

No.

IN THE
Supreme Court of the United States

MEDINOL LTD.,

Petitioner,

v.

CORDIS CORPORATION, JOHNSON & JOHNSON,

Respondents.

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

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Petrella v. Metro-Goldwyn-Mayer*, this Court ruled that if a damages claim is timely under the relevant statute of limitations, judges cannot bar the claim by invoking the defense of laches. 134 S. Ct. 1962 (2014). The timeliness of the claim depends on “Congress’ judgment,” not the discretion of judges exercising their equitable powers. *Id.* at 1967.

In this case, the Federal Circuit affirmed the use of laches to dismiss damages claims that were timely under the Patent Act’s statute of limitations. The Federal Circuit relied on a 6-5 en banc decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311 (Fed. Cir. 2015), that disregarded *Petrella*’s admonition that “courts are not at liberty to jettison Congress’ judgment on the timeliness of suit.” 134 S. Ct. at 1967. Rather than following *Petrella*, the Federal Circuit created an exception for damages claims in patent cases.

The question presented is:

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.

CORPORATE DISCLOSURE STATEMENT

Petitioner Medinol, Ltd. has no parent corporation, and no publicly held corporation owns 10% or more of its stock.

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INTRODUCTION¹

In *Petrella v. Metro-Goldwyn-Mayer*, this Court explained that in the face “of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief.” 134 S. Ct. 1962, 1974 (2014). The Court noted that it had “never” allowed the defense of laches to override a limitations period Congress set. *Id.* at 1974-75.

The very next year, the Federal Circuit did precisely what *Petrella* had forbidden: It applied laches to override statutory limitations periods for damages claims. In a deeply divided 6-5 en banc decision, the Federal Circuit majority stood by its prior precedents on laches rather than heeding the principles announced in *Petrella*. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1323 (Fed. Cir. 2015) (hereinafter “SCA”). The five dissenting judges lambasted the majority for ignoring the “Supreme Court’s clear, consistent, and longstanding position on the unavailability of laches to bar damages claims filed within a statutory limitations period.” *Id.* at 1333. The dissenters also criticized the majority for once again ignoring this Court’s repeated admonitions to the Federal Circuit not to create special doctrinal rules in patent cases. *Id.* Given the Federal Circuit’s exclusive jurisdiction over patent appeals, the majority’s conclusion will

¹ The appendix to this petition is cited as “Pet. App.”

define the contours of patent litigation unless and until this Court intervenes.

In *Petrella*, this Court mentioned the Federal Circuit's position "that laches can bar damages incurred prior to the commencement of suit." 134 S. Ct. at 1974 n. 15. The Court did not comment on the validity of the Federal Circuit's practice. It simply noted that the Court has "not had occasion to review the Federal Circuit's position." *Id.*

This is the occasion. In a strongly contested decision, the majority of the Federal Circuit has overridden the Patent Act's statute of limitations in a way that contravenes Congress' will as well as this Court's teachings to yield the result this Court said it has "never" condoned.

Petrella's lesson is clear. If a damages claim falls within the applicable statute of limitations, the claim is timely. When Congress has decided which claims are timely, judges may not override that judgment. This is a general, longstanding principle of federal law concerning the proper relationship between courts and Congress when Congress has chosen a specific limitations period. The Patent Act is no more an exception than the Copyright Act at issue in *Petrella*. As the dissenting judges emphasized in the precedent on which the decision below rests, "[p]atent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation." SCA, 807 F.3d at 1333. Yet the Federal Circuit nevertheless "adopt[ed] a patent-specific approach to the equitable doctrine of laches." *Id.*

The Federal Circuit’s en banc opinion in *SCA* is the subject of a cert. petition filed less than two weeks ago. Petition for Writ of Certiorari, *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, (No. 15-927) (Jan. 19, 2016). This Court should review the issue to respect the will of Congress, to prevent the dilution of *Petrella*, and to make clear that statutes of limitations do not mean something different in the Patent Act than they do in the rest of the U.S. Code. It should review this case, whether in tandem with *SCA* or instead of *SCA*, because this case presents a factual context that more fully displays the mischief of a rule that leaves it to individual judges to adopt idiosyncratic rules rejiggering the timeline Congress set.

OPINIONS AND ORDERS BELOW

The Federal Circuit order granting Medinol’s and Cordis’ joint motion for summary affirmance is not reported but is reproduced at Pet. App. 53a-54a. The decision it relied upon is *SCA Hygiene Products Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311 (Fed. Cir. 2015) (en banc). The Federal Circuit order denying Medinol’s petition for initial hearing en banc, which is not reported, is reproduced at Pet. App. 1a-2a. The district court’s order denying Medinol’s motion for relief from judgment under Rule 60(b) of the Federal Rules of Civil Procedure is not reported, but is reproduced at Pet. App. 3a-7a. The district court’s opinion finding Medinol’s patent infringement claims to be barred by laches is reported at 15 F. Supp. 3d 389 and reproduced at Pet. App. 8a-52a.

JURISDICTION

The Federal Circuit entered its judgment on December 22, 2015. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant portion of 35 U.S.C. § 286 provides:

Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

The relevant portion of 35 U.S.C. § 282(b) provides:

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability.

STATEMENT OF THE CASE

The District Court Relies Exclusively on Laches to Dismiss Medinol's Claims for Patent Infringement

Petitioner Medinol Ltd., an Israeli medical device company, is one of the major innovators in the field of coronary stents. It produces a variety of cutting-edge products used to diagnose and cure heart

problems. This case concerns four patents (the “Pinchasik patents”) that all issued between 1999 and 2005. The patents all derived from an earlier patent, U.S. Patent No. 5,449,373 (“the ’373 Patent”). Pet. App. 10a-11a. The Pinchasik patents share nearly identical specifications. They describe coronary stents that are used in balloon angioplasty procedures (procedures where a stent is delivered by a small balloon to a blocked or narrowed blood vessel, the balloon is inflated to reopen the vessel, and the stent remains behind to support the vessel against reclosure). The stents are “articulated,” meaning they have relatively rigid segments connected by flexible links, allowing the stents support the vessel and to bend for crossing tortuous vessels. Pet. App. 11a (quotation marks omitted).

Cordis, a medical device manufacturer and an affiliate of Johnson & Johnson, sold two coronary stents known as Cypher and Cypher Select. Pet. App. 13a-14a. Medinol sued Cordis and Johnson & Johnson (collectively, “Cordis”) on March 4, 2013, alleging that these stents infringed the Pinchasik patents. Pet. App. 13a. Because Cordis had stopped making and selling the infringing stents no later than 2012, Medinol sought only damages for past infringement. Pet. App. 14a.

In enacting the Patent Act, Congress expressly addressed the timeliness of claims seeking damages for patent infringement. The Patent Act’s only limitation on the timeliness of a claim for patent infringement appears in § 286, which is entitled “Time Limitation on Damages.” 35 U.S.C. § 286. Section 286 states that “[e]xcept as otherwise provided by

law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.” *Id.*

In accordance with the terms laid out in § 286, Medinol filed a complaint seeking damages for Cordis’ patent infringement.²

Notwithstanding the timeliness of Medinol’s claims under the Patent Act, Cordis urged the district court to invoke the equitable doctrine of laches and dismiss Medinol’s claims. Laches, as this Court explained in *Petrella*, serves as an equitable bar to relief if courts conclude there has been an “unreasonable, prejudicial delay in commencing suit.” 134 S. Ct. at 1967.

In this case, Medinol had postponed litigation while it sought to work out a business deal with Cordis in hopes of finding a mutually beneficial solution. From 2000 until late 2004, Medinol was involved in patent litigation and related appeals with Cordis concerning a related product (the “BX Velocity” bare-metal stent) and three different patents (“the Israel patents”) covering different stents. Pet. App. 14a-17a. Beginning in March 2006, however, Medinol and Cordis began to seek a cooperative business relationship, and the parties settled all

² Medinol and Cordis had tolled the six-year statute of limitations for two years by agreement. Pet. App. 22a. Accordingly, Medinol sought recovery for damages caused by the previous eight years of infringement.

their pending claims (while preserving any unasserted claims). Pet. App. 20a-22a. As part of that settlement, the parties tolled all statutes of limitations periods for any U.S. claims they had against one another for two years, until July 7, 2008. Pet. App. 22a.

Given the pivotal importance of the laches defense, the district court decided to bifurcate the trial and try the laches issue first, before any discovery on the merits. From the outset, the proceedings occurred in the shadow of this Court's grant of certiorari in *Petrella*, which Medinol brought to the district court's attention in a pretrial brief and reiterated during a hearing.

According to Cordis, Medinol's patience was its undoing, because Medinol did not expressly inform Cordis that its claims—that the Cypher or Cypher Select stents infringed the Pinchasik patents—could be subject to the tolling agreement. Pet. App. 28a. Cordis argued that the accused Cypher and Cypher Select products were essentially the same as the unaccused BX Velocity product, and therefore Medinol had at least constructive knowledge from the previous litigation that Medinol had a viable lawsuit against *other* Cordis products under most of the Pinchasik patents on the very day the patents issued. Pet. App. 38a-39a (explaining that Medinol had constructive knowledge that the BX Velocity infringed its patents and calculating delay period from the date of each patent's issuance); Pet. App. 34a-35a (explaining that claims against the Cypher product were available when the BX Velocity was

released, despite the fact that the Cypher product was not yet released).

After a four-day trial devoted to laches, the district court ultimately agreed with Cordis. While *Petrella* was still pending at this Court, the district court issued its laches decision. Relying on the Federal Circuit's opinion in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), which had been decided decades before *Petrella*, the district court dismissed Medinol's claims.

Applying the equitable doctrine of laches, the district court believed that it had to make the discretionary judgment whether, under "the totality of the circumstances," Medinol had acted "as a reasonable patentee." Pet. App. 42a-43a. The district court determined that Medinol executives had been aware of Cordis' potential infringement of the Pinchasik patents based on their knowledge of Cordis' now-unaccused BX Velocity stent from the litigation of the previously asserted Israel patents. Pet. App. 38a (explaining that Medinol had constructive knowledge of infringement when the BX Velocity entered the market in 1999.) Accordingly, the court concluded that Medinol had unreasonably delayed in asserting several of the Pinchasik patents against the newer Cypher stent, even though the Cypher stent had not yet been introduced. Pet. App. 38a-39a (calculating the delay period of the Cypher stent from the 1999 release date of the BX Velocity stent).

Moreover, in finding Medinol's delay to be unreasonable, the district court was not deterred by the

fact that the parties entered into a two-year tolling agreement and business venture. The court apparently believed that Medinol remained obligated throughout this period to inform Cordis that the Cypher and Cypher Select stents infringed the Pinchasik patents. Pet. App. 40a-43a. Even for one of the Pinchasik patents that issued on April 5, 2005, the court concluded that Medinol's delay in filing suit until March 4, 2013 was unreasonable—despite the court's acknowledgement that any unexcused delay was for a period of less than six years. Pet. App. 46a-47a.

The district court also concluded that Medinol's delay caused Cordis to suffer economic prejudice because (1) Medinol negotiated an indemnification clause in its settlement with Cordis that resulted in Cordis paying a third party, Boston Scientific, approximately \$100 million; (2) Cordis never had the opportunity to design around the Pinchasik patents during the period of delay; and (3) Cordis would have exited the stent market sooner had it not entered into the business relationship with Medinol. Pet. App. 47a-50a.

To the district court, it did not matter that Medinol had knowingly surrendered some of its damages for past infringement for the sake of pursuing a mutually beneficial business relationship with Cordis. Nor did it matter that the claims Medinol ultimately asserted were timely under the Patent Act's six-year statute of limitations. The district court's laches ruling treated Congress' limitations period as irrelevant and substituted the

court's own view as to when Medinol should have sued.

This Court Rules That Laches Cannot Override Limitations Periods Set by Congress

Two months after the district court dismissed Medinol's claims, this Court decided *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014). The Court ruled that the equitable defense of laches cannot foreclose a damages claim that is timely under the relevant statute of limitations. *Petrella* involved the Copyright Act, but the Court's holding defined the general relationship between federal courts and Congress and between laches and statutes of limitations: When there is "a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Petrella*, 134 S. Ct. at 1974.

Because *Petrella* undermined the argument that laches can override Congress' express limitations period for patent suits, Medinol sought relief from the district court's judgment under Federal Rule of Civil Procedure 60(b). Pet. App. 3a-7a. While that request was pending, a three-judge panel of the Federal Circuit reaffirmed its pre-*Petrella* approach—which is to say, that laches remains a valid defense to damages claims notwithstanding the Patent Act's express statute of limitations. Pet. App. 5a-6a.

