IP Alert: Laches Remains a Defense to Legal Relief in Patent Infringement Suits

LACHES REMAINS A DEFENSE TO LEGAL RELIEF IN PATENT INFRINGEMENT SUITS

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On September 18, 2015, the Court of Appeals for 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.

CODIFIED LACHES DEFENSE MAY BAR LEGAL REMEDIES

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.

CAN LACHES BAR PERMANENT INJUNCTIVE RELIEF?

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.

There are two parts to this inquiry: (1) whether laches can bar permanent injunctive relief and (2) whether it can bar an ongoing royalty for continuing infringing acts.

When a court orders ongoing relief, the court acts within its equitable discretion. See eBay, 547 U.S. at 391–92. As eBay instructs, equitable "discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." eBay, 547 U.S. at 394.

With respect to injunctions, this means following eBay's familiar four-factor test:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Consideration of laches fits naturally into this framework. As noted in Petrella, "the District Court, in determining appropriate injunctive relief . . . may take account of [the plaintiff's] delay in commencing suit." Petrella, 134 S. Ct. at 1978; see also Menendez, 128 U.S. at 523 ("Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long, and under such circumstances, as to defeat the right itself.").

Many of the facts relevant to laches, such as the accused infringer's reliance on the patentee's delay, fall under the balance of the hardships factor. Id. Unreasonable delay in bringing suit may also be relevant to a patentee's claim that continued infringement will cause it irreparable injury. More than anything, district courts should consider all material facts, including those giving rise to laches, in exercising its discretion under eBay to grant or deny an injunction. See eBay, 547 U.S. at 394.

In sum, courts must recognize "the distinction between . . . estoppel and laches . . . ." Id. (first alteration in original). Whereas estoppel bars the entire suit, laches does not. As outlined above, laches in combination with the eBay factors may in some circumstances counsel against an injunction. However, a patentee guilty of laches typically does not surrender its right to an ongoing royalty. Paramount to both of these inquiries is the flexible rules of equity and, as a corollary, district court discretion.

TAKEAWAYS OF THE DECISION

For the foregoing reasons, laches remains a defense to legal relief in a patent infringement suit after Petrella.

Nothing changes in patent litigation based on this decision. However, this case may be ripe for review by the Supreme Court, as the justices may decide the "Raging Bull" decision should apply to patent litigation.

Please click here to read the decision.

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