No. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF OF PETITIONERS

G. ERIC BRUNSTAD
DECHERT LLP
90 State House Square
Hartford, CT 06103

Of Counsel:
STEPHANOS BIBAS
3501 Sansom Street
Philadelphia, PA 19104

MARTIN J. BLACK
Counsel of Record
KEVIN M. FLANNERY
TERI-LYNN A. EVANS
SHARON K. GAGLIARDI
DECHERT LLP
2929 Arch Street
Philadelphia, PA 19104
(215) 994-4000
martin.black@dechert.com

Counsel for Petitioners

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265188

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

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SUMMARY OF REPLY

For more than thirty years, the Federal Circuit has recognized and applied an aberrant laches doctrine, permitting courts to use the equitable laches defense to truncate Congressionally-prescribed limitations periods. Two years ago, in *Petrella v. Metro-Goldwyn-Mayer, Inc.,* 134 S. Ct. 1962 (2014), this Court rejected that practice in the copyright setting, but reserved judgment on its legitimacy in cases such as this one involving patents. *Id.* at 1974 n.15. Following the Court's decision in *Petrella*, the Federal Circuit sitting en banc selected *this case* as the proper vehicle to render its definitive ruling on the question left open in *Petrella*, and thereby announce a rule that binds not only itself but all of the federal district courts sitting in patent cases. After fully vetting the issue with the assistance of nineteen amicus briefs from forty amici, the court below in a 6–5 split decision over a vigorous dissent declined to conform its practice in the patent setting with this Court's holding in the copyright context. Pet. App. 1a–66a. Because this case squarely presents an important issue involving a conflict between this Court's precedent and the Federal Circuit's, and there are no unusual or disqualifying vehicle issues, certiorari is warranted.

There is a clear conflict between *Petrella* and the en banc decision below, involving a critically important question of law. The Federal Circuit's decision in this case has been widely reported, widely criticized, and remains a focal point of intense controversy. Illustrating its importance, the ABA quickly took up the issue for review, and on February

8, 2016, the ABA House of Delegates passed Resolution 108B (Reply App. 1a),[1] which states:

> RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and
>
> FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

ABA, FINAL RESOLUTION 108B (2016), Reply App. 1a. The ABA Report accompanying the resolution [hereinafter "ABA Report 108B"] concluded that the Federal Circuit's decision below "cannot be reconciled with the Supreme Court's reasoning in *Petrella*: If Congress has expressly spoken regarding the appropriate period for legal damages, a judge-made laches defense cannot stand." Reply App. 7a.

Respondents' opposition to the petition simply repeats the arguments of the Federal Circuit's bare

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[1] *See* ABA, http://www.americanbar.org/news/reporter_resources/midyear-meeting-2016/house-of-delegates-resolutions/108b. html (last visited Apr. 4, 2016).

majority—arguments that conflict with this Court's precedents. The decision is the latest example of patent law exceptionalism at the Federal Circuit, a practice that this Court has criticized on several occasions. *See, e.g.*, Pet. 20–21. Respondents urge the Court to delay review of this important issue, but they cannot point to any reason why further factual development in this case or further legal developments in other cases would sharpen the issue for the Court. The Federal Circuit selected this case as the vehicle to render its definitive ruling on laches in the patent setting, and this case is the appropriate vehicle for this Court's review. No court of appeals other than the Federal Circuit has jurisdiction to address the question presented, so there is no occasion for allowing percolation in the lower federal appellate courts. The issue is now as fully ripe as it will ever be. Certiorari is warranted.

ARGUMENT

I. THERE IS A CLEAR CONFLICT BETWEEN THE EN BANC DECISION AND *PETRELLA*.

Respondents cannot plausibly deny that the decision below conflicts with the reasoning of *Petrella*. Instead, they seek to draw support for their position from certain lower court rulings, arguing from them that a new common law rule developed for patent law somewhere between the 1915 passage of legislation relating to the merger of law and equity jurisdiction and the 1952 compilation of the patent laws. Respondents argue on the basis of this analysis that

Congress adopted a patent law exception for laches *sub silentio* when it enacted the 1952 version of 35 U.S.C. § 282. Opp. 15–23. There are four reasons why this line of reasoning is deeply flawed.