After the Federal Circuit doubled down on its idiosyncratic approach to patent litigation notwithstanding the contrary teachings of *Petrella*, the district court concluded that it was "bound to follow the Federal Circuit, which has now reaffirmed that"

its prior allowance of laches defenses to damages claims “remains good law.” Pet. App. 6a. Finding its hands tied by Federal Circuit precedent, the court denied Medinol’s motion for relief. This denial was solely on the grounds that laches continued to bar Medinol’s claims. *Id.*

Splitting 6-5, the Federal Circuit Refuses to Accept Petrella

On appeal, Medinol asked the Federal Circuit for an en banc determination that *Petrella* applies to the Patent Act just as it does to the Copyright Act (and to every other federal law that contains a statute of limitations). The Federal Circuit had received a similar request for en banc review in *SCA*, and it stayed Medinol’s appeal in the meantime.

By the slimmest of margins, the court refused to budge. The court ruled, 6-5, that its existing approach to laches could remain in place despite *Petrella*. *SCA*, 807 F.3d at 1323. The majority acknowledged that “*Petrella* clearly casts doubt on several aspects” of that approach. *Id.* at 1321. It also conceded that there was “no substantive distinction material to the *Petrella* analysis” between the Patent Act’s limitations period and the limitations period at issue in *Petrella*, which involved the Copyright Act. *Id.*

Yet the majority nevertheless concluded that the Patent Act is properly interpreted as preserving a laches defense even for damages claims. Though it recognized that “the statutory text says nothing on the applicability of laches to legal relief” and that

even “the legislative history is silent on the meaning of laches,” the majority concluded that laches for damages claims is hiding in an unexpected place: § 282, which notes the availability of defenses on grounds of “[n]oninfringement, absence of liability for infringement or unenforceability.” *Id.* at 1322. Based on an unexplained, post-enactment statement by a U.S. Patent and Trademark Office official who was involved in drafting the Patent Act, the majority concluded that laches remains viable even in damages claims. *Id.* at 1322-23.

The majority also cited various lower court cases that it described as consistent with the view that “laches [can] preclude recovery of legal damages” in patent suits. *Id.* at 1326 (citing *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934); *Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *Ford v. Huff*, 296 F. 652 (5th Cir. 1924); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Brennan v. Hawley Prods. Co.*, 182 F.2d 945 (7th Cir. 1950); *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952)).

Five judges dissented in relevant part.³ The dissenters argued that “the majority has no sound basis for finding that Congress intended to displace the uniform limitations period in § 286 with the case-specific doctrine of laches.” *Id.* at 1333 (Hughes, J.,

³ The dissenting judges agreed with the majority that laches existed as a defense to bar equitable relief. *SCA*, 807 F.3d at 1333 n. 1 (Hughes, J., concurring in part and dissenting in part).

concurring in part and dissenting in part). They refused to disregard the “Supreme Court’s clear, consistent, and longstanding position on the unavailability of laches to bar damages claims filed within a statutory limitations period.” *Id.*

As for the majority’s reliance on the post-enactment impressions of a single commentator, the dissenters found those impressions to be inconclusive on their face and, in all events, “entirely insufficient as a matter of statutory construction to conclude that Congress intended to incorporate laches as a defense to claims for legal damages, particularly in light of the contrary and clear language of § 286.” *Id.* at 1337. The dissenters also criticized the majority for “ignor[ing] Supreme Court precedent and other federal court decisions holding that laches does not bar claims for legal relief filed within a statutory limitations period.” *Id.* at 1335.

After its decision in *SCA*, the Federal Circuit denied Medinol’s petition for en banc consideration of its own case. Pet. App. 1a-2a. The only question at issue in Medinol’s appeal had been (and remains) the purely legal issue of whether laches applies to damages claims in patent infringement suits. Because *SCA* resolved that issue as a matter of Federal Circuit law, Medinol joined with Cordis in a motion for summary affirmance so that it could proceed with challenging the Federal Circuit’s ruling before this Court. Pet. App. 53a-54a. The Federal Circuit granted the motion on December 22, 2015, noting the parties’ agreement that their dispute was controlled by *SCA*. Pet. App. 54a.

Just two weeks ago, the plaintiffs in *SCA* filed a cert. petition (No. 15-927) seeking review of the same question presented here.

REASONS FOR GRANTING THE WRIT

This Court should decide the laches question presented in this case and *SCA* because the Federal Circuit's decision flatly contradicts the longstanding principles reaffirmed in *Petrella* and cannot be challenged in any other court. This case presents a factual context that more fully displays the mischief of a rule that leaves it to individual judges to adopt idiosyncratic rules rejiggering the timeline Congress set. Accordingly, this Court should grant this petition to be considered either in tandem with or instead of *SCA*.

I. The Federal Circuit's Position Flatly Contradicts This Court's Teachings in *Petrella*.

In *Petrella*, this Court considered the availability of laches in cases brought under the Copyright Act. “[L]aches,” the Court observed, “is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation.” *Petrella*, 134 S. Ct. at 1973.

By contrast, where the legislature *has* provided a fixed time limitation, courts may not override its application to a legal claim. *See id.* at 1972-73. The Court announced its rule in unmistakable terms: “To the extent that an infringement suit seeks relief

solely for conduct occurring within the limitations period ... courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967. To conclude otherwise would be to misunderstand laches as a tool for "legislation overriding" rather than "gap-filling." *Id.* at 1974. Once Congress has furnished the answer to whether a claim is timely, courts no longer need to guess.

The principles reaffirmed in *Petrella* are longstanding and not unique to the Copyright Act. As *Petrella* confirmed, the general rule is that laches cannot be used to "bar a claim for damages brought within the time allowed by a federal statute of limitations." *Id.* at 1974. At least twice, the Court noted the absence of *any* "case in which this Court has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Id.*; *see id.* at 1975 (stating that the Court had "never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period"). The only question in *Petrella* was whether the Copyright Act should be understood to constitute a special *exception* to this general rule. But the Court held, "[t]here is nothing at all 'different' about copyright cases" that justified abandoning this general rule. *Id.* at 1974 (citation omitted).

Moreover, the Court insisted that these general principles reflect an appropriate general understanding of the boundaries on the powers of federal courts. With respect to "this Court's precedent on the province of laches," *Petrella* held that "courts are not at liberty to jettison Congress' judgment on the timeli-

ness of suits.” *Id.* at 1967-68. As the Court also put it: “[I]n face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief.” *Id.* at 1974. That is not the province of laches. Thus, the Court “*adhere[d]*” to the longstanding rule that laches cannot be invoked to bar damages actions timely under a congressional statute of limitations. *Id.* (emphasis added). These principles that *Petrella* reaffirmed reflect general principles of federal law, not any unique nuances or idiosyncrasies of the Copyright Act.

A. By its plain terms, *Petrella* applies to the Patent Act.

The Patent Act is no more an exception to the general rules regarding the proper province of laches than is the Copyright Act. The analysis in *Petrella* applies in full measure to damages claims under the Patent Act. The Copyright Act states that “[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.” 17 U.S.C. § 507(b). Because each act of infringement is treated as a separately accruing claim, this statute serves to limit any recovery to damages for only those infringements occurring in the past three years. *See Petrella*, 134 S. Ct. at 1969 (explaining the separately accruing nature of copyright claims). The Patent Act is of a piece, providing that “[e]xcept as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.” 35 U.S.C. § 286. Just as it would contravene Congress’ judgment to invoke

laches as an end-around for barring timely copyright claims, it would be an equally clear violation of congressional policy if laches could undermine timely damages claims under the Patent Act. As the five dissenting judges in *SCA* recognized, there is “no sound basis for finding that Congress intended to displace the uniform limitations period in § 286 with the case-specific doctrine of laches.” *SCA*, 807 F.3d at 1333 (Hughes, J., concurring in part and dissenting in part).

Indeed, even the *majority* opinion in *SCA* acknowledged that there is “no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*.” *Id.* at 1321. It also noted that § 286 “invokes *Petrella*’s logic at least as much as, and perhaps more than, a statute of limitations” like the one in the Copyright Act. *Id.*

B. The Federal Circuit’s interpretation distorts the Patent Act’s clear text and contravenes this Court’s teachings in *Petrella*.

Having concluded that the Patent Act contains a statute of limitations much like the one in the Copyright Act, the Federal Circuit nonetheless ultimately decided that its prior validation of laches in damages suits should continue despite *Petrella*. Its rationale, in short, was that patent law is different. The majority noted that “the question under *Petrella* is whether Congress has prescribed a time period for recovery of damages.” *SCA*, 807 F.3d at 1321. But rather than following *Petrella* and accepting the obvious implica-

tion of the Patent Act’s limitations period—that the timeliness of damages claims must be measured based on the timeline that Congress itself set forth—the majority focused on another provision of the Patent Act that sets out certain specific defenses: § 282.

Section 282(b)(1) notes the availability of defenses to patent suits based on one of three specific and express grounds: “[n]oninfringement, absence of liability for infringement or unenforceability.” The section does not so much as mention laches. Even so, the *SCA* majority concluded that “Congress codified a laches defense in § 282”—and that this silent laches defense extended to claims for money damages within the limitations period, to boot. *SCA*, 807 F.3d at 1323. The majority did not explain exactly *where* in § 282 the laches defense was hiding. It rested on the conclusion that laches must be in there, somewhere. *See id.* at 1335 (Hughes, J., concurring in part and dissenting in part) (“[T]he majority does not identify which particular term encompasses a defense of laches.”).

This is an affront to *Petrella*, which teaches that an express limitations period must be understood as reflecting “Congress’ judgment on the timeliness of suit.” Section 286 of the Patent Act is precisely such a limitations period. To override it in damages cases by resort to an equitable defense of laches nowhere mentioned in the Act is to “jettison” Congress’ judgment about when suits are timely and when they are not. *Petrella*, 134 S. Ct at 1967. This is true of the Patent Act, just as it is true of the Copyright Act, just as it is true of all other federal claims that come equipped with a statute of limitations.

The Federal Circuit majority determined that § 282, which deals with defenses, undercut § 286, the statutory limitations period—even though § 282 never mentions laches. The Federal Circuit’s argument consisted of the following steps: When Congress set forth an express, six-year statute of limitations in § 286, it did not indicate anything about whether laches can be used to override that judgment in damages claims. By contrast, when Congress enumerated several defenses to patent infringement in § 282, those precisely enumerated defenses should be interpreted expansively to make laches available in damages claims—even though laches is not mentioned at all, let alone as a defense in damages actions.

There is no way to square this argument with *Petrella*’s recognition of statutes of limitations as reflecting “Congress’ judgment on the timeliness of suit.” 134 S. Ct at 1967. Instead of accepting the simple meaning of the Patent Act’s clear text, the Federal Circuit’s interpretation distorts the Patent Act into a convoluted mess which provides no certainty or uniformity about when damages actions for infringement must be brought. The dissenting judges in *SCA* put the point well:

Section 286 expresses Congress’ judgment on the timeliness of damages claims: a patent owner may recover damages when a claim is filed within six years of infringement, but no later. If § 282 includes a defense of laches that applies to claims for damages, it would conflict with this judgment.

807 F.3d at 1336 (Hughes, J., concurring in part and dissenting in part). The correct reading is the one that the Patent Act makes plain as day. Recovery of damages can go back only six years, and there is no laches defense to damages claims.⁴

The Federal Circuit’s error is all the starker given the evidence of congressional intent that it chose to rely on. As noted, § 282 does not mention laches; it refers only to “[n]oninfringement, absence of liability for infringement or unenforceability.” This fact alone undermines the Federal Circuit’s interpretation, because “[w]hen the words of a statute are unambiguous ... judicial inquiry is complete.” *Conn. Nat’l Bank v. Germain*, 503 U.S. 249, 254 (1992). Indeed, just this past Term this Court warned the Federal Circuit against creating “new defense[s]” beyond the terms recognized in the Patent Act itself. *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1928-29 (2015). Section 286 of the Patent Act already makes clear when claims are timely and when they are not, and *Petrella* confirms that Congress’ decision to enact an express limitations

⁴ In fact, the remaining language of § 286 provides even stronger evidence that Congress meant the statute’s express limitations period as the last word on the timeliness of a patent suit. The second paragraph of § 286 includes a specific carve-out from the six-year statute of limitations for certain categories of claims against the United States under specific circumstances. 35 U.S.C. § 286 ¶ 2. Thus, Congress was perfectly capable of legislating deviations from the codified six-year period when it wished, and did not need to resort to hiding laches defenses in the language of other provisions of the Act.

period dispels the notion that it wished to covertly retain a laches defense to damages claims.

But even if there had been ambiguity in the Patent Act, the evidence cited by the Federal Circuit falls well short of preserving laches as a defense to damages claims. The Federal Circuit could not simply rely on the Act's text, because the text does not mention laches. Nor did the majority find anything to support its position in the Act's legislative history. Indeed, the majority below conceded that just as "the statutory text says nothing on the applicability of laches to legal relief," it is likewise true that "the legislative history is silent on the meaning of laches." *SCA*, 807 F.3d at 1324. And the majority further conceded that Congress had been "silent on the content of the laches defense" that the majority had read into the statute—not surprisingly, of course, since Congress never mentioned laches at all. *Id.* at 1325.

