# In *SCA Hygiene*, Supreme Court Rules Laches Not a Defense to Damages Within Statutory Period in Patent Cases

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In a 7-1 decision issued on March 21, 2017, the U.S. Supreme Court held in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC* that laches cannot be invoked as a defense against a claim for damages in a patent infringement case brought within the six-year statute of limitations set forth in Section 286 of the Patent Act. The majority opinion adopted and extended the rationale from its recent decision on the Copyright Act in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014) and held that laches is a "gap-filling doctrine" applicable only where there is no statute of limitations.

## Procedural Background

Petitioner SCA Hygiene Products Aktiebolag (SCA) brought suit against First Quality Baby Products, LLC (First Quality) in the U.S. District Court for the Western District of Kentucky in 2010 for infringement of SCA's U.S. Patent No. 6,375,646 (the '646 patent) directed to a pants-type disposable diaper for use by potty-training children and adults with incontinence. The '646 patent issued on April 23, 2002, and additional claims were added during re-examination on March 27, 2007.

SCA wrote to First Quality about the patent-in-suit in October 2003, nearly seven years before SCA filed suit. First Quality replied, identifying a prior art reference. SCA then initiated an *ex parte* re-examination of the '646 patent based on that prior art reference, which concluded in 2007. During this time, the parties also exchanged letters regarding another SCA-owned patent without reference to the '646 patent.

In light of the foregoing facts, the district court found that the six-year presumption of unreasonable delay and material prejudice for laches applied and further held that SCA had failed to rebut this presumption. In addition, the court found that equitable estoppel also applied to these facts.

On appeal, the U.S. Court of Appeals for the Federal Circuit affirmed summary judgment on laches but reversed as to equitable estoppel. SCA then moved for rehearing based on the Supreme Court's ruling in *Petrella* that laches is no defense to a copyright infringement suit brought within the Copyright Act's statutory limitations period. The Federal Circuit issued an *en banc* opinion finding that *Petrella* did not bar the laches defense to legal remedies in patent cases. In its ruling, the Federal Circuit held that laches and six-year time limit on the recovery of patent damages in the Patent Act "can coexist," and thus the ruling in *Petrella* was "irrelevant." However, with regard to the availability of laches as a bar to ongoing relief (*i.e.*, injunctive relief and royalties for future infringement), the *en banc* decision "adjust[ed]" laches to harmonize the defense with *Petrella* and other Supreme Court precedent. In particular, the Federal Circuit held that for injunctive relief, laches should be considered only within the existing *eBay* framework, and for ongoing royalties, laches would apply only in "extraordinary circumstances."

The Supreme Court granted *certiorari* to determine whether and to what extent the defense of laches may bar a claim for patent infringement brought within the six-year statutory limitations period of 35 U.S.C. Section 286.

## The Supreme Court's Decision

In a decision authored by Justice Samuel A. Alito, Jr., the Supreme Court held that because laches is a "gap-filling doctrine" applicable where there is no statute of limitations, and the Patent Act contains a six-year statute of limitations, the defense of laches cannot be asserted against damages during that period. The Court acknowledged that

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the statute of limitation provisions under the Copyright Act and Patent Act are "worded differently" but held that the reasoning of its decision in *Petrella* applies to the Patent Act. The majority opinion rejected the Federal Circuit's holding that Section 282(b) of the Patent Act codified the laches defense and that the statutory limitations period in Section 286 preserved this defense in the phrase "[e]xcept as otherwise provided by law." Rather, the Supreme Court observed that "it would be exceedingly unusual, if not unprecedented, if Congress chose to include in the Patent Act both a statute of limitations for damages and a laches provision applicable to a damages claim." The Court also rejected the Federal Circuit's reliance on lower court decisions at the time of the enactment of the Patent Act, holding that these cases did not reflect a "broad and unambiguous consensus" to support a patent-law-specific rule. Finally, the majority opinion emphasized that equitable estoppel provides protection against "unscrupulous patentees."

The dissenting opinion authored by Justice Stephen G. Breyer cautioned that the majority opinion opens a "new 'gap' in the patent law, threatening harmful and unfair legal consequences." Justice Breyer emphasized unique features of Section 286 that permit patentees to bring a suit for infringement at any time after an infringement takes place, unlike traditional statutes of limitations that set forth a period of time in which to sue. Justice Breyer also pointed to the "exceptions" in Section 286, rejected by the majority, reaching a contrary finding that Congress did intend to keep laches as a defense. Justice Breyer concluded by "confess[ing]" that he believed *Petrella* was wrongly decided, and that "[t]wo wrongs don't make a right."

## Implications for Patent Litigants

The Supreme Court's ruling represents yet another recent reversal of a Federal Circuit decision and another rejection of a patent-specific approach to legal doctrines. The decision is likely to have at least the following implications for patent litigants:

- The Supreme Court declined to review the Federal Circuit's decision that laches may bar equitable relief in patent cases. Future litigants may still assert laches as a defense to patent suits involving equitable relief in view of the Supreme Court's silence on this issue.
- Despite Justice Breyer's caution about the "gap" the majority decision creates, a study of the last decade of case law suggests that laches is of limited utility in defending claims brought by patent assertion entities, and that other defenses, such as invalidity, estoppel and failure to mark, may be more effective deterrents and defenses to such suits.[1] Indeed, even in *SCA Hygiene*, the defendant may ultimately prove that equitable estoppel applies to the facts of this case and thus equitably bars all claims for patent infringement.

[1] *See* Ed Tulin, "High Court Laches Ruling May Be Much Ado About Nothing," *Law360* (March 16, 2017).

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