No. 15-998

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

REPLY BRIEF OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

Federal Cases

Federal Statutes and Rule

INTRODUCTION

Cordis devotes the bulk of its response to arguing that this case is not the right vehicle for addressing the application of laches to damages claims in patent suits. But Cordis misunderstands the issue before this Court. That issue has nothing to do with the various factors for granting relief under Federal Rule of Civil Procedure 60(b). The district court denied Medinol's Rule 60(b) motion on one ground and one ground alone: that the district court was legally "*bound* to follow the Federal Circuit," Pet. App. 6a (emphasis added), and, therefore, was obligated to treat laches as applicable to timely Patent Act damages claims. The only issue addressed below and the only issue presented here is whether the Federal Circuit is correct that laches can bar damages claims that are timely under the Patent Act. Pet. App. 6a. If the Federal Circuit's position is wrong, the district court's decision has nothing left to support it.

Medinol's appeal thus depends—entirely and unequivocally—on whether laches applies to damages claims in patent suits. That makes the case a clean and straightforward vehicle for addressing the question presented. Cordis' extended discourse on Rule 60(b) is beside the point. Once this Court holds that laches is not available to bar timely damages actions under the Patent Act and vacates the decision below, the parties can address on remand any remaining Rule 60(b) issues.

On the merits, Cordis fares no better in its attempt to square the Federal Circuit's approach with this Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014). *Petrella* held that when Congress sets forth a limitations period—as it has in § 286 of the Patent Act—judges may not use laches to bar damages claims that are timely under the relevant statute. Laches is meant to serve a "gap-filling" role when the legislature has not spoken to the timeliness of claims. *Id.* at 1974. The doctrine may not be repurposed for "legislation-overriding" when a judge disagrees with Congress' view about whether a claim is timely. *Id.* The Federal Circuit's doctrine turns *Petrella* on its head by reasoning that Congress merely sets "*arbitrary*" limitations periods that judges properly adjust through the exercise of their "*discretion*[]." *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992) (en banc).

In *Petrella*, this Court stated its rule in strong, unqualified terms: When there is a "statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Petrella*, 134 S. Ct. at 1974. Unanimously, the Federal Circuit recognized that § 286 is essentially the same statute of limitations provision that was at issue in *Petrella*. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015) (en banc) ("no substantive distinction material to the *Petrella* analysis [exists] between § 286 and the copyright statute of limitations considered in *Petrella*"). Given that conclusion, as five judges on the Federal Circuit recognized, only an "exceptional" view of patent law as exempt from the principles of *Petrella* could support

the conclusion that laches remains available to bar damages claims for patent infringement. *See SCA*, 807 F.3d at 1333 (Hughes, J., concurring in part and dissenting in part). But time and again, this Court has overturned Federal Circuit decisions that treat patent cases as if they play by their own rules.

This Court should grant Medinol's petition and overturn the Federal Circuit's effort to circumvent *Petrella*. The Court should review this case either independently or in tandem with the pending cert. petition in *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC* (No. 15-927) (Jan. 19, 2016). While Medinol's case vividly displays the problems with the Federal Circuit's approach, the Court may wish to schedule this case and *SCA* for consideration at the same conference in light of the overlapping legal issues.

ARGUMENT

I. This Case Squarely Raises The Question Of *Petrella*'s Implication For Patent Cases.

The question before this Court is whether judges may invoke laches to bar damages claims that are timely under § 286 of the Patent Act. According to the Federal Circuit, laches applies to damages claims notwithstanding the principles reflected in *Petrella*. *SCA*, 807 F.3d at 1333. The district court declared itself "bound to follow the Federal Circuit," and it accordingly rejected Medinol's request for relief under Rule 60(b). Pet. App. 6a.