Instead of relying on the Act or its legislative history, the Federal Circuit invoked a snippet of commentary by P.J. Federico, a patent office official. The commentary was published in 1954, two years *after* the Patent Act had passed. Its relevant portion is brief and unexplained: "Noninfringement, absence of liability for infringement, or unenforceability' ... would include the defenses such as that the patented invention has not been made, used or sold by the defendant; license; and equitable defenses such as laches, estoppel, and unclean hands." P.J. Federico, *Commentary on the New Patent Act*, Title 35, United States Code Annotated (West 1954), *reprinted in* 75 J. PTO Soc'y 161, 215 (1993) (emphasis added).

The Federal Circuit relied on Mr. Federico’s commentary to conclude “that Congress codified a laches defense in § 282.” *SCA*, 807 F.3d at 1323. That reliance was untenable in three different ways. First, it used extrinsic evidence to contravene the meaning of the clear statutory text on which Congress actually voted. *See Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005) (stating that “the authoritative statement is the statutory text, not the legislative history or any other extrinsic material”). Second, it relied on after-the-fact commentary—commentary by someone who did not even vote on the legislation at issue—as evidence of what Congress had intended two years earlier. Even when legislators themselves provide post-hoc arguments about what they “really” intended, this Court has cautioned against relying on such statements. *See Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 242 (2011) (“Post-enactment legislative history (a contradiction in terms) is not a legitimate tool of statutory interpretation.”).

Finally, even on their own terms, Mr. Federico’s brief comments do not shed direct light on whether laches is available for damages claims. His statement is entirely consistent with the longstanding principle that laches is available in claims for equitable relief but not for damages. *See SCA*, 807 F.3d at 1324 (“Because § 282 does not enumerate specific defenses, the statutory text says nothing on the applicability of laches to legal relief. Similarly, the legislative history is silent on the meaning of laches, and Federico does no more than mention laches’ codification in § 282.”); *see also id.* at 1337 (Hughes, J., concurring in part and dissenting in part) (“Mr. Fed-

erico’s reference to ‘laches’ does not suggest that Congress incorporated a distinctive version of laches that, contrary to its traditional role at common law, bars a claim for legal damages filed within a statutory limitations period.”).

If evidence this weak can prove that Congress meant to preserve a laches defense that overrides an express statute of limitations, then there is little meaning to the principles *Petrella* announced. The Federal Circuit’s reliance on gossamer-thin evidence to override the principles reflected in *Petrella* is not a proper application of *Petrella*, or of the Patent Act. *Petrella* leaves no doubt that when Congress has set forth a statute of limitations, “laches cannot be invoked to bar legal relief.” 134 S. Ct. at 1974. By treating the Patent Act as an exception to this rule, the Federal Circuit has disrupted the consistency, uniformity, and harmony that should have resulted from *Petrella*’s clear principles.

The contrast between the Patent Act and the Lanham Act, which governs trademark law, further undermines any conclusion that Congress created a laches defense to damages actions in the Patent Act. In propping up the laches defense for damages claims in patent suits, the Federal Circuit mistakenly invoked the Lanham Act and this Court’s description of the Lanham Act in *Petrella*. The Federal Circuit asserted that its holding made the Patent Act no different than the Lanham Act on laches. *See SCA*, 807 F.3d at 1323-1324 (“If ... laches as codified operates as a defense to both legal and equitable relief, patent law’s statutory scheme—like the Lanham Act ... —does not implicate *Petrella*.”). But as this

Court specifically pointed out in *Petrella*, the Lanham Act *does not contain a statute of limitations*. What is more, the Lanham Act *expressly provides for the defense of laches*. See *Petrella*, 134 S. Ct. at 1974 n. 15 (“In contrast to the Copyright Act, the Lanham Act ... contains no statute of limitations, and expressly provides for defensive use of ‘equitable principles, including laches.’”). By contrast, the Patent Act *does* contain a statute of limitations, and it *does not* say a word about laches.

The Federal Circuit’s confusion on this fundamental point reflects its more general confusion about the proper application of *Petrella*. The general background rule against which Congress enacted the Patent Act’s statutory limitations period was that laches was not available in damages actions when Congress has created a statutory limitations period. As this Court said in *Petrella*: “Both before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief.” *Id.* at 1973 (footnote omitted). The Court then quoted *Holmberg v. Armbrecht*, 327 U.S. 392 (1946), and *United States v. Mack*, 295 U.S. 480 (1935), as well as more modern cases, for this principle. See *Holmberg*, 327 U.S. at 395 (“[i]f Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter”); *Mack*, 295 U.S. at 489 (“[l]aches within the term of the statute of limitations is no defense [to an action] at law.”). These are well-established, long-standing principles to which the Court in *Petrella* said it was determined to “adhere.” 134 S. Ct. at 1974.

Indeed, so well embedded in American law is this understanding that laches does not cut off damages actions within a statutory limitations period that not even *Petrella's* dissent could uncover a “case in which [the Supreme] Court has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations.” *Id.* at 1974. In sum, *Petrella* explained, this Court has “never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.” *Id.* at 1974-75.

Against this established background rule, if Congress were going to depart from the rule in some particular statute, one would at least expect clear evidence of that intention in the text of the statute. Given the historical common-law backdrop, the *SCA* dissent correctly noted that there would need to be “compelling evidence that Congress incorporated laches into the Patent Act as an additional time-bar on claims for legal damages.” *SCA*, 807 F.3d at 1334; see *Nken v. Holder*, 556 U.S. 418, 433 (2009) (applying a “presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident”). That is a logical implication of *Petrella* itself.

Yet as the Federal Circuit conceded, neither the Patent Act nor a word in its legislative history says anything about laches. Nor can the Federal Circuit’s anomalous treatment of the Patent Act be justified by its citation of lower-court decisions predating the Act’s passage. The *SCA* majority cited various cases

as supporting the idea that laches could bar damages claims in patent cases. It reasoned that “when a statute covers an issue previously governed by the common law, [courts] must presume that Congress intended to retain the substance of the common law.” *SCA*, 807 F.3d at 1324 (quoting *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013)). According to the majority, “the case law strongly supports the availability of laches to bar legal relief.” *Id.* at 1328.

The Federal Circuit’s historical analysis ignored the plain implication of the Patent Act’s statute of limitations, which directly expresses Congress’ judgment about the timeliness of legal claims. *Petrella*, 134 S. Ct at 1972-74. The majority also misunderstood the history of laches and its implications for the Patent Act. This Court has explained that a common law rule should be presumed to persist after a statute’s enactment only if it was so “well established” that “the courts may take it as given that Congress has legislated with an expectation that the principle will apply.” *Astoria Fed. Sav. & Loan Ass’n v. Solimino*, 501 U.S. 104, 108 (1991). If there was any such principle in the years leading up to the Patent Act, it was that laches *cannot* bar legal claims that are timely under the applicable statute.

The Federal Circuit reached the contrary conclusion only by disregarding this Court’s description of the laches defense as set forth in *Petrella*. But as Judge Hughes noted in dissent, “[a]ny analysis of what the common law was at a certain point in time must start with Supreme Court precedent.” *SCA*, 807 F.3d at 1329. That is also where the Federal

Circuit's analysis should have ended, for this Court's cases at the time Congress enacted the Patent Act (and today) belie the idea that laches can override damages claims even after Congress has taken the step of articulating a limitations period. If the Federal Circuit was interested in the lessons of history—despite the plain text of the Patent Act and the clarity of this Court's decision in *Petrella*—that is the lesson it should have drawn.

II. The Federal Circuit's Anomalous Interpretation of the Patent Act Will Persist Until This Court Corrects It.

The Federal Circuit has exclusive jurisdiction over appeals from patent cases and thus is principally responsible for ensuring that district courts apply the patent laws consistently with this Court's precedent. 28 U.S.C. § 1295. The Federal Circuit convened en banc to consider the implications of *Petrella* for the Patent Act. Though it split 6-5, the Federal Circuit has now issued its opinion on the matter, and there is no reason to expect it to revisit the issue. Given the Federal Circuit's exclusive jurisdiction, if a correction is to come, it must come from this Court. Without such a correction, the judicially-invented laches defense will remain available in countless patent infringement cases, in contravention of Congress' clear intent. Likewise, there will remain an inexplicable exception to the Court's teachings in *Petrella* about the proper relationship between laches and federal statutes of limitations in damages actions.

In recent years this Court has intervened repeatedly on other matters within the Federal Circuit’s jurisdiction to insist that the Circuit apply the same general legal principles that govern other areas of federal civil litigation. In *eBay v. MercExchange*, the Court rejected the Federal Circuit’s “categorical grant” of injunctive relief to prevailing patentees and held that the “traditional four-factor framework that governs the award of injunctive relief” should be applied. 547 U.S. 388, 394 (2006). More recently, the Court invalidated the Federal Circuit’s approach to attorney fees awards. See *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014). And just last Term, the Court took up a patent case to hold that the findings of fact involved in claim construction must be reviewed for clear error. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015). The Court explained that the Federal Circuit must review claim construction under the “ordinary standard for courts of appeals.” *Id.* at 839 (internal quotation marks omitted).

As the five *SCA* dissenters noted, the Federal Circuit once again ignored this Court’s repeated admonitions against insulating patent cases from the general fabric of federal law when the majority held that judges can continue to apply laches in damages actions in patent cases, even if judges cannot do so under other statutes. *SCA*, 807 F.3d at 1333.

Explaining its grant of certiorari in *Teva*, this Court noted that the “Federal Circuit reviews the claim construction decisions of federal district courts

throughout the Nation, and we consequently believe it important to clarify the standard of review that it must apply when doing so.” 135 S. Ct. at 836. The same is true here. Patent infringement suits throughout the nation are appealed to the Federal Circuit. The implications of that court’s rejection of *Petrella* are substantial, doctrinally as well as practically.

The *Petrella* Court noted that by limiting damages for copyright infringement to those suffered in the three years before suit, Congress gave copyright holders a choice. They may sue, or they may wait. Perhaps they wish to wait to learn more about the effects of the infringement, and to determine whether “litigation is worth the candle.” *Petrella*, 134 S. Ct. at 1976. Whatever the reason, the choice is theirs, by virtue of Congress’ creation of a defined limitations period.

The Patent Act works in just the same way. Congress has given patent holders the option of suing or waiting. Those who choose to wait sacrifice their claim to damages for infringements occurring more than six years before they sue. Even so, that sacrifice may be worth it. Some patent holders, like *Medinol*, might try to pursue a mutually beneficial solution before rushing headlong into litigation with an infringer. Others might wait for different reasons. Again, their motivation is irrelevant, because Congress has given them the choice. The Court noted in *Petrella* that Congress had defined the effect of waiting to sue for copyright infringement: The plaintiff may not recover for infringement that occurred outside the limitations period. That is, the statutory

limitations period by “itself takes account of delay.” *Petrella*, 134 S. Ct. at 1973. This analysis applies equally to damages claims under other federal statutes, including the Patent Act.

Laches serves only to replace a clear and reticulated regime concerning the legal rights of patent holders with an unpredictable, discretionary inquiry that has no proper role in damages claims once Congress has set the timeline. Under the Federal Circuit’s approach, judges can decide that laches can even bar claims in which the plaintiff is found to be aware of the infringement (actually or constructively) for less than six years, reinforcing the way laches subordinates Congress’ considered judgment to the discretion of individual judges. *See, e.g., A.C. Aukerman Co.*, 960 F.2d at 1030 (“First, Aukerman is in error in its position that, where an express statute of limitations applies against a claim, laches cannot apply *within* the limitation period.”); *see also Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85, 98-100 (D. Conn. 2014) (laches found to bar claims for pre-filing damages despite only five month delay).

III. The Court Should Consider This Case Either Instead Of Or Alongside SCA.

The Federal Circuit applied the same legal rule in this case and *SCA*. The perversity of that rule, however, is even more evident here than in *SCA*.

First, according to the Federal Circuit, whether a claim is timely depends on when the patentee first knew or should have known about the defendant’s infringement. *Wanlass v. Gen. Elec. Co.*, 148 F.3d

1334, 1338 (Fed. Cir. 1998). Applying the Federal Circuit's laches precedent, the district court determined that Medinol's earlier knowledge that the BX Velocity stent infringed the Israel patents served as constructive notice that two related products (Cypher and Cypher Select stents) infringed most of the Pinchasik patents immediately upon their issuance. Pet. App. 38a-39a (finding constructive notice of infringement as early as 1999 and calculating the delay period from each patent's issuance). That means Medinol needed to ready itself to sue Cordis for infringing the Pinchasik patents from the moment they issued and that infringement claims like Medinol's can be barred by laches even if they are brought within six years of a patent's *issuance*—a stunning result given the Patent Act's six-year limitations period.

