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

BRIEF OF MEDINOL LTD. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

Richard L. DeLucia
E. Joshua Rosenkranz
Randy J. Kozel
Monte Cooper
Will Melehani
ORRICK, HERRINGTON & SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10019

Richard H. Pildes
Counsel of Record
40 Washington Square South
New York, NY 10012
(212) 998-6377
rick.pildes@nyu.edu

Counsel for Amicus

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INTEREST OF *AMICUS*[1]

Medinol Ltd. is a medical device company that recently filed a petition for a writ of certiorari in this Court. *See* Petition for Writ of Certiorari, *Medinol Ltd. v. Cordis Corporation*, (No. 15-998) (U.S. 2016). Medinol's petition, which is pending, raises legal issues that overlap with the question presented in this case. Like the petitioners here, Medinol's statutory right to sue for damages was undercut by the Federal Circuit's misinterpretation of this Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014). Medinol respectfully submits this brief in order to describe the relationship between the two cases and to explain why this Court's review of both cases is warranted.

[1] The parties have consented to the filing of this *amicus* brief. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than *amicus* and its counsel made a monetary contribution intended to fund the preparation or submission of the brief.

SUMMARY OF ARGUMENT

This case involves the use of laches to bar damages claims that are timely under the Patent Act. Sitting en banc and splitting 6 to 5, the Federal Circuit authorized laches as a potential bar to timely claims. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015). That decision overrode Congress' judgment about timeliness as embodied in the Patent Act's express limitations period. It also contravened this Court's reasoning in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), which underscores the incongruity of invoking laches to deny claims that Congress has determined to be timely.

Even on its own terms, the Federal Circuit's rationale is untenable. The court concluded that laches is available for damages claims based on 35 U.S.C. § 282(b), which says nothing about laches. *SCA*, 807 F.3d at 1335 (J. Hughes, concurring in part and dissenting in part) (explaining how the Patent Act is devoid of language supporting a laches defense). The Federal Circuit's attempt to ground the laches defense in pre-Patent Act common law is similarly mistaken: As this Court made clear in *Petrella*, the Court's precedents have never supported the use of laches to bar legal relief. 134 S. Ct. at 1974-75.

Like the petitioners here, *amicus* Medinol was stripped of its timely patent infringement claim based on a district court's application of judicial

discretion under the doctrine of laches to dismiss Medinol's claim, even though it was timely under the statutory limitations period Congress had created. *Medinol Ltd. v. Cordis Corp.*, 15 F. Supp. 3d 389, 409 (S.D.N.Y. 2014). On February 2, 2016, Medinol filed a petition for certiorari raising a question similar to the one presented here: "May judges use the equitable defense of laches to bar legal claims for damages that are timely under the express terms of the Patent Act." Petition for Writ of Certiorari, *Medinol Ltd. v. Cordis Corporation*, (No. 15-998) (Feb. 2, 2016).

The Federal Circuit's laches rule has harmed both Medinol and the petitioners here. Yet the two cases present significantly different factual settings. In *SCA*, petitioners were faulted for failing to notify the defendants of their intent to sue following an ex parte re-examination of the asserted patent. In Medinol's case, by contrast, the district court dismissed Medinol's infringement claims for failing to assert that claim during the time Medinol was pursuing a mutually beneficial deal with the infringers. *Compare SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, Case No. 1:10-cv-00122-JHM, 2013 U.S. Dist. LEXIS 98755, *14-16 (W.D. Ky. July 15, 2013) (ruling that SCA should have notice of intent to file its lawsuit following the re-examination), *with Medinol*, 15 F. Supp. 3d at 405-406 (explaining that Medinol should have given notice of infringement allegations despite the risk such notice could jeopardize their business relationship). In addition, the district court in Medinol's case charged it with unreasonable delay based on constructive knowledge rather than actual

knowledge—a factor not present in the *SCA* case. *Compare SCA*, 2013 U.S. Dist. LEXIS 98755, at *11 (calculating delay period from the date of the plaintiff's cease and desist letter), *with Medinol*, 15 F. Supp. 3d at 404 (finding constructive knowledge based on a Medinol employee's knowledge that a *nonaccused* product infringed the asserted patents).

Medinol's petition for certiorari (15-998) explains why its case provides a more compelling factual context to resolve this issue, but at a minimum, the *Medinol* and *SCA* cases should be considered in tandem.[2] The differences between Medinol's case and this one illuminate the wide-ranging impact of the Federal Circuit's decision to resuscitate the laches defense for damages claims in patent suits. Taken together, the two cases provide a richer context for understanding the operation of the Patent Act and the harms flowing from the Federal Circuit's