First, Respondents' mode of statutory construction turns the law on its head: they seek to interpret the federal statutory patent scheme not on what the relevant statutory text says or means, but rather on the basis of what some lower courts did before the text was enacted. Along the way, they misconstrue the prior judge-made practice by ignoring this Court's relevant precedents. At common law, laches was no defense to a claim for legal damages, as this Court's cases illustrate. *Petrella*, 134 S. Ct. at 1965. Yet Respondents argue here, in a case involving legal damages, that Congress chose regional circuit law over this Court's precedents and that Congress did so without ever referring to the pertinent case law. Opp. 15–23. This makes no sense. As ABA Report 108B notes: "Following the canon of statutory interpretation that a statute is presumed to retain the substance of the common law, [*United States v. Mack*, 295 U.S. 480, 489 (1935)] strongly suggests that congressional enactment of Section 282 did not implicitly preserve laches as a defense to legal damages. The inclusion of a six-year damages window in Section 286 only reinforces that conclusion." Reply App. 8a.

Respondents' reliance on *Microsoft Corp. v. i4i Limited Partnership*, 131 S. Ct. 2238 (2011), is misplaced. Opp. 16–18, 22–23. In *Microsoft*, this Court interpreted the Patent Act in light of settled

principles that this Court itself had followed previously, including those articulated in *Radio Corporation of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934). *Microsoft*, 131 S. Ct. at 2245. *Microsoft* simply does not stand for Respondents' odd proposition that deference is somehow owed to lower court decisions that actually conflict with the prior precedents of this Court. Again, as this Court has repeatedly stated, the equitable doctrine of laches simply cannot be used to bar timely claims for legal damages.

Second, this Court has made clear more generally that the merger of law and equity did not change the common law. The interposition of equitable defenses in actions at law authorized under Judicial Code § 274b in 1915 was merely a procedural development. *See Enelow v. New York Life Ins. Co.*, 293 U.S. 379, 382 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 387 (1988) (discussing Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (repealed 1938) and noting: "When the Congress enacted section 274b . . . the procedure was simplified, but the substance of the authorized intervention of equity was not altered."). Although the lower courts have from time to time confused the issue, this Court has never wavered in requiring that courts respect the substantive division between law and equity, which reflects the time-honored principle that equity follows the law. *See, e.g.*, *Petrella*, 134 S. Ct. at 1973 (citing *Holmberg v. Armbrecht*, 327 U.S. 392 (1946); *Merck & Co. v. Reynolds*, 559 U.S. 633 (2010); *County of Oneida v. Oneida Indian Nation of N. Y.*, 470 U.S. 226 (1985)).

The Court did so most recently in *Petrella* in the context of copyright law and should do so once again here.

Third, there was no uniform consensus during the period between 1915 and 1952 with respect to the application of laches to claims for legal patent damages. Many of the cases Respondents cite were ambiguous as to whether the court was applying laches to bar legal damages or an equitable accounting, and, at most, they reflect a split of authority between cases that Respondents cite and cases such as *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952), cited in the Petition. *See* Pet. 24; *see also* Pet. 55a–64a (as noted by the dissent: "Nearly all of these decisions either apply laches under a misinterpretation § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity. The discussion of laches in these cases does not clearly demonstrate that in 1952 laches was available to bar a claim for legal damages in a civil action." Pet. App. 59a).

Respondents attempt to bolster their argument for a pre-1952 "consensus" by relying on a contemporaneous treatise, the 1937 edition of Walker on Patents [hereinafter "Walker"]. Opp. 20–21. Yet, Walker explicitly states: "*Laches is a defense which is peculiar to courts of equity*." 3 WALKER ON PATENTS § 575 at 1877 (Anthony William Deller ed., 1937) (emphasis added). In delineating the defenses to patent infringement claims, Walker instructs: "The twenty-eight defenses which may be made to actions at law for infringement of patents [Section 656 of this

book], may all be made in suits in equity based on such causes, and the latter suits are also liable to two other defenses. These are non-jurisdiction of equity and laches." *Id.* § 570 at 1870.[2] If anything, Walker supports the view that it was hornbook law that laches was *not* available as a defense to claims for legal damages.