Second, the district court faulted Medinol for failing to notify Cordis of its belief that the Pinchasik patents were being infringed, even during a period when the parties were engaged in a consensual business venture that included an express tolling of statutes of limitations. Pet. App. 41a-43a. According to the district court, Medinol's duty to notify Cordis about the infringement arose long before the six-year statute of limitations required any action. Medinol's purported delay ultimately resulted in *all* of its damages, including those that were timely under § 286, being stripped away. Under the Federal Circuit's interpretation, patent holders like Medinol are punished for sacrificing some of the damages to which they believe they are entitled in order to try to preserve an ongoing business relationship as long as possible.

The Federal Circuit’s approach to laches creates an overwhelming incentive for patent holders to sprint to the courthouse—irrespective of the timeliness of their claims under § 286—or risk suffering a complete loss of their right to recover. In *Petrella*, this Court rejected the use of laches to convert copyright law into a regime of “sue soon, or forever hold your peace.” 134 S. Ct. at 1976. It should do the same for patent law—for reasons that are especially evident in this case.

CONCLUSION

For the foregoing reasons, Medinol respectfully requests that the Court address the important question presented here. Because this case presents a similar question but with a more compelling factual context, we request that the Court grant review of this case either in tandem with, or instead of, *SCA*.

Respectfully submitted,

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Counsel for Petitioners

February 2, 2016

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APPENDIX A

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

MEDINOL LTD.,
Plaintiff-Appellant

v.

**CORDIS CORPORATION,
JOHNSON & JOHNSON,**
Defendants-Appellees

2015-1027

Appeal from the United States District Court for
the Southern District of New York in No. 1:13-cv-
01408-SAS, Judge Shira Ann Scheindlin.

O R D E R

Before PROST, *Chief Judge*, NEWMAN, LOURIE,
DYK, MOORE, O'MALLEY, REYNA, WALLACH,
TARANTO, CHEN, and HUGHES, *Circuit Judges**.

PER CURIAM.

*Circuit Judge Stoll did not participate.

In light of the court's en banc decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 2013-1564, the court lifts the stay entered January 15, 2015, and denies the petition for en banc hearing filed on November 26, 2014. Appellant Medinol Ltd. shall file a new opening brief within 60 days of this order. Timing of the appellee and reply briefs shall follow the standard procedure outlined in Federal Circuit Rule 31.

IT IS ORDERED THAT:

- (1) The stay is lifted.
- (2) The petition for en banc hearing is denied.
- (3) Appellant Medinol Ltd. shall file a new opening brief within 60 days of this order.

FOR THE COURT

September 25, 2015
Date

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

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APPENDIX B

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

[DATE STAMP]
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DOCUMENT
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DOC #: _____
DATE FILED: 9/26/14

MEDINOL LTD.,
Plaintiff,

- against -

**CORDIS CORPORATION AND
JOHNSON & JOHNSON,**
Defendants.

ORDER
13-cv-1408 (SAS)

SHIRA A. SCHEINDLIN, U.S.D.J.:

Medinol Ltd. (“Medinol”) brought this patent infringement action against Cordis Corporation and Johnson & Johnson (collectively, “Cordis”). Following a four day bench trial, I held on March 14, 2014, that laches presents an entire defense to Medinol's infringement claims under the controlling authority of

*A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*¹ and its progeny.² Medinol did not appeal this decision.

On May 19, 2014, the Supreme Court of the United States ruled in *Petrella v. Metro-Goldwyn-Mayer, Inc.*³ that laches cannot be used to defeat a claim filed within the Copyright Act's three year statute of limitations. The Court's only comment on laches in the patent context came in a footnote.⁴

On August 5, 2014, Medinol wrote to this Court to seek relief under Rule 60(b)(6) of the Federal Rules of Civil Procedure because *Petrella* “is an intervening change in law that upended the entire laches framework upon which the judgment was based.”⁵ Cordis opposes the request for Rule 60(b) relief for at least two reasons. *First*, Cordis argues that *Petrella* is not a “supervening/change in *governing law*” because it only applies to copyright law, not patent law, which,

¹960 F.2d 1020 (Fed. Cir. 1992) (en banc).

²*See Medinol Ltd. v. Cordis Corp.*, No. 13 Civ. 1408, 2014 WL 1041362 (S.D.N.Y. Mar. 14, 2014).

³134 S.Ct. 1962 (2014).

⁴*See id.* at 1974, n.15 (“Based in part on [the Patent Act] and commentary thereon, legislative history, and historical practice, the Federal Circuit has held that laches can bar damages incurred prior to the commencement of suit ... We have not had occasion to review the Federal Circuit's position.”).

⁵8/5/14 Letter from Richard DeLucia, counsel for Medinol, to the Court, at 1.

as the Supreme Court acknowledged, has its own statutory framework, legislative history, and case law.⁶ *Second*, Cordis argues that Medinol waived the argument by failing to raise it at trial and by failing to appeal the final judgment.⁷

On September 17, 2014, a panel of the Federal Circuit affirmed that *Aukerman* remains good law because *Petrella* applied solely to the Copyright Act.⁸ On September 22, 2014, Medinol notified the Court that it “maintains its request for relief under Rule 60(b)” because “when the issue is presented to the en banc Federal Circuit or the Supreme Court, the court will confirm that the rationale of *Petrella* applies in the patent context, and thus confirm that *Aukerman* is no longer good law.”⁹ Medinol asks the Court to postpone making a decision on its request for Rule 60(b) relief until an en banc panel of the Federal Circuit or the Supreme Court reaches the issue.¹⁰

⁶8/7/14 Letter from Gregory Diskant, counsel for Cordis, to the Court, at 1 (emphasis in original).

⁷*See id.* at 2.

⁸*See SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 2013-1564, 2014 WL 4627594, at *4 (Fed. Cir. Sept. 17, 2014) (“But *Petrella* notably left *Aukerman* intact. Because *Aukerman* may only be overruled by the Supreme Court or an en banc panel of this court, *Aukerman* remains controlling precedent.”).

⁹9/22/14 Letter from DeLucia, to the Court.

¹⁰*See* 9/25/14 Letter from DeLucia, to the Court.

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Medinol's relief for Rule 60(b) relief is DENIED. I am bound to follow the Federal Circuit, which has now reaffirmed that *Aukerman* remains good law. Medinol's request for a stay of this ruling pending a potential decision to the contrary from an en banc panel of the Federal Circuit or the Supreme Court is unreasonable.

SO ORDERED:

/s/ Shira A. Scheindlin
U.S.D.J.

Dated: New York, New York
 September 26, 2014

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APPENDIX C

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**MEDINOL LTD.,
Plaintiff,**

- against-

**CORDIS CORPORATION AND
JOHNSON & JOHNSON,
Defendants.**

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DOCUMENT
ELECTRONICALLY FILED
DOC # _____
DATE FILED: 3/14/14

OPINION AND ORDER 13 Civ. 1408 (SAS)

SHIRA A. SCHEINDLIN, U.S.D.J.:

I. INTRODUCTION

Medinol Ltd. (“Medinol”) brings this patent infringement action against Cordis Corporation and Johnson & Johnson (collectively, “Cordis”). On June 13, 2013, I granted defendants' request to bifurcate the case in order to address Cordis's equitable defense of

laches prior to starting discovery on the merits. I held a bench trial on the issue of laches from January 20 to January 24, 2014. The parties made post-trial submissions on January 31, 2014. Pursuant to Rule 52(a) of the Federal Rules of Civil Procedure, I make the following findings of fact and conclusions of law.¹ In reaching these findings and conclusions, I the testimony, examined the documentary evidence, observed the demeanor of the witnesses, and considered the arguments and submissions of counsel.

II. FINDINGS OF FACT

A. The Parties

Medinol is an Israeli medical devices company founded by Drs. Jacob (Kobi) Richter and Judith Richter in the early 1990s.² Dr. Kobi Richter (“Richter”) also serves as Medinol’s chairman and chief

¹The following findings of fact and conclusions of law are limited to those issues that are pertinent to laches. Nevertheless, the parties introduced extensive testimony and evidence about the mechanics of coronary stents and the underlying patents. Likelihood of success on the merits is not an element of laches. To the extent any finding or conclusion contained in this opinion is a description of the patents or products at issue, or a finding as to various witnesses’s opinions or conclusions about the patents or products at issue, none of these findings or conclusions pertain to claim construction or to the validity of the underlying patents.

²See Plaintiff’s Proposed Findings of Fact (“Pl. Facts”) ¶ 1; Defendants’ Proposed Findings of Fact (“Def. Facts”) ¶ 1; Transcript (“Tr.”) at 65 (Richter).

technology officer.³ Cordis is a medical device company incorporated in Florida and an affiliate of Johnson & Johnson, a public corporation based in New Jersey.⁴

B. The Patents and Products at Issue

1. Medinol's Patents

This case pertains to the following patents, which were invented by Gregory Pinchasik and Jacob Richter and are owned by Medinol:

- U.S. Patent No. 5,980,552 (the “552 patent”), issued on November 9, 1999;
- U.S. Patent No. 6,059,811 (the “811 patent”), issued on May 9, 2000;
- U.S. Patent No. 6,589,276 (the “276 patent”), issued on July 8, 2003; and
- U.S. Patent No. 6,875,228 (the “228 patent”), issued on April 5, 2005 (collectively, the “Pinchasik patents”).⁵

Each of the Pinchasik patents “issued from a

³See Joint Stipulated Facts (“Stip. Facts”), Exhibit (“Ex.”) A to the Joint Pretrial Order (“JPTO”), ¶ 5; Tr. at 65 (Richter).

⁴See Def. Facts ¶¶ 2-3; Pl. Facts ¶ 2.

⁵See Defendants’ Exhibit (“DX”) A-D (the Pinchasik patents); Stip. Facts ¶¶ 1-4, 6.

continuation patent application, and each of these continuation patents claims priority to the ultimate parent application [-] U.S. Patent No. 5,449,373 (the “373 patent”), issued on September 12, 1995.”⁶

Each of the Pinchasik “patents has the same figures” and each of the Pinchasik patents includes “claims ... read[ing] on the embodiments of Figure 3 as described in the accompanying text of the specifications.”⁷ While the claims in the Pinchasik patents vary,⁸ much of the key text, including the “Field and Background of the Invention,” “Summary of the Invention,” “Brief Description of the Drawings” and “Description of the Preferred Embodiments” sections are substantially similar.⁹ The Pinchasik patents describe “articulated stents” that have “substantially rigid segments” connected by “flexible links” that allow the stent to bend.¹⁰ Neither Richter nor Medinol ever sought to sell or licence the Pinchasik patents to a third party.¹¹

⁶Stip. Facts ¶ 7; DX E (“373 patent”).

⁷Stip. Facts ¶¶ 7-9.

⁸See Tr. at 84 (Richter) (“They have different claims. While all of them cover Figure 3, several of them cover more things than just that one embodiment.”).

⁹Stip. Facts ¶ 7.

¹⁰*Id.* ¶ 11.

¹¹See Tr. at 90-91 (Richter).

Medinol also owns a second suite of stent patents, which are “continuations in part” from the ‘373 patent.¹² This suite of patents—U.S. Patent No. 5,733,303, issued on March 31, 1998 (the “303 patent”); U.S. Patent No. 5,843,120, issued on December 1, 1998; and U.S. Patent No. 5,972,018 (the “018 patent”) (collectively, the “Israel patents”)—was invented by Henry Marshall Israel and Gregory Pinchasik.¹³ Richter admits that the Israel patents are continuations in part of the original ‘373 Pinchasik patent.¹⁴ The Israel patents are similar to the Pinchasik patents except that the latter suite is “uniformly flexible” along its length.¹⁵ Medinol licensed the Israel patents to Boston Scientific Corporation (“Boston Scientific”) in 1996.¹⁶ But Richter believes that the Israel patents were different because they created a “uniformly flexible” stent, while the Pinchasik patents created an “articulated” stent.”¹⁷

Richter considered the Israel patents to be stronger than the Pinchasik patents. This is reasonably inferred from the fact that Richter has never sought to sell, license or enforce the Pinchasik

¹²*Id.* at 85 (Richter). *Accord* DX F (“303 patent”).

¹³*See* Tr. at 84-85; Stip. Facts ¶¶ 66-68.

¹⁴*See* Tr. at 85 (Richter).

¹⁵*Id.* at 84 (Richter).

¹⁶*See id.* at 93 (Richter).

¹⁷*Id.* at 84-85 (Richter).

patents but did license the Israel patents to a major medical devices company. Further, as discussed below, Medinol aggressively enforced the Israel patents around the world but never brought a claim on the Pinchasik patents until filing this suit.

