. Indeed, given the en banc ruling, it is unlikely that the Court would grant certiorari simply to confirm that *Aukerman* remains good law. There is also the conspicuous absence of the term "laches" (or any other reference to "equitable" defenses) in the Patent Act. While the Federal Circuit found that the doctrine of laches was implied by the language of § 282, the Supreme Court may not be so willing to entertain the same statutory interpretation. In particular, the Court may find that, from a plain reading of § 282 in conjunction with § 286, there does not appear to be a clear statutory basis for asserting laches as a defense to a claim for legal relief.

However, as the en banc majority noted, there are notable differences between patent law and copyright law, and the Supreme Court may be reluctant to eviscerate a long-standing defense. Most notably, where copyright infringement requires proof of access, there is no similar requirement to patent infringement, and defendants are often not aware of any infringing activity until a demand letter is received or a lawsuit is filed. Without the availability of laches to bar claims for damages, patent owners may be encouraged to wait until the alleged infringer has invested significant time and money developing and marketing a successful product before asserting their rights. While laches may still be available to bar claims for equitable relief (such as injunctions), any resulting damages may devastate the alleged infringer. Such intentional delays in asserting rights to maximize prejudice, if unreasonable and inexcusable, would appear to be precisely what equitable defenses are intended to address.

A decision in *SCA Hygiene* will likely issue in early 2017. In the meantime, alleged infringers should proceed with caution when faced with notice letters and delayed infringement suits.