Fourth, Respondents argue that the legislative history supports their position because the word "unenforceability" appears in § 282 and had an "accumulated settled meaning" in 1952 that incorporated the doctrine of laches. Opp. 16. But Respondents cite only three cases in support of their theory on "settled meaning," one of which is not a patent case and another of which does not even mention the term "unenforceability." *Id.* (citing *United States v. New Orleans Pac. Ry. Co.*, 248 U.S. 507, 511 (1919) (not patent case); *Richardson v. D.M. Osborne & Co.,* 93 F. 828, 830 (2d Cir. 1899) (does not mention unenforceability)). Like the majority opinion below, Respondents rely heavily on a comment from P.J. Federico, but in the process place far too much weight on an entirely ambiguous passage. As ABA Report 108B points out:

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[2] Respondents also rely on language found in Section 880B of Walker (Opp. 21), which appears under the title "Pleading, Practice and Forms." That section merely sets out the procedure and elements for establishing the laches defense where it is available, *i.e.*, in equity. 4 WALKER ON PATENTS § 880B at 2658.

> Section 282(b)(1) is entirely silent on whether laches was intended to be a defense to legal damages. The majority instead relies on a treatise to show that one of the statute's drafters believed that laches was implicitly included within Section 282(b)(1). At best, that treatise is silent on the critical question: whether Congress intended to make laches a defense to *legal damages*. It is entirely plausible that the statute's drafter was merely confirming that laches could continue to bar equitable relief in some instances.

Reply App. 8a. In short, there is far too little in the legislative history to support the view that Congress intended to abrogate this Court's precedents on the availability of laches as a defense to a claim for legal damages, especially in the face of the enactment of a statutory limitations period plainly applicable to such claims.

II. THIS CASE IS THE PROPER VEHICLE TO RESOLVE THE LACHES QUESTION.

The Federal Circuit selected this case to render its definitive ruling on the use of laches as a defense in patent cases, and this Court should do the same. SCA seeks back damages, forward damages, and injunctive relief, the three possible forms of relief subject to a laches defense. This case thus presents all the permutations of the question presented in one

package, making it a complete and proper vehicle for review on a decidedly important question.

The Court plainly has jurisdiction to hear the case under 28 U.S.C. § 1254(1). Moreover, the Court's precedents establish that where, as here, a lower court has conclusively decided an important legal issue, but a final judgment on other issues in the case has not yet been rendered, "there is no absolute bar to review . . . ." *Mazurek v. Armstrong*, 520 U.S. 968, 975 (1997) (citing *Estelle v. Gamble,* 429 U.S. 97, 98 (1976); *United States v. General Motors Corp.,* 323 U.S. 373, 377 (1945); R. STERN, E. GRESSMAN, S. SHAPIRO, & K. GELLER, SUPREME COURT PRACTICE § 4.18 (7th ed. 1993)). On the contrary, the Court has frequently granted review of non-final or interlocutory decisions that raise important issues with widespread impact on other cases. *See, e.g.*, *Nat'l Meat Ass'n v. Harris*, 132 S. Ct. 965 (2012); *Wal-Mart Stores, Inc. v. Dukes*, 131 S. Ct. 2541, 2549 (2011) (granting certiorari after "[a] divided en banc Court of Appeals substantially affirmed the District Court's certification order"); *Rent-A-Center, West, Inc. v. Jackson*, 561 U.S. 63 (2010); *Kawasaki Kisen Kaisha Ltd. v. Regal-Beloit Corp.*, 561 U.S. 89 (2010).

In this instance, the Federal Circuit "has decided an important question of federal law that has not been, but should be, settled by this Court," and "has decided an important federal question in a way that conflicts with relevant decisions of this Court." SUP. CT. R. 10. Among other things, this case has received widespread attention in the press, highlighting its importance to not only the bar, but also business

interests across the nation and the world. *See, e.g.*, Dennis Crouch, *Federal Circuit Defies Supreme Court in Laches Holding*, PATENTLY-O (Sept. 21, 2014), http://patentlyo.com/patent/2014/09/federal-supreme-holding.html; Sarah Bro, *"Raging Bull" and the Patent Act: Laches Still Available in Patent Cases - SCA Hygiene Products v. First Quality Baby Products*, THE NATIONAL LAW REVIEW (Nov. 2, 2015), http://www.natlawreview.com/article/raging-bull-and-patent-act-laches-still-available-patent-cases-sca-hygiene-products.