2. Cordis's Products

Medinol alleges that Cordis's Cypher and Cypher Select stents infringe the Pinchasik patents. The Cypher stent was introduced in Europe in 2002 and in the United States in 2003.¹⁸ The Cypher Select was introduced in Europe in 2003 but has never been sold in the United States.¹⁹

The Cypher and Cypher Select are drug-eluting stents that cover a platform bare-metal stent with a polymer sirolimus coating to release the drug inside the artery.²⁰ The platform bare-metal stent used in the Cypher is the BX Velocity²¹ and the platform bare-metal stent in the Cypher Select is the BX Agile.²² The platform bare-metal stents for both the Cypher and

¹⁸See DX ZG (designated deposition testimony of Robert Croce, former Company Group Chairman of Johnson & Johnson Interventional Systems/Cordis, taken on 1/14/14), at 20.

¹⁹See Stip. Facts ¶¶ 17, 22.

²⁰See *id.* ¶ 20.

²¹See DX ZG at 27; Tr. at 379 (Dr. Robert Falotico, pharmaceutical researcher at Cordis).

²²See Stip. Facts ¶ 22; DX ZG at 38-39.

the Cypher Select “were at all times manufactured by Norman Noble in Ohio.”²³

Cordis previously sold the BX Velocity as a bare-metal stent in Europe starting in 1999 and in the United States starting in 2000, but never sold the BX Agile bare-metal stent.²⁴ Medinol posits that although the two drug-eluting stents use different bare-metal platforms, there is “hardly a difference between the Cypher Select and the Cypher.”²⁵ On June 15, 2011, Cordis announced that it would “stop the manufacture of Cypher and Cypher Select ... by the end of 2011.”²⁶

C. The Medinol-Cordis Relationship

1. April 2000–October 2004: The *Israel* Litigation

On April 14, 2000, Boston Scientific and Medinol sued Cordis for patent infringement in the United States District Court for the District of Delaware, seeking damages, a preliminary injunction and a permanent injunction based on allegations that the BX Velocity infringed the Israel patents.²⁷ The

²³Stip. Facts ¶ 23.

²⁴See DX ZG at 9.

²⁵Tr. at 129 (Richter).

²⁶Stip. Facts ¶ 18.

²⁷See *id.* ¶ 65. The Delaware case was consolidated with Boston Scientific and Medinol’s 1999 lawsuit in the United States

Pinchasik patents were not asserted during the *Israel* litigation.²⁸ After Boston Scientific filed the infringement lawsuit against the BX Velocity, Cordis began a “standard procedure” of exploring design options to develop a non-infringing alternative to the BX Velocity.²⁹ The product of this development was the BX Agile bare-metal stent used as the platform for the Cypher Select.³⁰

In the summer of 2000, Cordis argued against a preliminary injunction on the grounds that the BX Velocity was not “substantially uniformly flexible along its longitudinal axis” and thus did not infringe the Israel patents.³¹ Richter was present in the courtroom for the August 3, 2000 oral arguments on the preliminary injunction motion and throughout the duration of the trial in 2001.³² Cordis advanced the same argument during the trial, arguing that the “BX Velocity did not meet the ‘substantially uniformly flexible’ limitation of claim 47 of the ‘018 patent [because] most of the flexibility of the BX Velocity is in

District Court for the District of Minnesota for infringement of the Israel patents in connection with several other Cordis stents. *See id.*

²⁸*See id.* ¶ 69.

²⁹DX ZG at 17.

³⁰*See id.* at 38.

³¹Stip. Facts ¶¶ 70-71.

³²*See id.* ¶ 72.

the connectors.”³³ Cordis also argued that claim 12 of the ‘303 patent, which reads on Figure 3 of the ‘373 patent, is invalid for obviousness because it is a combination of prior art from earlier patents.³⁴

³³*Id.* ¶ 75. Cordis clarifies that “[t]he question of uniform flexibility ... was a defense to only one claim of one patent” and that “[t]he heart of Cordis’s non-infringement defense was that all of the Israel patents required that the flexible connector be a ‘flexible link,’ which the district court construed to require that the connector ‘be aligned along the longitudinal axis of the stent.’” Def. Facts. ¶¶ 25-26. Medinol asserts that Cordis’s evidence and testimony in support of this theory was contrary to earlier statements Cordis’s expert made about the BX Velocity in support of related patent applications. *See* Pl. Facts ¶¶ 11-12 and n.1-2. I do not need to resolve this dispute because it is, in essence, an argument about the merits of Cordis’s non-infringement defense in the *Israel* case, which has already been decided, and in the instant action, which has not yet reached the merits phase.

³⁴*See* Tr. at 482-484 (designated testimony of Dr. Nigel Buller taken in the *Israel* case on 9/4/01). The trial and post-trial submissions reveal that Cordis intends to use the same non-infringement and invalidity defenses against the Pinchasik patents. *See, e.g.*, Def. Facts ¶ 27 (“The asserted Pinchasik patents all require the same horizontal ‘flexible link’ and the Cypher and Cypher Select stents do not infringe those patents for the same reason they do not infringe the Israel patents: their connectors are not aligned along the longitudinal axis of the stent.”) and ¶ 30 (“All of the asserted Pinchasik patent claims are simply verbal descriptions of Figure 3, and none is patentably distinct from invalid Claim 12 of the Israel ‘303 patent, making all of the asserted Pinchasik claims invalid.”). These arguments are not relevant to the laches opinion and I did not consider them in reaching these findings and conclusions, except to acknowledge that Figure 3 of the ‘373 patent appears in each of the subsequent Pinchasik continuation patents and that the jury in the *Israel* case concluded that Figure 3 was obvious.

The trial court “denied Medinol’s request for a preliminary injunction.”³⁵ On September 12, 2011, the jury in the *Israel* trial returned a verdict in favor of Cordis on both obviousness and non-infringement. On September 22, 2002, the court “denied Medinol’s motions for judgment as a matter of law and for a new trial.”³⁶ On January 14, 2004, the United States Court of Appeals for the Federal Circuit affirmed the finding of invalidity but chose not to reach the finding of non-infringement.³⁷ On October 4, 2004, the United States Supreme Court denied Medinol’s petition for a writ of certiorari.³⁸

Richter testified that he did not realize that the BX Velocity potentially infringed the Pinchasik patents until 2005, after the *Israel* litigation finished.³⁹ This testimony is not credible. While Richter may have

³⁵Stip. Facts ¶ 73.

³⁶*Id.* ¶ 87. The District Court granted Medinol’s JMOL “with respect to the [jury’s finding of] invalidity based on failure to satisfy the written description requirement of 35 U.S.C. 112 ¶ 1.” *Id. Accord Scimed Life Sys. v. Johnson & Johnson*, 225 F. Supp. 2d 422, 438-39 (D. Del. 2002). This ruling did not impact the jury’s findings on invalidity based on obviousness or non-infringement.

³⁷*See Scimed Life Sys. v. Johnson & Johnson*, 87 Fed. App’x 729 (Fed. Cir. 2004). Medinol’s petition for rehearing and rehearing en banc was denied on February 23, 2004.

³⁸*See Medinol Ltd. v. Johnson & Johnson*, 543 U.S. 814 (2004).

³⁹*See, e.g.*, Tr. at 112-113, 129-130 (Richter).

legitimately believed that the BX Velocity was “continuously” or “uniformly” flexible, he was clearly on notice that Cordis did *not* believe the BX Velocity was continuously flexible and instead argued that it achieved flexibility from articulation points or hinges. This was obvious from Cordis’s advertising of the BX Velocity⁴⁰ and from the arguments it advanced during the August 2000 preliminary injunction hearing and the September 2001 trial. Richter “never put [the Pinchasik] patents in the case because [he] thought the BX Velocity infringe[d] the Israel patents for a flexible stent.”⁴¹

2. October 2004 - February 2011: Litigation, Negotiation and Business Relationship

After the conclusion of the Delaware litigation, Medinol continued to sue Cordis for patent infringement—including infringement of the Israel patents—around the world.⁴² Medinol also sued other manufacturers for infringement of the Israel patents

⁴⁰See Plaintiff’s Exhibit (“PX”) 372 (advertisement for BX Velocity stating that “continuous flexibility [is] achieved by placing flex segments every millimeter along stent” and that “FlexSegments are designed to act as hinge points on the stent.”). Richter acknowledges that articulation points and hinges “are the same thing.” Tr. at 116.

⁴¹Tr. at 104 (Richter).

⁴²See Stip. Facts ¶ 96; Tr. at 545-546 (Rory Millson, counsel for Medinol).

within the United States.⁴³ Richter testified that some time in 2005 or 2006, he retained Christopher Hughes, a patent attorney at Morgan & Finnegan, to explore a potential patent infringement suit against Cordis for violation of the Pinchasik patents.⁴⁴ But until Medinol filed the current action on March 4, 2013, it had never sued Cordis or any other party anywhere in the world based on alleged infringement of the Pinchasik patents.⁴⁵

Medinol's distribution relationship with Boston Scientific and W.L. Gore ended by 2005 and Medinol was exploring the possibility of finding a new business partner.⁴⁶ At or around the same time, Cordis was looking for opportunities to bolster its stent business, which had begun to see a "precipitous drop in sales."⁴⁷ After a proposed merger between Cordis and Guidant fell apart, executives at Cordis had internal discussions about exploring a partnership with

⁴³See Tr. at 127 (Richter) (describing suit against Guidant and arbitration proceeding against Boston Scientific).

⁴⁴See *id.* at 223-224 (Richter). Medinol did not waive attorney-client privilege or work-product protection in connection with any opinion that Hughes produced pertaining to a potential Pinchasik claim.

⁴⁵See Stip. Facts ¶ 95; Tr. at 103-104, 145 (Richter).

⁴⁶See Tr. at 187-188 (Richter).

⁴⁷*Id.* at 415 (Rick Anderson, former president of Cordis Cardiology and worldwide company group chairman for Cordis).

Medinol and reaching out to Richter.⁴⁸ On March 15, 2006, Richter met with Rick Anderson and Nicholas Valeriani, two high-level Cordis executives to explore a potential relationship.⁴⁹ In June 2006, after Anderson visited Medinol's manufacturing facilities in Israel, Medinol proposed a "potential cooperation plan" which included a distribution agreement for Cordis to market and sell Medinol's products, a manufacturing agreement for Medinol to create and supply the bare-metal components of Cordis's products, a joint research and development agreement, and a proposal for Cordis to eventually acquire an equity stake in Medinol.⁵⁰

A few weeks later, the parties signed an agreement to stay all pending litigation and toll

the running of any applicable statute of limitations on any claim or cause of action which the Parties have or may have against one another, whether known or unknown, that are based upon any law, statute, rule, or regulation, or any rule or regulation of any governing

⁴⁸*See id.* at 416-418 (Anderson); PX 5B (2/21/06 email chain between Nicholas Valeriani, former worldwide company group chairman for Cordis, Rick Anderson, Susan Morano, former vice-president for health economics at Cordis, and Philip Johnson, in-house counsel at Cordis).

⁴⁹*See id.* at 191-193 (Richter); *id.* at 440-441 (Anderson); PX 383 (3/6/06 email from Paula Feath, assistant to Valeriani, to Richter, confirming the 3/15/06 meeting).

⁵⁰*See* PX 6 (6/2/06 letter from Richter to Anderson).

body or organization, including but not limited to any patent infringement action that could be filed under the laws of the United States [from June 19, 2006 until July 6, 2007.]⁵¹

Both sides agree that the purpose of the 2006 tolling agreement was to give the parties an opportunity to work out a deal.⁵² Medinol did not tell Cordis that it was considering a patent infringement suit based on the Pinchasik patents.⁵³

Approximately one year later, Medinol and Cordis signed a distribution agreement.⁵⁴ The final agreement was significantly narrower in scope than Medinol's proposed plan. Cordis obtained exclusive rights to distribute Medinol's cobalt-chromium bare-metal stents for five years, but the exclusivity was not reciprocal.⁵⁵ The agreement allowed Cordis to decide whether to buy stents from Medinol and in what

⁵¹DX R (2006 tolling agreement), ¶ 2.

⁵²*See* Tr. at 136 (Richter) (“[The tolling agreements] were brought about in order to enable the parties to conduct negotiation for a possible cooperation.”); *id.* at 429 (Anderson) (“[I]t basically stayed all of our pending litigation to give us time to sort of work on ... the kind of business relationship that both sides could work with.”).

⁵³*See id.* at 136-140 (Richter).

⁵⁴*See* DX T (4/18/07 distribution agreement).

