

PUBLICATION

What Happens if You Wait Too Long to File Your Patent Case?

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Patent owners recently were reminded that delay in pursuing patent infringers can be fatal. A patent lawsuit that is not filed timely can be blocked by the doctrine of laches, even to the extent of preventing the patent owner from getting injunctive relief for future infringement. There has been a question whether laches applied in patent infringement cases because the U.S. Supreme Court in 2014 in *Petrella v. Metro-Goldwyn-Mayer* held that laches was not a defense to legal relief under the Copyright Act. In a split decision (6-5), the full Federal Circuit decided that laches does apply in patent infringement cases to legal and some equitable claims.

The plaintiff, SCA Hygiene Products Aktiebolag SCA Personal Care, Inc. (SCA), which develops and sells adult incontinence products, holds a patent on technology related to absorbent pants-type diapers. On October 31, 2003, SCA sent a letter to the defendant, First Quality Baby Products, LLC (First Quality), questioning whether First Quality was infringing its patent and, if it was infringing, demanding that First Quality "immediately stop making and selling such products." First Quality, on November 21, 2003, wrote back contending that the SCA patent was invalid and therefore could not be infringed. SCA requested reexamination of its patent by the Patent and Trademark Office in light of First Quality's contention that the SCA patent was invalid. There was no contact between SCA and First Quality, however, for nearly seven years until SCA filed and served its complaint against First Quality for patent infringement on August 2, 2010. SCA also waited to sue for more than three years after its patent came out of reexamination.

In its defense, First Quality argued that, during those almost seven years, it invested heavily in its own protective underwear business, expanded its line of adult incontinence products and spent \$10 million to buy three more lines of protective underwear. These actions were taken, it contended, in reliance on SCA's failure to take further action against it after receiving First Quality's letter denying that it was infringing the SCA patent. Based on those facts, First Quality claimed that SCA waited too long to sue and that its suit was barred by the equitable doctrine of laches. Very generally speaking, under laches, an unreasonable delay in bringing suit may bar that suit, or parts of it, depending on the circumstances.

First, the court considered 35 U.S.C. § 286, which limits a patent owner's damage recovery to the damages it suffered only for the last six years of infringement. Second, the court considered 35 U.S.C. § 282(b)(1), which, it found, had codified laches as a defense to a suit to enforce a patent. Third, the court considered *Petrella v. Metro-Goldwyn-Mayer*, in which the U.S. Supreme Court held that laches was not a defense to legal relief under the copyright law.

After evaluating these three main considerations, the majority in SCA ruled that laches may operate as a defense to both legal and equitable relief in a patent case. If proven, the defense of laches will bar all relief that seeks to redress past wrongs, such as damages. Even if proven, however, the laches defense will not necessarily (but could) bar prospective relief, like an injunction. Similarly, absent extraordinary circumstances, laches will not preclude prospective relief like an ongoing patent royalty.

The dissent agreed with the majority that laches is a defense to equitable claims, like injunctions. Unlike the majority, however, the dissent took the position that laches could not be a defense to legal claims, like damages. It based this conclusion principally on the time limitations in 35 U.S.C. § 286, which it found to be the

exclusive time limitation on a claim for damages. Given the 6 – 5 vote and the fact that SCA applied the recent *Petrella* Supreme Court decision, there is a chance that the Supreme Court will review the SCA decision. Regardless, the teaching of SCA is that delay in bringing a patent case can have significant negative consequences depending on the circumstances.

For more information about how this issue may affect your business or related matters, contact any member of the Firm's Intellectual Property and Technology Litigation Group.