The vast majority of patent cases involve claims for back damages, making laches an issue of profound significance. Lower courts have applied laches to bar claims even where the delay was much less than the six years provided in § 286—sometimes when the delay was as short as five months. *See, e.g.*, *Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85, 99–100 (D. Conn. 2014); *see also Lucent Techs. v. Microsoft Corp.*, 544 F. Supp. 2d 1080, 1098 (S.D. Cal. 2008) (laches defense surviving summary judgment because five-month delay "might be considered unreasonable"). This Court has never approved the Federal Circuit's uniquely broad application of the laches doctrine, which encourages the very kind of rushed or premature litigation that *Petrella* criticized. Reply App. 9a–10a. Further, it is well-known that patent infringement actions "are among the most costly and complex to litigate," and that "[t]he Federal Circuit's retention and expansion of the laches defense runs contrary" to the trend in patent law reform to "reduce the volume and costliness of infringement litigation." *Id.* at 10a. Moreover, if left

unchecked, the Federal Circuit's invigoration of the laches defense in this case "would have a disproportionate and negative effect on manufacturing patent owners and research universities," causing them more harm than non-practicing entities. *Id*.

Respondents urge the Court to duck the issue presented here, but the issue will not go away, and the time has come to review the Federal Circuit's aberrant laches jurisprudence. No further factual development is required and no further legal development is possible, given the Federal Circuit's monopoly on patent appeals. Respondents imply that this case might be mooted by developments below, but that is not possible. The district court has taken no further action in the case, perhaps in light of this request for review, and has set no trial date. Even if judgment were entered tomorrow, SCA would appeal, and that appeal would be pending through the disposition of any proceedings in this Court. There are innumerable district court patent cases in which laches is currently being litigated; the issue is not going away. Further delay in resolving the question would only ignite needless appellate litigation covering the same ground travelled already in this proceeding. This case has highly motivated parties and experienced counsel who handled the en banc appeal below as well as the proceedings in *Petrella* before this Court. The question presented is important, recurring, squarely presented on a sufficient record, and ripe for immediate review. Certiorari is warranted.

CONCLUSION

Petitioners respectfully request that the Court grant their petition.

Respectfully submitted,

G. ERIC BRUNSTAD
DECHERT LLP
90 State House Square
Hartford, CT 06103

Of Counsel:
STEPHANOS BIBAS
3501 Sansom Street
Philadelphia, PA 19104

MARTIN J. BLACK
Counsel of Record
KEVIN M. FLANNERY
TERI-LYNN A. EVANS
SHARON K. GAGLIARDI
DECHERT LLP
2929 Arch Street
Philadelphia, PA 19104
(215) 994-4000
martin.black@dechert.com

Counsel for Petitioners

Dated: April 5, 2016

APPENDIX

APPENDIX A — FINAL RESOLUTION 108B OF THE AMERICAN BAR ASSOCIATION, ADOPTED FEBRUARY 8, 2016

RESOLUTION

RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and

FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

APPENDIX B — PROPOSED RESOLUTION 108B AND REPORT OF THE AMERICAN BAR ASSOCIATION

AMERICAN BAR ASSOCIATION

ADOPTED BY THE HOUSE OF DELEGATES

FEBRUARY 8, 2016

RESOLUTION

RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and

FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

Appendix B **108B**

REPORT

This report concerns the scope of the judicially created laches defense in patent infringement litigation—under what circumstances can a patent rights holder's unreasonable, prejudicial delay in commencing suit bar relief on a patent infringement claim?

A divided *en banc* Federal Circuit recently preserved the laches defense for patent cases even though Congress has created a statutory six-year damages period. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 2013–1564, 2015 WL 5474261, ___ F.3d ___ (Fed. Cir. Sept. 18, 2015). That decision appears to conflict with at least the U.S. Supreme Court's reasoning in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), which held the laches defense in the copyright context was limited by a statutory three-year copyright damages period. *See* 17 U.S.C. § 507(b). Because both the Copyright Statutes and the Patent Statutes limit the damages recovery periods similarly, and because there is no convincing justification for treating them differently, the judicially created laches defense must give way to congressional enactment of these statutory damages periods.

This Resolution asks the ABA House of Delegates to approve policy supporting application of the *Supreme Court's Petrella decision in the patent context so that the doctrine of laches (1) would no longer be applied to bar pre-suit legal damages in patent cases during the* statutory six-year damages period, *but (2) would* be available under extraordinary circumstances to

curtail claims for injunctive relief and other prospective equitable relief. *This policy recommendation is driven not only by applicable precedent, but also by core values of our legal system (in particular deference to statutes enacted by Congress, and policies favoring non-litigation resolutions to legal disputes).*

A. *The Supreme Court's Decision in Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014)

In *Petrella,* the Supreme Court held that the judicially created laches defense must give way if Congress provided a limiting statutory damages period. 134 S. Ct. at 1967–68. The Court held laches could not bar legal damages for acts of copyright infringement occurring within the three-year statutory look-back period, regardless of how long ago the copyright owner first learned of the infringement. *Id*. at 1981. Thus, delay in bringing suit forfeits only damages for infringement occurring outside the three-year look back window, but not those for infringement occurring within that window.