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[2] The Court recently did just that with *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513, 2015 U.S. LEXIS 6634 (U.S. Oct. 19, 2015) and *Stryker Corp. v. Zimmer, Inc.*, No. 14-1520 (U.S. Oct. 19, 2015), which presented a similar legal question concerning interpretation of the Patent Act. *See Halo Elecs., Inc.*, 2015 U.S. LEXIS 6634, *1 (granting certiorari and consolidating the cases for one hour of oral argument). The Court has simultaneously considered cases presenting the same legal question in other contexts as well. *See Obergefell v. Hodges*, 135 S. Ct. 2584 (2015) (simultaneously resolving common questions raised in cases nos. 14-556, 14-562, 14-571, and 14-574); *Kansas v. Carr*, 135 S. Ct. 1698 (2015) (granting certiorari and consolidating cases nos. 14-449 and 14-450); *Burwell v. Hobby Lobby Stores, Inc.*, 134 S. Ct. 2751 (2014) (deciding cases nos. 13-354 and 13-356 in tandem); *Riley v. California*, 134 S. Ct. 2473 (2014) (simultaneously resolving similar questions presented in cases nos. 13-132 and 13-212).

anomalous approach. This Court should grant the instant petition as well as the petition in *Medinol v. Cordis*, and it should consider the two cases in tandem.

ARGUMENT

In *Petrella*, this Court made clear that laches "cannot be invoked to preclude adjudication of a claim for damages" that is timely under the applicable statute of limitations. 134 S. Ct. at 1967. Only a year later, and by the slimmest of majorities, the en banc Federal Circuit disregarded this Court's teachings and carved out an exception for patent suits. *SCA*, 807 F.3d at 1321.

But Congress has already specified when damages claims are timely under the Patent Act through the Act's express limitations period. Under *Petrella*, there is no room for judges to invoke laches on a case-by-case basis to bar claims that are timely under the Act. Nor should patent holders who are considering their options be subject to the lingering possibility that a judge might second-guess their reasons for not rushing headlong into court.

As elaborated more fully in Medinol's own certiorari petition (15-998), those are the lessons of *Petrella*. This Court should grant review of this case and *Medinol v. Cordis* to reiterate that *Petrella*'s teachings are fully applicable in the realm of patent law.

I. The Court Should Grant Certiorari To Prevent The Federal Circuit From Undermining *Petrella*.

Petrella v. Metro-Goldwyn-Mayer dealt with the role of laches in suits for copyright infringement. This Court left no mystery about its rule of decision: When there is a "statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Petrella*, 134 S. Ct. at 1974. Laches is the stuff of "gap-filling," not "legislation-overriding." *Id.* Once Congress speaks, it is time for judges to listen.

Like the Copyright Act at issue in *Petrella*, the Patent Act contains an express limitations period crafted by Congress. *See* 35 U.S.C. § 286 (limiting damages to acts of infringement occurring within the past six years). The Federal Circuit, however, treated the two statutes as worlds apart even as it acknowledged the lack of any "substantive distinction material to the *Petrella* analysis" in the limitations provisions in the Copyright and Patent Acts. *SCA*, 807 F.3d at 1321. Although *Petrella* held that this limitations period precluded judicial invocation of laches to bar copyright claims for damages, the Federal Circuit came to the exact opposite conclusion and endorsed laches as a bar to legal relief in patent infringement actions. Its rationale—that patent cases play by a unique set of rules—has no basis in the Patent Act or this Court's case law.

Instead of applying *Petrella* to the patent context, the Federal Circuit depicted the Patent Act as working more like another statute: the Lanham

Act. *SCA*, 807 F.3d at 1329. But unlike the Patent Act, the Lanham Act contains no statute of limitations. And unlike the Patent Act, the Lanham Act expressly provides for a laches defense. *See Petrella*, 134 S. Ct. at 1974 n.15. Far from showing that laches retains a role in suits for patent damages, the Lanham Act comparison underscores how strained the Federal Circuit's logic is.

The Federal Circuit also attempted to conjure a laches defense out of 35 U.S.C. § 282(b), a statute that lists defenses for patent infringement. That effort failed at the outset given the fact that § 282(b) says nothing at all about laches, let alone the availability of laches in damages claims. *SCA*, 807 F.3d at 1335 (J. Hughes, concurring in part and dissenting in part) (explaining how the Patent Act is devoid of language supporting a laches defense).

The Federal Circuit fared no better in its attempt to prop up laches as a background common law principle. Even if such understandings were sufficient to override the Patent Act's clear text—which they are not, *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 254 (1992) (explaining that "[w]hen the words of a statute are unambiguous … judicial inquiry is complete")—the Federal Circuit misunderstood the prevailing common law practice. As this Court explained in *Petrella*, "[b]oth 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 (footnote omitted); *see also SCA*, 807 F.3d at 1333 (J. Hughes, concurring in part and dissenting in part) (noting that at the time of the Patent Act's enactment, "the Supreme Court

had already recognized the common-law principle that laches cannot bar a claim for legal damages."). Indeed, neither the majority nor the dissent in *Petrella* was able to find any case in which this Court had "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." 134 S. Ct. at 1974.