Medinol asserts that the Federal Circuit's view of laches is wrong, which means the district court's decision has nothing to support it and needs to be vacated. *See Koon v. United States*, 518 U.S. 81, 100 (1996) ("A district court by definition abuses its discretion when it makes an error of law."). The same is true of the Federal Circuit's summary affirmance, which reflects everyone's understanding that Medinol's appeal depends on whether laches can bar timely damages claims. Pet. App. 54a ("The parties agree that this court's decision in *SCA* … controls the outcome of the present appeal."). The decisions below rest on a single, pure question of law.

Cordis' response reflects a misunderstanding of this Court's institutional role. The question presented is not whether, all things considered, relief under Rule 60(b) is warranted. The courts below did not pass on any of the Rule 60(b) issues on which Cordis focuses most of its brief. Rather, the only question here is whether laches applies to damages claims in patent suits. If the answer is yes, the district court's order and the Federal Circuit's summary affirmance were correct. If the answer is no, both of those decisions rest on a fundamental legal error and must be vacated. That Cordis might have *additional* arguments for declining Rule 60(b) relief on remand has no bearing on the legal issue before this Court now. *See Agostini v. Felton*, 521 U.S. 203, 238 (1997) ("It is true that the trial court has discretion, but the exercise of discretion cannot be permitted to stand if we find it rests upon a legal principle that can no longer be sustained.").

Contrary to Cordis' contentions, then, this case is an excellent vehicle for considering the application of laches to damages claims in patent suits. The issue is presented cleanly, without factual or procedural irregularities that might obstruct or distort its resolution. And the issue is dispositive: This Court's decision regarding the availability of laches will dictate whether the district court's and Federal Circuit's rulings can stand. When the district court denied Medinol's request for relief on the sole ground that it was "bound to follow the Federal Circuit" by applying laches to damages claims even after *Petrella*, it hitched the validity of its decision to the correctness (or lack thereof) of the Federal Circuit's position.

As the district court was well aware, Medinol did not appeal the court's initial laches decision because to do so would have been futile. The en banc Federal Circuit had ruled decades earlier that laches can bar damages claims in patent suits. The landscape only changed with *Petrella*, which Medinol had brought to the district court's attention while *Petrella* was pending before this Court. Medinol specifically reserved the right to argue that laches could not be applied to Patent Act damages claims if and when the Supreme Court ruled that laches could not be applied to similar claims under the Copyright Act. *See, e.g.*, *Medinol, Ltd. v. Cordis Corp.*, No. 13-cv-1408-SAS (S.D.N.Y. Aug. 5, 2014), Dkt. No. 71 at 1 (citing Dkt. No. 39 at 6 n.1[1]). In addition, the district court engaged in an extended colloquy with counsel for both parties on this

[1] Dkt. No. 39 was initially filed under seal and is not publicly accessible. The relevant portion of the document reads:

precise question. Dkt. No. 56 at 58-61.[2] In any event, Medinol's decision not to appeal the initial ruling, in the context of this litigation, is a factor for the district court to consider on remand if this Court vacates the judgment below. Before this Court, the only question is whether the district court's denial of relief was based on an important legal mistake.

The answer is yes. When it issued *Petrella*, this Court upended the Federal Circuit's approach by making clear that laches cannot bar damages claims that are timely under the relevant statute of limitations. Medinol responded by asking the district court to vacate its prior decision, in which it had followed Federal Circuit precedent and barred Medinol's damages claims even though they were timely under § 286. Dkt. No. 71. Given that *Petrella* undermined the Federal Circuit's precedent on laches—and, by implication, the district court's ruling in Medinol's case—relief under Rule 60(b) was warranted. *See, e.g.*, *Scott v. Gardner*, 344 F. Supp. 2d 421, 426 (S.D.N.Y. 2004) ("[W]here a 'supervening change in

> Medinol also reserves the right to argue that the equitable defense of laches should not be applied to bar a patentee's legal claim for damages, particularly one based on past infringement within the statutory six-year recovery period, based on the outcome of the pending appeal to the Supreme Court in *Petrella* …. The Supreme Court's decision may have broad implications for the applicability of laches to other continuing torts, including patent infringement.