The Court explained laches was developed by courts of equity and its "principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation" 134 S. Ct. at 1973. The Court emphasized laches serves a gap filling, not legislation overriding, purpose. *Id.* at 1974. If a statutory damages limitation period exists for legal relief, such legislation cannot be disregarded: "To the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, however, courts are not at

liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967.

In a footnote, the Court declined to reach whether its holding would also apply to patents. *Id.* at 1974 n.15. The Patent Act provides a similar, albeit longer, six-year look-back period for recovering infringement damages. 35 U.S.C. § 286. Long before *Petrella*, however, in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*) ("*Aukerman*") the Federal Circuit rejected the argument that the judicially created laches defense cannot bar legal damages because it conflicts with the Patent Acts' look-back period. *Id. at* 1029–31.

In extraordinary circumstances, laches may limit awards of *equitable* relief—the grant of an injunction.

B. *The Federal Circuit's En Banc SCA Hygiene Decision*

After *Petrella* was decided, the Federal Circuit revisited *Aukerman*. Sitting *en banc,* a divided court held that the rule articulated in *Petrella* does not apply to patent law to bar legal remedies. *SCA Hygiene*, 2015 WL 5474261, at *1. While acknowledging that Section 286 is the sort of explicit temporal damages limitation that the U.S. Supreme Court suggested would preclude the applicability of laches, the Federal Circuit concluded that the unique history of the Patent Statute compelled a different rule for patent law. *Id*. at *3–7. According to the majority, Congress had intended to preserve laches as a defense

to damages when it enacted 35 U.S.C. § 282(b)(1), and therefore the reasoning of *Petrella* does not apply to patent law. *Id.* at *3.

The Federal Circuit relied on the comments of one of the primary statutory drafters of the 1952 Patent Act, stating that he intended to preserve equitable defenses, which includes laches. *Id.* at *8. The court also looked to judicial practice in patent cases prior to 1952 to determine whether laches could reach legal damages. The court concluded there was a consensus among the circuit courts by 1952, which was that laches could bar legal damages as well as equitable relief. *Id.* at *9–13.

The Federal Circuit then addressed potential policy concerns. Patent infringers are strictly liable for direct infringement. Copyright infringers are held liable only if there is at least some evidence of intentional copying. This distinction favored the application of laches to patent law, according to the court, because unwitting patent infringers can incur substantial damages during the period of delay and miss the opportunity to adopt non-infringing alternatives. *Id.* at *14–15. The court also noted that that the amici overwhelmingly favored retaining laches as a defense. *Id.* at *15.

Finally, the court unanimously held the laches defense could bar ongoing injunctive relief, noting that the remedy already incorporates equitable considerations—including but not limited to delay—that lie at the heart of the laches analysis. *Id.* at *15–17. It further held that in "egregious" or "extraordinary" circumstances, a laches defense could also bar ongoing royalty damages. *Id.* at *16.

C. *SCA Hygiene* and *Aukerman* are irreconcilable with *Petrella*

SCA Hygiene and *Aukerman* both conclude that a laches defense can bar a patentee's claim for pre-suit damages during the six-year damages recovery period of Section 286. These decisions cannot be reconciled with the Supreme Court's reasoning in *Petrella*: If Congress has expressly spoken regarding the appropriate period for legal damages, a judge-made laches defense cannot stand. Just as the copyright damages recovery period statute reflects Congress's judgment that a claim for copyright infringement is not too old if brought within three years, Section 286 demonstrates Congress's judgment that a claim for patent infringement is not too old if brought within six years. Because Congress has spoken on the issue, laches should never bar patent infringement damages within the six-year window provided by Section 286.

In attempting to distinguish *Petrella*'s reasoning, the *SCA Hygiene* majority principally relies on its reading of the legislative history and related historical record. According to the majority, Congress implicitly intended to preserve laches as a defense when it codified "unenforceability" as a defense to infringement in 35 U.S.C. § 282(b)(1). Also, circuit courts prior to 1952 had applied laches as a defense to claims for legal remedies, when the statute was adopted and therefore, it was appropriate to presume that Congress had preserved that status quo.

