Tuesday, May 16, 2017 / Volume 109 / Number 94

THE DAILY RECORD

WESTERN NEW YORK'S SOURCE FOR LAW, REAL ESTATE, FINANCE AND GENERAL INTELLIGENCE SINCE 1908

IP FRONTIERS

Supreme Court gives patent holders discretion on infringement suit timing

"Equity aids the vigilant, not those who slumber on their rights."

It is this legal maxim that is the driving force behind the equitable defense of laches. Laches is a defense that was developed by the courts of equity which would deny a plaintiff recovery from a lawsuit which was unreasonably delayed in its origin. Courts are often reluctant to apply laches to any given case, but it still exists as a safety net for appropriate situations.

In the intellectual property context, the Supreme Court in 2014 had dealt a blow to the defense of laches in the case of *Petrella v. Metro-Goldwyn-Mayer.*[1] In *Petrella,* the Supreme Court held that, because the Copyright Act provided for a three-year statute of limitations for damages, the defense of laches could not bar plaintiff's relief within the three-year period in a copyright infringement suit. It was unclear whether or not the *Petrella* holding applied to suits outside of the copyright realm.

This past March, the Supreme Court expanded the holding of Petrella into patent infringement cases in *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC.*[2] In this case, the plaintiff, SCA, had notified the defendant, First Quality, of its potential infringement as early as 2003. However, SCA did not file suit against First Quality until 2010. The Patent Act, in 35 U.S.C. § 286, provides that plaintiff may receive damages for infringement from the six years prior to filing suit.

The Federal Circuit Court of Appeals, relying on Federal Circuit precedent, held that laches barred this claim

By THOMAS L. SICA
Daily Record Columnist

despite the Supreme Court's *Petrella* ruling. The Supreme Court, in an opinion by Justice Alito, reversed the Federal Circuit and held that laches cannot bar relief in patent cases within the six-year statutory period. The Court reasoned that laches only applies where there is no fixed time period for relief and no statute of limitations. Laches is considered to be a gap-filling doctrine, and when there is a statute of limitations, there is "no gap to fill."

Some, including dissenting Justice Breyer, have become concerned with the Supreme Court's holding in the SCA case. First Quality had argued that laches could apply because the Patent Act does not provide a true statute of limitations. While most statutes of limitations run forward from the date of the cause of action, the Patent Act's (and also Copyright Act's) statute of limitations runs backwards from the date the complaint or counterclaim was filed. This is based on the notion that each time an infringing product is produced, a new cause of action accrues.

The patent holder, thus, would be able to recover from any infringing product produced within the six years prior to the filing of the complaint. Due to this, Justice Breyer found that it is possible that a patent holder could know of an infringing product in Year 1 of the patent's life, wait up to 20 years for the infringing product to maximize its profits, and then file suit. Such practice could potentially be abuse of the Patent Act, something that may not have been intended by the seven majority opinion Supreme Court justices nor the drafters of the Patent Act.

Much of the majority opinion in *SCA* deferred to the Court's *Petrella* opinion and the elimination of laches for copyright infringement cases. However, the *Petrella* decision provided an exception to their ruling against laches, one which the SCA decision did not recognize. In *Petrella,* the Court held that laches may be applied in "extraordinary circumstances," usually where the relief sought would prejudice third parties.[3] It is unknown if, after SCA, the "extraordinary circumstances" exception applies to patent infringement suits.

However, the *SCA* Court did reference equitable estoppel as a potential alternative to prevent unreasonable delay in patent infringement cases. Equitable estoppel uses a different standard for its application; it applies when the defendant detrimentally relies on the plaintiff's words or conduct. There are situations where equitable estoppel would not apply, but laches would apply. For example, a patent holder knows about an infringing product, makes no contact or representations to the infringer and does not file suit until 15 years later. The patent holder may not be equitable estopped in that situation,

Continued on next page

Continued from previous page

but laches could have applied.

In the end, the Supreme Court's *SCA* decision is pro-patent holder. It gives patent holders discretion on when to assert their patent rights. While the decision leaves the door open to potential abuse, it remains to be seen what the real impact of the case will be.

Thomas L. Sica is an Associate with the Intellectual Property Law Firm of Heslin Rothenberg Farley & Mesiti P.C. He can be reached at (518) 452-5600 or at thomas.sica@hrfmlaw.com.

[1] *Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962 (2014).*

[2] *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 137 S. Ct. 954 (2017).*

[3] *The Petrella case specifically references Chirco v. Crosswinds Communities, Inc., 474 F.3d 227 (C.A.6 2007) and New Era Publications Int'l v. Henry Holt & Co., 873 F.2d 576 (C.A.2 1989); two cases where third parties who had purchased the infringing product would have been prejudiced by injunctive relief.*