⁵⁵*See id.* §§ 2.01 and 12.01.

quantity, and to sell other, competing stents.⁵⁶ Per the agreement, Medinol received a high royalty rate of 50-60% for sales of its stents.⁵⁷ The parties signed various extensions to the distribution agreement which made it effective through 2014.⁵⁸

In connection with the distribution agreement, Medinol and Cordis signed a settlement agreement ending all existing patent litigation and patent office proceedings between the two parties without an exchange of money.⁵⁹ Medinol also granted Cordis a covenant not to sue for infringement of foreign Medinol patents,⁶⁰ and Cordis agreed to indemnify Medinol in connection with the ongoing dispute between Medinol and Boston Scientific.⁶¹ Finally, the settlement agreement included a provision that would toll “the running of any applicable statute of limitations on any U.S. Claims that Medinol and [Cordis] ... have or may have against one another, whether known or unknown” from June 19, 2006 to July 7, 2008.⁶²

⁵⁶*See id.* §§ 2.02, 4.01, and 4.04.

⁵⁷*See id.* at Schedule D.

⁵⁸*See* Stip. Facts ¶ 61.

⁵⁹*See* DX R (2007 settlement agreement), §§ 2.2, 2.3, 2.4, and 2.7.

⁶⁰*See id.* § 2.1.

⁶¹*See id.* § 2.5.

⁶²*Id.* § 2.8.

During negotiations over the settlement agreement, Cordis suggested eliminating the tolling provision, but Rory Millson, counsel for Medinol, insisted that the provision be included “to allow the parties to address cooperation more broadly without having to pay attention to U.S. litigation issues.”⁶³ Richter testified that the reason he insisted on the tolling provision in 2007 was because he wanted to see how the business relationship would progress.⁶⁴

After the 2007 agreements, Medinol continued to propose new manufacturing deals and expansions of the relationship with Cordis.⁶⁵ Richter also approached Cordis to see if it was interested in an acquisition of Medinol.⁶⁶ Throughout this time period, Medinol never brought or disclosed a Pinchasik suit, even after the tolling period expired. Richter testified that he “had to weigh two options: one, to bring the lawsuit and most probably to terminate the relation at that point, or

⁶³DX ZQ (5/7/07 letter from Millson to Paul Coletti, counsel for Cordis).

⁶⁴See Tr. at 150-152 (Richter).

⁶⁵See *id.* at 196-199 (Richter). DX KF (6/29/10 letter from Richard Dakers, Cordis’s vice-president of franchise development to Richter) (“[I]n response to your email dated May 31, 2010 ... [Cordis] ha[s] decided that we will not exercise our option to engage Medinol in discussions ‘on terms to purchase, license or otherwise have access’ to new products).

⁶⁶See DX KI (1/11 confidential offering memorandum, prepared by the Blackstone Group); *see also* Tr. at 162-163 (Richter).

two, to nurture the cooperation, which [he] ... believed was a 2 to 3.5 billion dollar opportunity.”⁶⁷ Richter concluded that he “preferred the chance of winning billions for making stents [to] the chance of winning even more billions from lawsuits.”⁶⁸

Cordis reasonably believed that the 2007 settlement agreement resolved the outstanding claims. Anderson testified that one of his key goals in exploring a Medinol partnership was to “resolve our legal issues as sort of a first step” before becoming “business partners going forward.”⁶⁹ To the extent Millson clarified that Medinol retained potential U.S. claims and needed an additional year of tolling to determine whether to pursue them, Cordis was justified in thinking that any such claims were abandoned when Medinol brought no lawsuit after the expiration of the tolling agreement.

3. End of Business Relationship

Beginning in 2007, Cordis’s stent business dramatically declined as a result of competing stents, a reduced market demand and the high cost of stent manufacturing.⁷⁰ In February 2011, Cordis notified

⁶⁷Tr. at 201 (Richter).

⁶⁸*Id.*

⁶⁹*Id.* at 429 (Anderson).

⁷⁰*See id.* at 415-418, 423-424 (Anderson), 487-491 (Seth Fischer, former worldwide company group chairman of Cordis);

Medinol that “changing market dynamics and business circumstances require” Cordis to stop distributing Medinol’s stents.⁷¹ Cordis told Medinol that it would be “willing to terminate our exclusive contract to allow Medinol to obtain another commercial partner, prior to the official contract expiration of December 31, 2014.”⁷² Medinol attempted to find another partner to replace Cordis. On June 15, 2011, Cordis issued a press release announcing its complete exit from the coronary stent market.⁷³

On August 11, 2011, Richter notified Cordis that he considered Cordis’s early termination to be a breach of the distribution agreement and demanded \$17.1 million in damages.⁷⁴ Cordis believed that it was within its rights under the distribution agreement to stop selling Medinol’s stents. On August 30, 2012, the parties signed a final termination agreement under the terms of which Cordis paid no compensation and

DX HM (06/14/11 presentation to Johnson & Johnson’s board of directors explaining basis for Cordis’s exit from the stent market).

⁷¹DX EV (2/17/11 email from Raymond Suehnholz, vice-president of global strategic marketing at Cordis, to Drs. Kobi and Judith Richter).

⁷²*Id.*

⁷³*See* Stip. Facts ¶ 18.

⁷⁴*See* DX V (8/11/11 letter from Drs. Kobi and Judith Richter to Suehnholz).

released Medinol from the exclusivity agreement.⁷⁵ Richter did not mention the Pinchasik claims during this time period because he “was concerned” about filing that lawsuit while “still locked in this agreement.”⁷⁶

Shortly after the termination agreement, new management at Cordis approached Medinol to discuss reviving a business relationship.⁷⁷ Richter proposed a confidentiality agreement with a tolling provision that would retroactively toll all U.S. claims from June 19, 2006 to July 7, 2013.⁷⁸ Uri Yaron, Cordis’s vice-president of business development, replied that the tolling agreement is unnecessary because

[w]hatever rights either of us have formerly possessed have ... *all* been settled. So, it would seem to us that there is no possible right (for either party) to toll. If you can explain to us how our understanding is incorrect, we are willing to entertain a ‘tolling clause,’ but in any event, the period should only start now (in deference to our negotiations) and not

⁷⁵See DX U (2012 termination agreement).

⁷⁶Tr. at 167 (Richter).

⁷⁷See *id.* at 234 (Richter).

⁷⁸See DX EY (12/5/12 email from Richter to Shlomi Nachman, worldwide company group chairman of Cordis and Uri Yaron, vice-president of business development, attaching draft confidentiality agreement).

in 2006. From our perspective, it seems best to just eliminate paragraph 13.⁷⁹

Richter responded that Medinol “still ha[s] unsettled issues in the US similar to what we had in 2006 but would prefer not to dwell on them for now” and proposed a one year tolling period starting from August 30, 2012.⁸⁰ Cordis considered signing a one year tolling agreement but wanted to know what the claims were.⁸¹

Yaron remained “uncomfortable with alleged claims hanging out there without knowing what they are.”⁸² When Paul Coletti, Cordis’s in-house counsel, asked Millson for more information about the potential claims, Millson merely told Coletti that they were old.⁸³ By February 2013, Coletti notified Millson that Cordis is “not interested in tolling any claims particularly with possible causes of action which are

⁷⁹DX LR (12/7/12 email from Yaron to Drs. Kobi and Judith Richter) (emphasis in original).

⁸⁰DX LL (12/13/12 email from Richter to Yaron).

⁸¹See Tr. at 314 (Coletti); DX KV (12/18/12 email from Coletti to Yaron, Millson and Drs. Kobi and Judith Richter).

⁸²DX LA (12/20/12 email from Yaron to Drs. Kobi and Judith Richter).

⁸³See Tr. at 311 (Coletti) and 557 (Millson).

greater than 6 years old.”⁸⁴ Coletti testified that Medinol offered to share a draft complaint, but only after the tolling agreement was signed.⁸⁵ Cordis did not agree to this condition and Medinol filed suit on March 4, 2013.

Numerous representatives from Cordis testified that from the time negotiations began in early 2006 until Medinol filed suit in March 2013, they never contemplated a lawsuit based on the Pinchasik patents. Medinol—which had actively sued Cordis for years—never raised the Pinchasik patents in prior litigation (against Cordis or any third party anywhere in the world). Medinol never raised the Pinchasik patents as an issue during the negotiations surrounding this deal. Coletti examined the existing litigation between Medinol and Cordis, as well as Medinol’s patent estate, in 2006 and 2007. Although the Pinchasik patents were included in the list of Medinol’s patent estate, nothing in those documents gave Coletti the impression that Medinol contemplated an infringement claim.⁸⁶

⁸⁴DX LB (2/5/13 email from Donna Hutchinson, Millson’s assistant, to Millson, transcribing voicemail from Coletti).

⁸⁵*See* Tr. at 316 (Coletti).

⁸⁶*See id.* at 308-309 (Coletti). When the first Pinchasik patent was filed in 1995, Coletti formed the opinion that it was either invalid or weak. *See id.* at 297-299. Coletti did not again consider the Pinchasik patents as a potential problem. Coletti’s opinion about the Pinchasik patents would not, on its own, justify Cordis’s belief that Medinol had abandoned its potential Pinchasik claims. However, it can properly be considered a contributing

III. APPLICABLE LAW⁸⁷

Laches is an equitable defense to a claim for patent infringement. “In a legal context, laches may be defined as the neglect or delay in bringing suit to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar.”⁸⁸ “To prevail on a defense of laches, a defendant must establish that (1) the plaintiff’s delay in filing a suit was ‘unreasonable and inexcusable,’ and (2) the defendant suffered ‘material prejudice attributable to the delay.’”⁸⁹

Under Federal Circuit precedent, the period of delay may not begin prior to the issuance of the patent.⁹⁰ The issuance of a patent establishes only the maximum period of delay. The actual period of delay begins when the patentee “knew or reasonably should

factor to Cordis’s lack of notice in light of the other facts and circumstances surrounding this case.

⁸⁷This patent infringement action arises under the patent laws of the United States, 35 U.S.C. § 1 et seq. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331, 1338(a), 2201 and 2202. Venue is proper in this District under 28 U.S.C. §§ 1391(b), 1391(c) and 1400(b). *See* JPTO at 3.

⁸⁸*A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028-29 (Fed. Cir. 1992) (en banc).

⁸⁹*Pei–Herng Hor v. Ching–Wu Chu*, 699 F.3d 1331, 1334 (Fed. Cir. 2012) (quoting *Aukerman*, 960 F.2d at 1028).

⁹⁰*See Aukerman*, 960 F.2d at 1032.

have known of the defendant's alleged infringing activities to the date of suit."⁹¹ "The reasonableness of the behavior of the person against whom laches is asserted depends on the facts of the particular case."⁹² "[C]ourts impose a duty on patentees to police their patent rights and will impose constructive knowledge based on the required reasonable, diligent inquiry."⁹³ "A patentee must investigate 'pervasive, open, and notorious activities' that a reasonable patentee would suspect were infringing. For example, sales, marketing, publication, or public use of a product similar to or embodying technology similar to the patented invention ... give rise to a duty to investigate whether there is infringement."⁹⁴ "[C]onstructive knowledge of the infringement may be imputed to the patentee even where he has no actual knowledge of the sales, marketing, publication, public use, or other conspicuous activities of potential infringement if these activities are sufficiently prevalent in the inventor's field of endeavor."⁹⁵

A delay of more than six years before bringing

⁹¹*Id.*

⁹²*Advanced Cardiovascular Sys., Inc. v. Scimed Life Sys., Inc.*, 988 F.2d 1157, 1162 (Fed. Cir. 1993).

⁹³*Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 679 F. Supp. 2d 512, 520 (D. Del. 2010).

⁹⁴*Id.* (quoting *Wanlass v. General Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998)).

⁹⁵*Wanlass*, 148 F.3d at 1338.

suit raises a presumption that such a delay was both unreasonable and prejudicial to the defendant.⁹⁶ “Where the presumption is established, the burden shifts to the patentee to produce sufficient evidence to ‘put the existence of a presumed fact into genuine dispute’ with regard to the reasonableness of the delay or the alleged prejudice.”⁹⁷ If the patentee fails “to come forward with either affirmative evidence of a lack of prejudice or a legally cognizable excuse for its delay in filing suit, the two facts of unreasonable delay and prejudice ‘*must* be inferred.’”⁹⁸ But if the patentee raises sufficient evidence to challenge the presumption, it “completely vanishes” and the defendant “is left to its proof” or “actual evidence.”⁹⁹ Whether the presumption applies or is rebutted, the “defendant bears the ultimate burden of persuasion [which] does not shift by reason of the patentee's six-year delay.”¹⁰⁰

“A court must consider and weigh any

⁹⁶See *Adelberg Lab., Inc. v. Miles, Inc.*, 921 F.2d 1267, 1271 (Fed. Cir. 1990).

⁹⁷*Magnetar Techs. Corp. v. Six Flags Theme Parks, Inc.* No. 07 Civ. 127, 2014 WL 533425, at *7 (D. Del. Feb. 7, 2014) (quoting *Aukerman*, 960 F.3d at 1038).

⁹⁸*Hall v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1553-54 (Fed. Cir. 1996) (emphasis in original) (quoting *Aukerman*, 960 F.2d at 1037).