However, Section 282(b)(1) is entirely silent on whether laches was intended to be a defense to legal damages. The majority instead relies on a treatise to show that one of the statute's drafters believed that laches was implicitly included within Section 282(b)(1). At best, that treatise is silent on the critical question: whether Congress intended to make laches a defense to *legal damages*. It is entirely plausible that the statute's drafter was merely confirming that laches could continue to bar equitable relief in some instances.

The *SCA Hygiene* majority ignores clear Supreme Court precedent—predating the 1952 statute—providing that "[l]aches within the term of the statute of limitations is no defense at law." *United States v. Mack*, 295 U.S. 480, 489 (1935). Following the canon of statutory interpretation that a statute is presumed to retain the substance of the common law, *Mack* strongly suggests that congressional enactment of Section 282 did not implicitly preserve laches as a defense to legal damages. The inclusion of a six-year damages window in Section 286 only reinforces that conclusion.

In *Aukerman,* the Federal Circuit sought to distinguish the limitation prescribed by Section 286 as "an arbitrary limitation on the period for which damages may be awarded on any claim for patent infringement" from laches, which the court said "invokes the discretionary power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties." 960 F.2d at 1030. The court reasoned that the two limitations could coexist because

"[n]othing in section 286 suggests that Congress intended by reenactment of this damages limitation to eliminate the long recognized defense of laches or to take away a district court's equitable powers in connection with patent cases." *Id.*

The Supreme Court rejected a similar argument in *Petrella*. The majority observed that the merger of law and equity did not change the substantive and remedial principles that were in effect before 1938. "Both before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief." 134 S. Ct. at 1973. Permitting individual judges to have discretion in setting the limitations period would upset that uniformity that Congress sought by prescribing a statutory limitations period for copyright infringement.

The Federal Circuit's attempt to identify historical differences between copyright law and patent law is unconvincing, and does not provide sufficient basis to distinguish the reasoning of *Petrella*.

D. *Sound Judicial Policy Counsels Against Applying Laches to Patent Damages*

Limiting application of the laches defense is sound public policy. Adhering to the six-year damages recovery period of Section 286 gives patent rights holders and accused infringers time to resolve disputes before filing patent infringement litigation. Conversely, if the laches defense is more widely available (including during the six-year damages recovery period), patent litigation may be filed

more quickly. Under the Federal Circuit's *SCA Hygiene* decision, rational patent holders may fear that any delay could lead to laches (and the risk having the bulk of damages related to the infringement stripped away). Such an incentive is contrary to the long-held judicial policy favoring out-of-court dispute resolution.

That policy has particular salience in the context of patent infringement disputes, which are among the most costly and complex to litigate. Modern patent reform has largely been animated by a desire to reduce the volume and costliness of infringement litigation. The Federal Circuit's retention and expansion of the laches defense runs contrary to that trend.

Invigorating the laches defense, as the Federal Circuit appears to have done with its *SCA Hygiene* decision, would have a disproportionate and negative effect on manufacturing patent owners and research universities. Manufacturing patent owners often view patent litigation as a last resort, preferring instead to focus on business and market place competition. Similarly, universities often seek industry partnerships instead of litigation. Such entities often have large patent portfolios, making it more challenging to actively "police" infringement. The availability of laches during the statutory six-year patent damages period would likely harm to manufacturing patent owners and universities more than non-practicing entities.

Finally, courts have other tools for policing bad actors during the six-year damages limitations period established

by 35 U.S.C. § 286. Equitable estoppel remains available if a patentee engages in misleading conduct—including but not limited to delay—that causes the infringer to believe that the patentee will not assert its patent rights, and where such conduct causes prejudice. Because equitable estoppel requires more than delay, it does not create the perverse incentives that exist with laches.

For these reasons, the Section of Intellectual Property Law believes its recommendation is consistent with the law and represents sound public policy, and therefore urges its adoption by the ABA House of Delegates.