See also Opp. 5 (referring to the above-quoted material).

[2] "Dkt." citations refer to the district court's docket in this case, No. 13-cv-1408-SAS (S.D.N.Y.).

governing law calls into serious question the correctness of the court's judgment' … a Rule 60(b)(6) motion may be granted." (quoting *Sargent v. Columbia Forest Prods., Inc.*, 75 F.3d 86, 90 (2d Cir. 1996)); *cf. Polites v. United States*, 364 U.S. 426, 433 (1960).

Medinol's approach thus was proper in every respect. It refrained from filing a pointless appeal on a matter long settled by binding en banc Federal Circuit precedent. After that precedent was undercut by a new Supreme Court opinion—issued only two weeks after Medinol's time for taking an appeal had expired, *see* Dkt. No. 65 (entering judgment 45 days before *Petrella* was decided)—Medinol sensibly asked the district court to reconsider its judgment under Rule 60(b).

Thus, while Cordis tries to muddy the waters by introducing Rule 60 issues not passed on below, none of those issues is relevant here. Medinol has squarely raised a legal question of widespread importance: whether courts are free to use laches to bar damages claims in patent suits. The answer to that question will dictate whether the decisions below may stand.

The case is also compelling on its facts, because it demonstrates the problems with using a discretionary, unpredictable laches doctrine to override limitations periods set by Congress. The district court barred Medinol from recovering damages for infringement that occurred well within the Patent Act's six-year limitations period. Pet. 8-10. The court also faulted Medinol for failing to initiate a lawsuit while it was still trying to develop a friendly business relationship with Cordis—even though such a suit would

obviously destroy the prospects for a joint business effort. Pet. 8-9. This is precisely the sort of "sue soon, or forever hold your peace" approach that *Petrella* flatly rejected. 134 S. Ct. at 1976. Just as there is "nothing untoward about waiting to see whether" a copyright "infringer's exploitation undercuts the value of the copyrighted work," there likewise is nothing untoward about waiting to see whether two parties can find common ground in a business deal before launching into patent litigation. *Id*.

II. The Federal Circuit's Approach To Laches Cannot Survive *Petrella*.

This Court could hardly have been clearer about its rule of decision in *Petrella*: "[C]ourts are not at liberty to jettison Congress' judgment on the timeliness of suit." 134. S. Ct. at 1967. In the Patent Act, Congress set forth a "time limitation on damages" in § 286, which entitles patent holders to seek damages going back six years from the time of suit. That fact brings patent infringement claims comfortably within the principles announced by *Petrella*. But according to Cordis, because this Court did not explicitly hold that laches is inapplicable to damages for patent infringement, it follows that *Petrella* left the Federal Circuit's approach intact. *See* Opp. 2.

Of course, the reason this Court did not expressly address the treatment of patent claims in *Petrella* is that no such claims were before it. So the Court did what it always does: It articulated governing legal principles and left them for the lower courts to apply in the first instance.

Moreover, what *Petrella did* say about the Federal Circuit's approach bodes ill for Cordis' arguments. *Petrella* mentions the patent context in a footnote to a paragraph explaining that laches' "principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." 134 S. Ct. at 1973. The footnote explains that "[i]n contrast to the Copyright Act, the Lanham Act … contains no statute of limitations, and expressly provides for defensive use of 'equitable principles, including laches.'" *Id.* at 1974 n.15.

The Patent Act is a different story because it (1) *does* include an express limitations period and (2) does *not* include a defense for "equitable principles, including laches"—or even mention laches at all. Understandably, all *Petrella* would say about the application of laches to damages claims for patent infringement is that this Court has "not had occasion to review the Federal Circuit's position." *Id.* But as the five dissenters in *SCA* recognized, the principles and logic of *Petrella* preclude the Federal Circuit's effort to salvage its prior position on laches. 807 F.3d at 1333-38 (Hughes, J., concurring in part and dissenting in part). Far from leaving that prior position intact, *Petrella* leaves it in tatters.

