

SCA Hygiene Products v. First Quality Baby Products

Banner & Witcoff offers the following content as a resource to help clients understand and prepare for the potential impact of this case:

On September 18, 2015, the Federal Circuit, sitting *en banc*, ruled (6-5) in *SCA Hygiene Products AB et al. v. First Quality Baby Products LLC et al.*, that laches remains a viable defense in a patent infringement suit, even after the Supreme Court's 2014 "Raging Bull" decision (*Petrella v. Metro-Goldwyn-Mayer, Inc.*), which held that laches does not apply to copyright cases.

The first question in *SCA Hygiene Products* was a simple one — does the *Petrella* case apply to patent infringement, or can laches be used as an equitable defense, even in cases of continued patent infringement?

The majority held that Congress codified a laches defense in 35 U.S.C. § 282(b)(1), and this defense may bar legal remedies. Accordingly, the court found that it had no judicial authority to question the law's propriety.

According to the decision, whether Congress considered the quandary in *Petrella* is irrelevant. In the 1952 Patent Act, Congress settled that laches and a time limitation on the recovery of damages can coexist in patent law. The majority opinion of the court found that it must respect that statutory law.

The second question for *en banc* review concerns the extent to which laches can limit recovery of ongoing relief from continued infringement.

The majority noted that equitable principles apply whenever an accused infringer seeks to use laches to bar ongoing relief. Specifically, as to injunctions, consideration of laches fits naturally within the framework in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which clarified that a patentee is not automatically entitled to an injunction, but must prove that the equities favor an injunction.

The original panel rejected SCA's argument that the Supreme Court's *Petrella* decision abolished laches in patent law, reasoning instead that the panel was bound by this court's prior *en banc* opinion in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*), and that *Petrella* left *Aukerman* intact. *Aukerman* held that laches could not bar prospective relief.

On May 2, 2016, the Supreme Court agreed to hear arguments in *SCA Hygiene Products v. First Quality Baby Products*, to consider whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period.

In its 7-1 decision (Justice Breyer dissenting), the Supreme Court vacated the Federal Circuit's ruling that laches prevented SCA from suing its competitor First Quality for patent infringement.

SCA had argued that the Patent Act is "exceptionally clear" that there is a six-year limitation on damages and that period cannot be shortened based on laches. It said the Federal Circuit was therefore wrong to hold that laches barred its infringement action.

First Quality argued that patent cases have allowed the laches defense to bar damages for more than a century, and the 1952 law merely codified that longstanding practice. While the Patent Act does not explicitly use the word laches, it clearly states that "unenforceability" can be a defense, First Quality said, and the Federal Circuit got it right when it held that grounds for unenforceability include laches.

Justice Alito, writing for the majority, stated that laches cannot be interposed as a defense against damages where the infringement occurred within the period prescribed by the statute of limitations.

In the 2014 *Petrella* decision, the Court viewed the three-year statute of limitations language as a congressional judgment that a claim filed within three years of accrual cannot be dismissed on timeliness grounds. Here, the Court following the logic of *Petrella*, inferred that Section 286 of the Patent Act likewise represents a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim.

Patent owners can take notice of this decision and when faced with on-going infringement not be deterred about filing an infringement action — even if they had prior contact with the infringer — which previously would have raised a laches defense.

IMPORTANT DATES

- March 21, 2017 – Supreme Court issues decision
- Nov. 1, 2016 – Supreme Court oral arguments
- May 2, 2016 – Supreme Court grants petition for a writ of certiorari

- Jan. 19, 2016 – SCA Hygiene Products files petition for a writ of certiorari with Supreme Court
- Sept. 18, 2015 – Federal Circuit issues *en banc* decision

COURT DOCUMENTS

- [Supreme Court decision](#)
- [Supreme Court oral arguments transcript](#)
- [SCA Hygiene Products' petition to the Supreme Court](#)
- [Federal Circuit *en banc* decision](#)

MEDIA

Banner & Witcoff attorneys are available to answer questions and discuss this case. Media inquiries should be directed to Amanda Robert (312) 463-5465 or arobert@bannerwitcoff.com.