Respectfully submitted,

Theodore H. Davis Jr., Chair
Section of Intellectual Property Law
February 2016

108B *Appendix B*

GENERAL INFORMATION FORM

Submitting Entity: Section of Intellectual Property Law

Submitted by: Theodore H. Davis Jr., Section Chair

1. Summary of Resolution

   The Resolution expresses Association policy in support of a clarification of the law relating to the judicially created laches defense to patent infringement. Congress enacted a statutory six-year patent damages period (35 U.S.C. § 286). This limits availability of a laches defense as a bar to legal damages for patent infringement within that six-year period. Of course, laches would still be a defense where equitable relief is sought (such as injunctive relief and ongoing royalties). This is consistent with the U.S. Supreme Court's treatment of the same defense in the copyright context.

2. Approval by Submitting Entity

   The Section Council approved the resolution on November 6, 2015.

3. Has this or a similar resolution been submitted to the House of Delegates or Board of Governors previously?

   No.

4. What existing Association policies are relevant to this Resolution and would they be affected by its adoption?

   None.

5. What urgency exists which requires action at this meeting of the House?

   The policy would provide authority for the ABA to express views should it decide to file an amicus curiae brief relating to an expected petition for writ of certiorari or on the merits before the U.S. Supreme Court in the case of *SCA Hygiene Products AB v. First Quality Baby Products LLC*, Appeal No. 13–1564, or another judicial proceeding presenting the same or similar issues regarding the scope of the laches defense in patent infringement suits.

6. Status of Legislation. (If applicable)

   Not applicable.

7. Brief explanation regarding plans for implementation of the policy, if adopted by the House of Delegates

   The policy would support submission of an amicus curiae brief on behalf of the ABA relating to a petition for writ of certiorari or on the merits before the U.S. Supreme Court in the case of *SCA Hygiene Products AB v. First Quality Baby Products LLC*, Appeal No. 13–1564, or another judicial proceeding presenting the same or similar issues regarding the scope of the laches defense in patent infringement suits.

8. Cost to the Association (both direct and indirect costs)

   Adoption of the recommendations would not result in additional direct or indirect costs to the Association.

9. Disclosure of Interest

   There are no known conflicts of interest with regard to this recommendation.

10. Referrals

    This recommendation is being distributed to each of the Sections and Divisions and Standing Committees of the Association.

11. Contact Person (prior to meeting)

    Susan Barbieri Montgomery
    Section Delegate to the House of Delegates
    Foley Hoag LLP
    155 Seaport Blvd., Ste. 1600
    Boston, MA 02210-2600
    Ph: 617-832-1222
    Fax: 617-832-7000
    s.montgomery@neu.edu

12. Contact Persons (who will present the report to the House)

    Susan Barbieri Montgomery (See item 11 above).

Appendix B **108B**

EXECUTIVE SUMMARY

1. Summary of the Resolution

The Resolution expresses ABA policy in support of a clarification of the law relating to the judicially created laches defense to patent infringement. Congress enacted a statutory six-year patent damages period (35 U.S.C. § 286). That statutory provision limits the availability of the laches defense, which cannot bar legal damages for patent infringement within that six-year damages period authorized by Congress. Of course, laches remains available as a defense where equitable relief is sought (such as injunctive relief and ongoing royalties). This is consistent with the U.S. Supreme Court's treatment of the same defense in the copyright context.

2. Summary of the Issue that the Resolution Addresses

The U.S. Supreme Court eliminated the laches defense for copyright cases in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). The Court reasoned that the judicially created laches defense must give way to the statutory three-year damages period in copyright. However, on September 18, 2015, the U.S. Court of Appeals for the Federal Circuit, sitting *en banc*, preserved the defense of laches for patent cases and distinguished *Petrella*. *SCA Hygiene Products AB v. First Quality Baby Products LLC,* 2015 WL 5474261 (Fed. Cir. Sept. 18, 2015) (en banc).

The resolution addresses whether the judicially created laches defense should bar legal relief in a patent infringement suit during the six-year damages period authorized by Section 286.

3. Please Explain How the Proposed Policy Position will Address the Issue

The issue relates to roles of the judicial and legislative branches of the federal government. In *Petrella*, the U.S. Supreme Court explained that congressional enactment of a statutory three-year copyright damages period (17 U.S.C. § 507(b)) has the effect of limiting availability of the judicially created laches defense as a bar to legal damages for copyright infringement.

The Resolution seeks a clarification that the same principle should apply to the patent law. Congressional enactment of a statutory six-year patent damages period (35 U.S.C. § 286) also has the effect of limiting availability of a laches defense as a bar to legal damages for patent infringement, although laches may still be a defense where equitable relief is sought (such as injunctive relief and ongoing royalties).

4. Summary of Minority Views

None known at this time.