⁹⁹*Aukerman*, 960 F.2d at 1037-38.

¹⁰⁰*Id.* at 1038-39.

justification offered by the plaintiff for its delay.”¹⁰¹ Excuses that have been recognized in certain instances include: “other litigation; negotiations with the accused defendant; possibly poverty and illness in limited circumstances; wartime conditions; extent of infringement; and dispute over ownership of the patent.”¹⁰² The Federal Circuit has “affirmed findings of unreasonableness for delays of less than six years.”¹⁰³

Prejudice can take the form of either economic or evidentiary prejudice.¹⁰⁴ Economic prejudice arises when “a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit.”¹⁰⁵ Prejudice must be established beyond the “damages or monetary losses ... attributable to a finding of liability for infringement” because otherwise “[e]conomic prejudice would ... arise in every suit.”¹⁰⁶ Rather,

¹⁰¹*Id.* at 1033.

¹⁰²*FMC Corp. v. Guthery*, No. 07 Civ. 5409, 2009 WL 1033663, at *4 (D.N.J. Apr. 17, 2009) (citing *Aukerman*, 960 F.2d at 1033).

¹⁰³*Meyers v. Asics Corp.*, 974 F.2d 1304, 1307 (Fed. Cir. 1992) (collecting cases).

¹⁰⁴*See Aukerman*, 960 F.2d at 1033. In this case, Cordis only alleges economic prejudice. *See* Def. Conclusions of Law ¶¶ 29-34.

¹⁰⁵*Aukerman*, 960 F.2d at 1033.

¹⁰⁶*Id.* (citations omitted).

courts “look for a *change* in the economic position of the alleged infringer during the period of delay.”¹⁰⁷

“The change must be because of and as a result of the delay.”¹⁰⁸ Courts have found that a patentee’s delay in bringing a suit can cause prejudice by “depriv[ing] [the alleged infringer] of the opportunity to modify its business strategies.”¹⁰⁹ Courts have also found that “[m]aking heavy capital investment and increasing production can constitute prejudice” when those investments are causally connected to plaintiff’s delay.¹¹⁰

¹⁰⁷ *Id.*

¹⁰⁸ *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1294 (Fed. Cir. 1992). *Accord ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 52 F.3d 1062, 1065 (Fed. Cir. 1995) (“[C]ases in which economic prejudice has been found lacking did not so hold because of a lack of capital investments, but, rather, because the alleged infringer failed to prove that their increased expenditures, i.e., on marketing and development, were in any way related to actions taken by the patentee.”).

¹⁰⁹ *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 10 Civ. 122, 2013 WL 3776173, at *7 (W.D. Ky. July 16, 2013). *Accord Lautzenhiser Tech. LLC v. Sunrise Med. HHG, Inc.*, 752 F. Supp. 988, 1004 (S.D. Ind. 2010) (“If [plaintiff] had sued earlier, Defendants likely never would have expended time and money to [develop the allegedly infringing products]. What is more, common sense suggests that Defendants would have modified their business strategies if they came under suit for infringement.”).

¹¹⁰ *Adelberg Lab.*, 921 F.2d at 1272. *Accord Technology for Energy Corp. v. Computational Sys., Inc.*, Nos. 92-1542 and 92-1551, 1993 WL 366350, at *7-8 (Fed. Cir. 1993) (finding economic

“The establishment of the factors of undue delay and prejudice, whether by actual proof or by the presumption, does not mandate recognition of a laches defense in every case Those factors merely lay the foundation for the trial court’s exercise of discretion.”¹¹¹ The court “must weigh all pertinent facts and equities in making a decision on the laches defense.”¹¹² “Where there is evidence of other factors which would make it inequitable to recognize the defense despite undue delay and prejudice, the defense may be denied.”¹¹³

IV. CONCLUSIONS OF LAW

A. Length of Period

1. Effect of Product Release Dates

Medinol claims that “the alleged period of delay

prejudice where defendant expanded its business, including employees, sales, and research and development). *But see Ecolab, Inc. v. Envirochem, Inc.*, 264 F.3d 1358, 1371-72 (Fed. Cir. 2001) (upholding district court finding that “the hiring of new employees, modification of equipment, and engagement in sales and marketing activities related to the new [product] are damages normally associated with a finding of infringement and do not constitute the type of damages necessary for a finding of economic prejudice.”).

¹¹¹*Aukerman*, 960 F.3d at 1036.

¹¹²*Id.* at 1034.

¹¹³*Id.* at 1036.

for [its] claims with respect to Cypher and Cypher Select cannot begin until 2002 and 2003, respectively.”¹¹⁴ Medinol is wrong as to Cypher, which is nothing more than the BX Velocity with a sirolimus coating and “none of the Pinchasik[] patents include[] a drug-eluting coating as a claim limitation.”¹¹⁵ The BX Velocity is the real product at issue in this suit. Medinol’s claims on the Pinchasik patents were available when Cordis began to sell the BX Velocity as a bare-metal stent in 1999.

2. Effect of Patent Issuance Dates

Cordis argues that the period of delay should begin on November 9, 1999 for all four patents “because unlike the typical laches case which involves different patents on different inventions, the Pinchasik patents are all essentially the same.”¹¹⁶ It is undisputed that all four Pinchasik patents are continuation applications from the ‘373 patent and have the same specifications and figures. Section 120 of Title 35 of the United States Code allows a patentee to submit a continuation application that will receive the same priority date as the original patent application but can include new claims. A continuation application will not extend the term of the patent. Most importantly,

¹¹⁴Plaintiffs’ Conclusions of Law (“Pl. Concl.”) ¶ 16.

¹¹⁵Stip. Facts ¶ 12.

¹¹⁶Defendants’ Conclusions of Law (“Def. Concl.”) ¶ 11.

the later application [may] contain no more disclosure than the original application upon which it is based ... [T]he continued-prosecution-application ... operate[s] on the underlying assumption that the later application is simply extending prosecution of the first ... [T]he prohibition against the entry of new matter applies [and] the applicant cannot add any disclosure to the later application beyond that necessarily inherent in the disclosure of the parent application as filed.¹¹⁷

Although the claims in the four Pinchasik patents at issue are different, there is no new matter in any of the applications, because there *cannot be*.

But Cordis cites no authority in support of its argument that this case should be an exception to the general principle that the period of delay cannot begin until a patent issues.¹¹⁸ This Court was able to find only one unpublished decision from the Northern

¹¹⁷Moy's Walker on Patents § 3:61. *Accord* Manual of Patent Examining Procedure § 201.07 ("The disclosure presented in the continuation must be the same as that of the original application; i.e., the continuation should not include anything which would constitute new matter if inserted in the original application.").

¹¹⁸The rule that it is erroneous to calculate the laches period from the date of the first patent in cases involving multiple patents is established Federal Circuit law. *See, e.g., Asics*, 974 F.2d at 1307.

District of California in 1994 that could provide support for Cordis's position. In *Teradyne, Inc. v Hewlett-Packard Co.*, the court held that the general laches rule does not apply to reissue patents, and that the laches period should begin at the issuance of the original patent, to the extent the claims in the reissue patent "are identical to claims that existed" in the original patent.¹¹⁹ Reissue applications are generally limited to correcting an error that renders the underlying patent wholly or partially invalid, but when granted, "the reissued patent, to the extent that its claims are substantially identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent."¹²⁰ In 2010, a court in the Central District of California declined to apply the *Teradyne* decision to continuation applications, finding that "the unreported *Teradyne* decision regarding reissue claims is inapposite."¹²¹

Despite the general lack of case law pertaining to this issue, I find Cordis's argument compelling. The laws and regulations governing continuation patents reveal that each subsequent patent applies to the same invention. While continuation patents can add new

¹¹⁹*Teradyne, Inc. v. Hewlett-Packard Co.*, No. 91 Civ. 0344, 1994 WL 327213, at *8 (N.D. Cal. June 24, 1994).

¹²⁰35 U.S.C. § 252.

¹²¹*In re Katz Interactive Call Processing Patent Litig.*, 712 F. Supp 2d 1080, 1110 n. 7 (C.D. Cal. 2010), *aff'd in part, vacated in part, remanded*, 639 F.3d 1303 (Fed. Cir. 2011).

claims, because those claims can only be based on the original disclosures and specifications stated in the first application, they could have been made in that first application. “The law on laches is rooted in the equitable principle that courts will not assist one who has slept on his rights.”¹²² In light of this maxim, it makes sense to consider the laches period for continuation patents to start with the issuance of the original patent. Nonetheless, because resolution of this issue does not affect the outcome of the case, I decline to resolve this question.

3. Richter’s Actual or Constructive Knowledge

Richter’s testimony that he only became aware of a potential Pinchasik claim in 2005 is not credible. Richter did not sue on the Pinchasik patents because he thought he would win on the Israel patents, not because he was unaware of the potential claim. I will later address whether this decision constitutes a reasonable delay, but it certainly shows that Richter had constructive, if not actual, knowledge of the potential infringement at the time the BX Velocity was released in 1999 and the Cypher Select was released in 2003.

4. Calculation of Laches Periods

¹²²*Crown Packaging*, 679 F. Supp. at 519 (marks omitted). *Accord Lane & Bodley Co. v. Locke*, 150 U.S. 193, 201 (1893) (“Courts of equity, it has often been said, will not assist one who has slept upon his rights, and shows no excuse for his laches in asserting them.”).

Even if the period of maximum delay begins with the issuance of each individual patent, the delay for each patent is still significantly longer than the presumptively unreasonable six years. As to claims against Cypher, the period of delay for the ‘552 patent is 13 years, 3 months and 23 days; for the ‘811 patent it is 12 years, 9 months and 23 days; for the ‘276 patent it is 9 years, 7 months and 24 days; and for the ‘228 patent it is 7 years, 10 months and 27 days.¹²³

B. The Majority of Medinol’s Delay Was Unreasonable and Inexcusable

**1. November 1999 - October 2004:
The *Israel* Litigation**

Cordis argues that “[a]ny claims based on the Pinchasik patents should have been asserted in 2000, as part of the lawsuit that Medinol actually instituted on the Israel patents” because “the patents were related” and “[t]he validity issues” and “infringement issues” were the same.¹²⁴ Richter’s decision not to sue on the Pinchasik patents in 2000 was undoubtedly strategic, but that does not render it unjustifiable or inexcusable.

¹²³The periods are calculated from the issuance of the patent until, but not including, March 4, 2013, the date the complaint was filed. Because the Cypher Select was not sold until 2003, the applicable period for those claims is shorter by approximately four years for the ‘552 patent and three years for the ‘276 patent.

¹²⁴Def. Concl. ¶ 16.

Had Richter sued on the Pinchasik patents in 2000 at the same time as the Israel patents, he may have been forced to take conflicting positions in the same lawsuit about whether the BX Velocity is or is not uniformly flexible. It was not unreasonable to proceed on a suite of patents that Medinol believed was stronger and that was licensed to Boston Scientific, a major player in the medical devices field, instead of other patents that have never been sold, licensed or enforced.

But for reasons explained below, Medinol's period of excusable delay ended on October 4, 2004 when the Supreme Court denied its petition for a writ of certiorari. With the exception of a brief tolling period, the remainder of the nearly 8 and a half year delay is unreasonable and inexcusable.

**2. October 2004 - August 2012:
Negotiation and Business
Relationship**

a. October 2004 - March 2006

Richter's testimony that he was not aware of a potential claim on the Pinchasik patents is not credible. Medinol provides no other justification for the delay between October 4, 2004 and March 15, 2006, when Medinol and Cordis began negotiations. Medinol argues that the remainder of its delay, at least until the August 2012 termination agreement, is reasonable because Medinol and Cordis were "negotiating, carrying out, and terminating a major business

venture pursuant to the distribution agreement.”¹²⁵

b. March 2006 - June 2006

Several early laches opinions hold that business negotiations between the plaintiff and the alleged infringer can justify a delay.¹²⁶ In a recent case from the Northern District of Illinois, the court held that a delay was reasonable when “the length of delay corresponds to the negotiations between the parties to develop a business relationship and resolve their patent and licensing issues” and the plaintiff files suit “a short time” after negotiations end without a final agreement.¹²⁷ A key distinguishing fact in these cases is that the parties carried out negotiations over the patents or licenses *at issue in the suit*. In this case, the parties carried out negotiations to 1) *settle existing* patent litigation and 2) create a business partnership to distribute Medinol’s stents. The Pinchasik patents were not at issue in the negotiations, nor were they ever raised as a potential issue before or after the deal was finalized.

Notice to the alleged infringer of a potential claim is a key to the laches analysis in an infringement

¹²⁵Pl. Concl. ¶ 9.

¹²⁶*See Aukerman Co. v. Miller Formless Co., Inc.*, 693 F.2d 697, 700 (7th Cir. 1982). *See also Continental Coatings Corp. v. Metco, Inc.*, 464 F.2d 1375, 1377-78 (7th Cir. 1972).