In sum, a narrow majority of the Federal Circuit has disregarded Congress' express determination of timeliness, rejected the teaching of *Petrella*, and injected the unpredictability of the laches defense into every case of patent infringement seeking damages. Given the Federal Circuit's exclusive jurisdiction over patent appeals, the distortion and uncertainty will prevail unless and until this Court intervenes.

II. The Court Should Consider This Case In Tandem With *Medinol v. Cordis*.

Medinol's petition for certiorari, filed on February 2, 2016, raises a similar question to that in this case concerning the invocation of laches to bar timely claims for patent damages. Petition for Writ of Certiorari, *Medinol Ltd. v. Cordis Corporation*, (No. 15-998) (U.S. 2016). That petition presents a complementary factual context and provides a fuller illustration of the implications of the Federal Circuit's anomalous approach to laches in patent cases. At a minimum, the two cases should be considered in tandem.

Taken together, the two cases vividly demonstrate the effects of the Federal Circuit's rule that courts should determine whether patent infringement suits are timely depending on when the patent holder knew or should have known of its patent infringement claim. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998). In *SCA*, the district court calculated delay from the time the patent holder wrote the defendants a cease and desist letter, demonstrating *actual* knowledge of its potential cause of action., 2013 U.S. Dist. LEXIS 98755, at *11. By contrast, in *Medinol v. Cordis,* the district court's decision was premised on *constructive* knowledge. Applying Federal Circuit precedent, the *Medinol* court found constructive knowledge based on Medinol's earlier litigation against the infringers in disputes over other patents. *Medinol Ltd. v. Cordis Corp.*, 15 F. Supp. 3d at 404. Because this constructive knowledge predated several of the asserted patents, the district court decided that the laches clock had started ticking for those patents as soon as they issued. *Id*.

Considering *SCA* and *Medinol* together also demonstrates more clearly how the Federal Circuit's invocation of laches supplants Congress' express judgment with the case-by-case discretion of individual judges. The Federal Circuit's case law instructs judges to determine whether a delay is unreasonable using a "totality of the evidence" standard. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1038 (Fed. Cir. 1992) ("The facts of unreasonable delay and prejudice then must be proved and judged on the totality of the evidence presented."). In *SCA*, the district court

ruled that the petitioners' delay of just over six years was unreasonable, despite the fact that the petitioners' patent was in ex parte reexamination for nearly three years. *SCA*, 2013 U.S. Dist. LEXIS 98755, at *13-14. The district court ruled that the petitioners should have given the defendants advance notice of the petitioners' intent to enforce their claims after the patents emerged from re-examination. *Id.* at *15-16).

The district court in *Medinol v. Cordis* found unreasonable delay based on very different circumstances. Medinol and the accused infringers were pursuing a business venture. According to the court, Medinol nevertheless should have notified the defendants of its infringement claims—notwithstanding the obvious risk that any venture would be undermined by the prospect of litigation. *Medinol*, 15 F. Supp. 3d at 405-406. And the district court ultimately barred Medinol's claims even while acknowledging that, for some of the asserted patents, the unexcused delay was for a period of less than six years. *Id*. at 407 ("It is within my discretion to find that a delay of less than six years is unreasonable").

The invocation of laches to bar Medinol's claims puts on full display the mischief of the Federal Circuit's approach. With the laches defense on the table, a patent holder cannot rely on Congress' express decision to allow damages going back six years. 35 U.S.C. § 286. Should it take too much time deliberating before rushing into court, a patent holder risks being stripped of its claims. So, too, if it decides to explore the possibility of an amicable

business solution instead of launching a lawsuit at the earliest opportunity.

Such a rule is at odds with this Court's rejection of the notion that one must "sue soon, or forever hold your peace" even when Congress has prescribed a limitations period that provides clear guidance to the industry. *Petrella*, 134 S. Ct. at 1976. But on the Federal Circuit's rationale, this Court's teachings in *Petrella* do not command the same result under the Patent Act as under the Copyright Act. As a result, the Federal Circuit treats Congress' judgments about timeliness as embodied in the Patent Act's limitations period as more of a recommendation than a legal rule. All that matters under the Federal Circuit's approach is the equitable determination of an individual judge in an individual case. If, as in this case and *Medinol v. Cordis*, a judge believes that the patent holder should have filed sooner than it did, that is the end of the matter. This Court rejected such a regime for the Copyright Act, and it should do the same for the Patent Act.

CONCLUSION

For the foregoing reasons, this Court should grant certiorari and consider the case in tandem with *Medinol v. Cordis* (15-998) or hold this petition pending the resolution of *Medinol*.

Respectfully submitted,

Richard L. DeLucia
E. Joshua Rosenkranz
Randy J. Kozel
Monte Cooper
Will Melehani
ORRICK, HERRINGTON & SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10019

Richard H. Pildes
Counsel of Record
40 Washington Square South
New York, NY 10012
(212) 998-6377
rick.pildes@nyu.edu

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