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INTELLECTUAL PROPERTY LAW

Intellectual Property Alert:
He Who Hesitates May Lose

By Sarah A. Kagan

May 8, 2018 — In 2013, Medinol LTD. brought suit against Cordis Corporation and Johnson & Johnson for infringement of its patents directed to articulated, coronary stents. The district court judge dismissed the entire suit based on the equitable defense of laches in 2014. The progress of the case thereafter resembled a department store elevator, stopping at every floor as it ascended and descended. Problematically, however, Medinol did not immediately get on the elevator.

Medinol did not appeal the district court's original dismissal based on laches, rendering the judgment final after 60 days. Rather, three months after the appeal deadline, Medinol filed a motion seeking relief from final judgment under Federal Rules of Civil Procedure Rule 60(b)(6) based on an alleged intervening change in the framework of the law of laches. The Supreme Court decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.,* 134 S. Ct. 1962 (2014) ruled that laches cannot be used to defeat a claim within the Copyright Act's three-year statute-of-limitations. Before the Medinol district court could decide the request for relief, a panel of the Court of Appeals for the Federal Circuit decided a different case, holding that notwithstanding *Petrella,* laches still applies in patent suits. *SCA Hygiene Prods. Aktiebolog v. First Quality Baby Prods., LLC*¸ 767 F.3d 1339 (Fed. Cir. 2014). The Medinol district court denied the Rule 60(b)(6) motion for relief, supported by the Federal Circuit panel's *SCA Hygiene* decision distinguishing the copyright and patent statutes.

On appeal, the Federal Circuit summarily affirmed the district court's denial of Medinol's motion for relief. Medinol petitioned to the Supreme Court for hearing, which granted the petition. The Supreme Court decided SCA Hygiene's appeal first, reversing the Federal Circuit precedent on laches in patent suits. The Supreme Court vacated the Federal Circuit's affirmance of dismissal of Medinol's Rule 60(b)(6) motion in light of the Supreme Court's ruling in *SCA Hygiene* and remanded Medinol's case to the Federal Circuit.

The Federal Circuit heard full arguments on the merits of the district court dismissal of Medinol's Rule 60(b)(6) motion for relief on April 6, 2018. Two weeks later, the court issued an order to vacate the district court judgment based on reversal of the decisional law on which the dismissal was based. In its remand, the Federal Circuit told the district court to determine whether Medinol has established the "extraordinary circumstances" required for relief under the

rule. Most pointedly, the court instructed the district court to consider Medinol's failure to appeal the original judgment (dismissal for laches) under the Supreme Court precedent *Gonzalez v. Crosby,* 545 U.S. 524 (2005).

The Court in *Gonzalez* held that it was "hardly extraordinary that subsequently, after petitioner's case was no longer pending, this Court arrived at a different interpretation" of the relevant statute. The Court further held that the change in the law was "all the less extraordinary in petitioner's case, because of his lack of diligence in pursuing review of the statute." At the time of the changed statutory interpretation, Gonzalez had abandoned any attempt to seek review of the district court's decision on the issue. The Court hammered, "This lack of diligence confirms that [the change in statutory interpretation] is not an extraordinary circumstance justifying relief from the judgment in petitioner's case."

During the April oral arguments at the Federal Circuit, Judge Stoll, sitting with Judges Reyna and Dyk, asked Medinol how it overcomes the holding in *Gonzalez* that extraordinary circumstances are required for a successful 60(b)(6) motion and that a change in law is not an extraordinary circumstance. Medinol replied that the "nature and magnitude" of the change in the law renders the circumstances extraordinary. Medinol characterized the Supreme Court opinion in *SCA Hygiene* as finding the lower court's actions as a violation of the separation of powers, which would be the same in Medinol's case. It further characterized the Supreme Court as saying that the district court "acted without any legitimate federal authority" and "exceeded its powers under the Constitution." In response to prodding from Judge Dyk for more distinctions over *Gonzalez,* Medinol responded that the fact that the incorrect ruling on laches "preclud[ed] us from getting to a jury to raise our infringement or substantive issues," constitutes extraordinary circumstances.

During its rebuttal period, Medinol further distinguished its facts from *Gonzalez* in the apparent futility of its appeal at the time that it would have had to appeal. In *Gonzalez,* various circuit courts of appeals disagreed on the prevailing issue of law. Whereas in Medinol's case, there was no disagreement. The prevailing law was a long-standing *en banc* opinion of the Federal Circuit.

Medinol's hesitation to pursue an appeal from the district court's dismissal on the laches issue resulted in a three-month gap that may prevent Medinol from ever presenting its infringement case to a jury. Medinol recognized before the three-month gap that the law might be changing, but chose not to appeal to keep its case pending. Only after the Supreme Court decision in *Petrella* did Medinol attempt to pursue its patent rights further.

Even if the district court agrees with Medinol that its circumstances are extraordinary, at a minimum Medinol's hesitation has led to an additional threshold issue to litigate. If we want to draw a practical lesson from Medinol's elevator ride, it may be this: in the face of foreseeable,

possible law changes, keep important cases pending. Optimists among us might apply this lesson to patents or patent applications that are currently under a 35 U.S.C. § 101 cloud, as directed to a law of nature, abstract idea, or natural phenomenon.

Click here to read the decision in *Medinol Ltd. v. Cordis Corporation*.

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