CLIENT ALERT

En Banc Federal Circuit Reaffirms Laches as a Defense to Patent Suits

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On Friday, the *en banc* Federal Circuit held 6-5 that the Supreme Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, which barred the laches defense from copyright infringement cases, did not affect that same defense when applied to patent law. The defense of laches in patent cases can bar recovery of pre-suit damages when a plaintiff unreasonably delayed in bringing a patent suit. The *en banc* Federal Circuit's decision, captioned *SCA Hygiene Products v. First Quality Baby Products*, is now ripe for Supreme Court review.

Last year, the Supreme Court struck down laches as a defense to copyright infringement suits brought within the Copyright Act's statute of limitations period in its decision in *Petrella*. The Supreme Court reasoned that the copyright statute of limitations "itself takes account of delay," and therefore proscribes the judiciary from determining whether a suit was timely based on any other measure, such as laches. Simply, "in the face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief," such as damages. The Supreme Court, however, did not address whether its decision similarly barred laches in patent cases. The *en banc* Federal Circuit took up *SCA Hygiene Products v. First Quality Baby Products* to answer that question.

The Patent Act contains a damages limitation in 35 U.S.C. § 286, and the parties and amici (of which there were many, including one represented by authors Songer and Galluzzo) "fervently" debated whether § 286 was a statute of limitations. The majority found that there were differences between § 286 and a traditional statute of limitations, but those differences were "irrelevant to the resolution of this case under *Petrella*." Because § 286 and laches both take into account the delay of a patent owner in bringing suit, the Patent Act "invokes *Petrella*'s logic." Under that logic, laches could only survive if Congress codified it as a defense in the Patent Act. The majority found that it did.

The majority looked to 35 U.S.C. § 282, which sets out the defenses available in a patent suit and found that Congress implicitly codified a laches defense therein as part of the 1952 Patent Act. According to the majority, § 282 does not "enumerate specific defenses" but sets forth categories, such as "absence of liability" and "unenforceability." The majority found support for such a broad reading both in the House and Senate Reports on § 282, as well as contemporary commentary from a drafter of the Patent Act, P.J. Federico. Mr. Federico's commentary explicitly states that § 282 includes non-enumerated "equitable defenses such as laches." Finding the Federico commentary to be "a sufficiently reliable source on the meaning of § 282," the majority concluded that Congress had codified laches as a defense in the Patent Act.

The majority thus overcame the *Petrella* quandary and found that *Petrella* had no bearing on laches in patent infringement cases because Congress intended for laches and the limitation on damages in § 286 to coexist. As to any tension between the two, the majority stated that it had "no authority to substitute our views for those expressed by Congress in a duly enacted statute" and instructed Congress to "change the law" if it disagrees.

While the *en banc* Federal Circuit reaffirmed laches as a defense, it adjusted the defense slightly to "harmonize it with *Petrella* and other Supreme Court precedent." All eleven judges held that a court may take into account a plaintiff's delay in filing suit when analyzing the propriety of an injunction under the four-factor test from the Supreme Court's *eBay Inc. v. MercExchange,*

L.L.C. All eleven judges also concluded that laches will not bar damages in the form of an ongoing royalty, except in "extraordinary circumstances." The dissent joined this part of the majority opinion because it agreed that laches is available to bar equitable—but not legal—relief.

However, the dissent criticized the majority's opinion as creating "special rules for patent cases" and harshly characterized the majority opinion as brushing aside *Petrella* "based on vague legislative history and muddled case law that Congress intended to depart from the common-law principle that laches only bars equitable relief where a statutory limitations period applies." The dissent was most critical of the majority's evidence that Congress implicitly codified laches as a defense in § 282—the "lone statement" in the Federico commentary was insufficient legislative history. Not only that, it was made two years after the enactment of the Patent Act by "an executive-branch official" who "though central to its drafting, was not a member of Congress voting on the measure."

It is likely that SCA Hygiene Products will petition for *certiorari* at the Supreme Court, and it is likely that the Supreme Court will take the case for review. At least for now, laches remains a viable defense to patent infringement. But the Supreme Court will have the last word. We will keep you apprised of the case and will publish any interesting developments.

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