III. Cordis' Attempt To Save The Federal Circuit's Opinion By Rewriting It Underscores The Need For This Court's Review.

In *SCA*, the Federal Circuit majority held that the Patent Act contains a laches defense for damages claims in 35 U.S.C. § 282(b)(1). *See* 807 F.3d at 1321-

24. That section refers to defenses of "[n]oninfringement, absence of liability for infringement or unenforceability." *Id.* at 1322. None of these terms mention laches, of course, and the majority below did not indicate which of the terms supposedly includes it. *See id.* at 1335 (Hughes, J., concurring in part and dissenting in part).

Before this Court, Cordis now attempts to correct the Federal Circuit's work by arguing that Congress must have meant to include a laches defense within the statutory term "unenforceability." Opp. 18–19. At the outset, the fact that Cordis feels obliged to rewrite the Federal Circuit's decision underscores the need for this Court's review. Moreover, Cordis cannot explain how laches could possibly be contained within the term "unenforceability," given that a *patent* remains enforceable notwithstanding a finding that laches bars particular *claims*. *See Aukerman*, 960 F.2d at 1030 ("Recognition of laches as a defense … does not affect the general enforceability of the patent against others.").

Cordis' *ex post* revision also suffers from the same fundamental flaw as the Federal Circuit's argument: It is highly implausible that Congress would have gone to the trouble of enacting a provision (§ 286) that directly addresses the timing of damages claims while obliquely stashing away an unmentioned laches defense that contravenes the very same provision. "[E]ven if laches were implicit in § 282, that would not be enough, for the question is whether Congress prescribed a variant form of laches in the Patent Act that applies to claims for legal relief." *SCA*, 807 F.3d at

1335 (Hughes, J., concurring in part and dissenting in part).

As *Petrella* explained, this Court has "never applied laches to bar, in their entirety, claims for discrete wrongs occurring with a federally prescribed limitations period." 134 S. Ct. at 1974–75. And neither Cordis nor the Federal Circuit cite a single federal statute in which Congress has chosen to enact both a statutory limitations period for damages and a laches defense that permits judges to ignore timely damages suits based on discretionary judicial determinations. Even the majority in *SCA* conceded that "the statutory text says nothing on the applicability of laches to legal relief." 807 F.3d at 1324. The majority further conceded that "the legislative history is silent on the meaning of laches…." *Id*. Nonetheless, the majority conjured up a laches bar to read into the Act. As the dissenters observed, Congress' enactment of § 286 "strongly suggests that it did not intend to codify a defense of laches that further regulates the timeliness of damages claims." *Id*. at 1336 (Hughes, J., concurring in part and dissenting in part).

IV. This Court's Review Is Necessary Given The Federal Circuit's Exclusive Jurisdiction Over Patent Appeals.

Cordis argues that decisions from various regional circuits are consistent with the view that "laches is a defense to claims for damages in patent cases." Opp. 17. But all of those decisions pre-date *Petrella* by decades, rendering them irrelevant to this case. The question here is what *Petrella*'s principles

mean for patent law. The cases cited by Cordis shed no light on the matter.

Because the Federal Circuit has exclusive jurisdiction over patent appeals, the relevant "split" is not among the circuits, but rather among the judges of that court. In *SCA*, the Federal Circuit split 6-5 over the meaning of *Petrella*. Notwithstanding this sharp division, the Federal Circuit has now reached its conclusion. Unless this Court intervenes, laches will remain available throughout the country to bar damages claims that Congress has expressly deemed to be timely.

CONCLUSION

This case squarely presents an issue of widespread importance in patent infringement litigation. The Court should grant Medinol's petition, whether independently or in tandem with the pending petition in *SCA* (No. 15-927). Medinol respectfully suggests that the Court may wish to schedule this case and *SCA* for discussion at the same conference, given that the legal issue presented is the same.

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