¹²⁷*DSM Desotech, Inc. v. 3D Sys. Corp.*, 900 F. Supp. 2d 783, 793 (N.D. Ill. 2012).

case. In *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, the court evaluated whether a plaintiff may claim that he delayed bringing suit against one party while litigation was pending against a third party. The Federal Circuit held that “[f]or other litigation to excuse a delay in bringing suit, there must be adequate notice of the proceedings to the accused infringer Notice is important [because it] informs the accused infringer of the existence of the suit and that a subsequent suit will be filed against him. He can then change his activities to avoid liability.”¹²⁸

While “there has been no clearly established rule set forth by the Federal Circuit (or any other court) which absolutely requires a patentee to make an infringement allegation prior to bringing suit ... the proper test requires an objective inquiry into whether the patentee acted reasonably in light of all of the circumstances.”¹²⁹ “Despite all of the evidence of potential infringement it possessed, [Medinol] never made such a direct inquiry of infringement to [Cordis] prior to filing suit. While such facts are not dispositive, they must still be considered by the Court among the totality of the circumstances to determine if [Medinol]

¹²⁸*Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 877 (Fed. Cir. 1991).

¹²⁹*Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, No. 09 Civ. 290, 2014 WL 183212, at *26 (W.D. Pa. Jan. 14, 2014) (citing *Hemstreet*, 972 F.2d at 1293 (“*Aukerman* restores equitable flexibility: The equities may or may not require that the plaintiff communicate its reasons for delay to the defendant.”)).

acted as a reasonable patentee.”¹³⁰

Medinol argues that Cordis knew, or must have known, about the Pinchasik claims throughout the time period leading up to the 2006 agreement. This argument is unavailing because various Cordis representatives testified credibly that they did not know and had no reason to know that Medinol was considering a suit on the Pinchasik patents. Richter admits that he did not disclose the potential suit because he did not want to jeopardize the deal. But “to the extent [Medinol] would justify its delay because an earlier assertion might have jeopardized business dealings with [Cordis], the excuse is insufficient.”¹³¹

**c. June 2006 - July 2008:
Effect of Tolling
Agreements**

The 2006 and 2007 agreements include a provision tolling the statute of limitations period for “any U.S. claims” that either party may have against one another from June 19, 2006 until and including July 7, 2008.¹³² There is no express statute of limitations period in patent law applicable to an

¹³⁰*Id.*

¹³¹*MVC v. King Seeley Thermos Co.*, 870 F.2d 1568, 1572 (Fed Cir. 1989). *Accord Lane & Bodley Co.*, 150 U.S. at 201 (plaintiff’s delay is inexcusable when he “preferred for prudential reasons, to receive a salary from the defendant rather than to demand a royalty”).

¹³²DX S § 2 and DX R § 2.8.

individual's patent infringement claim. The only limitation period involving patent infringement suits merely restricts the period of recovery of damages to six years.¹³³ Cordis argues that these agreements merely “toll the statute of limitations for two years, [allowing] Medinol [to] seek damages for eight years, not six” but “do not extend the laches period.”¹³⁴

In support of this proposition, Cordis cites *Cornetta v. United States*, which held that “[l]aches must be applied ‘apart [from] and irrespective of’ the statute of limitations.”¹³⁵ Thus, the court held that while the plaintiff’s “post-discharge service in the Coast Guard stopped the running of the six-year statute of limitations ... it did not affect the period to be considered in determining whether laches affects his claim” for reinstatement and back pay stemming from his allegedly unlawful discharge.¹³⁶ Cordis also cites the *Aukerman* decision which explained that the statute of limitations defense in patent actions is “an arbitrary limitation on the period for which damages may be awarded Laches, on the other hand, invokes the discretionary power of the district court to limit the defendant’s liability for infringement by reason of the equities between the particular

¹³³See 35 U.S.C. § 286.

¹³⁴Def. Concl. ¶ 25.

¹³⁵851 F.2d 1372, 1378 (Fed. Cir. 1988) (quoting *Pepper v. United States*, 794 F.2d 1571, 1573 (Fed. Cir. 1986)).

¹³⁶*Id.*

parties.”¹³⁷

Laches analysis is separate and distinct from the statute of limitations analysis.¹³⁸ But it is within my discretion to credit Medinol with the 2 year and 19 day period covered by the 2006 and 2007 agreements for reasons of equity. This short period of reasonable delay does not cure the earlier unreasonable delays.

d. July 2008 - August 2012

Medinol argues that “by agreeing to preserve and toll Medinol’s U.S. [] claims ... Cordis induced Medinol to forego a lawsuit” thereafter and is not entitled to a laches defense.¹³⁹ This argument is meritless. Medinol made a decision to pursue a business relationship and, without providing notice of the potential claims to Cordis, secured a two year period to contemplate whether that business relationship was more important than a potential lawsuit. Having had two years to think about a potential lawsuit, Richter decided that he could either “bring the lawsuit and most probably terminate the relation[ship]” or he could continue to “nurture the

¹³⁷*Aukerman*, 960 F.3d at 1030.

¹³⁸I take note of Medinol’s argument that the tolling provision in *Cornetta* was statutory, not contractual. *See* Pl. Concl. ¶ 10 n. 35. While important, the source of tolling does not change the basic conclusion that statute of limitations and laches are two different legal principles.

¹³⁹*Id.* ¶ 14.

cooperation.”¹⁴⁰ Medinol made both of those decisions on its own. Further, Medinol’s argument that it did not bring a lawsuit between February 2011 and August 2012 because Richter first wanted to extricate Medinol from the exclusivity arrangement with Cordis would be more convincing if Richter had not threatened Cordis with litigation over the alleged breach of contract in August 2011.

3. August 2012 - March 2013: Renewed Negotiation

Medinol’s asserted reason for the delay during this time period is that it was trying to negotiate a renewed business partnership with Cordis. However, the issue of notice is even more glaring during this period than during the 2006 negotiations. By this point, even the most recent Pinchasik patent was close to eight years old. If Cordis had no reason to have constructive notice of the Pinchasik claims in June 2006, it certainly had no reason to have constructive notice of those claims in December 2012.

The unreasonable and inexcusable nature of Medinol’s delay is all the more evident after acknowledging how long the period of delay is even after 1) calculating the laches period from the issuance of each individual continuation patent; 2) excusing the delay during the *Israel* litigation; and 3) giving Medinol credit for the 2 year and 19 day tolling period. The shortest delay is still 5 years, 10 months and 5

¹⁴⁰Tr. at 401 (Richter).

days—just short of the presumptively unreasonable six years. It is within my discretion to find that a delay of less than six years is unreasonable.¹⁴¹

For the reasons stated above, I conclude that Cordis has shown with actual proof that the delay between October 4, 2004 and March 1, 2013, excluding the tolling period, was unreasonable and inexcusable.

C. Cordis Suffered Economic Prejudice

Cordis insists that “the simplest demonstration of economic prejudice is to focus on Cordis’s likely reaction in the event that Medinol won at a trial brought in a timely manner and that Cordis was enjoined or a judgment in Medinol’s favor was affirmed on appeal.”¹⁴² Medinol argues that there is no legal support for this “novel prejudice” theory, and that the proper prejudice analysis is to see whether Cordis would “have acted differently if Medinol had sued earlier.”¹⁴³ Neither party has correctly stated the standard for proving prejudice.

To show economic prejudice, Cordis must demonstrate a material change in its economic position during the period of delay that occurs “because of and

¹⁴¹See *Asics*, 974 F.2d at 1307.

¹⁴²Def. Concl. ¶ 40.

¹⁴³Pl. Concl. ¶ 23.

as a result of the delay.”¹⁴⁴ What Cordis would or would not have done and at what time is not as important as the actions Cordis *did* take and the reasons it took those steps. Cordis would not have entered into a business relationship with Medinol if Medinol had sued on the Pinchasik patents earlier or if Cordis knew that Medinol was clinging to a Pinchasik lawsuit in the event that the business relationship deteriorated.

Entering into the 2007 settlement and distribution agreements changed Cordis’s economic position dramatically. *First*, Medinol negotiated an indemnification clause in the settlement agreement in connection with an ongoing dispute with Boston Scientific.¹⁴⁵ As a result of that indemnification, Cordis paid approximately \$100 million to Boston Scientific.¹⁴⁶ *Second*, because Cordis was never sued on the Pinchasik patents, it never had the opportunity to develop a non-infringing stent, as it did by developing the BX Agile stent after the BX Velocity was accused of infringing the Israel patents.

Most importantly, Cordis entered into the business relationship in order to bolster its own flagging stent business, which had begun to decline as

¹⁴⁴*Hemstreet*, 972 F.2d at 1294.

¹⁴⁵*See* DX S § 2.5

¹⁴⁶*See* Tr. at 304-305 (Coletti).

early as 2006.¹⁴⁷ At or around this time, Cordis began to look for other partnerships to help revive its stent business, including investigating Medinol’s “family of stents.”¹⁴⁸ All of this reveals that had Cordis not entered into a business agreement with Medinol, it could have exited the stent market earlier or redirected its investments to other products.

In *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, the Federal Circuit found economic prejudice where the delayed suit resulted in the alleged infringer continuing to invest in its business with expenditures on procuring patents and developing related technology, a threefold expansion of the alleged infringing activity, and failure to take a license under the relevant patent.¹⁴⁹ “Even a considerable investment during a delay period is not a result of the delay if it was ‘a deliberate business decision to ignore [a] warning, and to proceed as if nothing had occurred.’”¹⁵⁰ But here, Cordis did not ignore any warnings.

¹⁴⁷ See Tr. at 415 (Anderson) (“In 2007—it actually started in 2006 ... we saw almost a 50 percent drop of the penetration of drug-eluting stents in the market” and “other major global players [were] entering the marketplace.”).

¹⁴⁸ *Id.* at 428 (Anderson).

¹⁴⁹ See 52 F.3d 1062, 1065 (Fed. Cir.1995).

¹⁵⁰ *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 775 (Fed. Cir. 1995) (quoting *Hemstreet*, 972 F.2d at 1294).

Medinol first sat on the Pinchasik claims for nearly seven years, suing Cordis on other patents around the world but never asserting these claims. Then, Medinol engaged in business negotiations and signed a settlement agreement with Cordis, settling all outstanding litigation but never disclosing its potential Pinchasik claims. Finally, Medinol continued to hold off on bringing its suit as the business relationship deteriorated and Cordis's stent business plummeted.

At numerous points over the last fourteen years, “[Medinol’s] delay in bringing an infringement action deprived [Cordis] of the opportunity to modify its business strategies.”¹⁵¹ Now, because Medinol has waited to sue until after Cordis has exited the stent industry altogether, Cordis lacks the ability to offset its losses with profits on existing sales. Cordis has shown sufficient proof of economic prejudice to warrant the application of laches.¹⁵²

V. CONCLUSION

For the foregoing reasons, I find that laches presents an entire defense to Medinol’s infringement claims. Plaintiff’s action is DISMISSED with prejudice

¹⁵¹*SCA Hygiene*, 2013 WL 3776173, at *7.

¹⁵²The bulk of Cordis’s economic prejudice argument pertained to steps it could or would have taken had Medinol sued earlier and won, including, for example, using a different platform for its drug-eluting stent or moving its manufacturing facilities abroad. Because Cordis has provided sufficient other proof of other economic prejudice, I need not address these points.

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and the Clerk of the Court is directed to close this case.

SO ORDERED

/s/ Shira A. Scheindlin
Shira A. Scheindlin
U.S.D.J.

Dated: New York, New York
March 14, 2014

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APPENDIX D

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

[FILED 12/22/2015]

MEDINOL LTD.,
Plaintiff-Appellant

v.

**CORDIS CORPORATION,
JOHNSON & JOHNSON,**
Defendants-Appellees

2015-1027

Appeal from the United States District Court for
the Southern District of New York in No. 1:13-cv-
01408-SAS, Judge Shira Ann Scheindlin.

ON MOTION

Before MOORE, LINN, and WALLACH,
Circuit Judges.

LINN, *Circuit Judge.*

O R D E R

The parties jointly move for summary affirmance of the district court's decision in this case.

Summary affirmance is warranted "when the position of one party is so clearly correct as a matter of law that no substantial question regarding the outcome of the appeal exists." *Joshua v. United States*, 17 F.3d 378, 380 (Fed. Cir. 1994).

The parties agree that this court's decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 2013-1564, ___ F.3d ___ (Fed. Cir. Sept. 18, 2015) (en banc) controls the outcome of the present appeal.

Accordingly,

IT IS ORDERED THAT:

- (1) The motion for summary affirmance is granted.
- (2) Each party shall bear its own costs.
- (3) All other pending motions are denied as moot.

FOR THE COURT

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court