SUPREME COURT

SCA Hygiene Products v. First Quality Baby Products

On March 21, 2017, the United States Supreme Court ("Supreme Court") issued its opinion in *SCA Hygiene Prods. V. First Quality Baby Prods.*, holding that laches, an equitable defense to infringement damages based upon unreasonable delay in commencing suit, cannot be a defense against infringement damages where the infringement occurred within the six year period established in 35 U.S.C. §286.

SCA Hygiene Products ("SCA") manufactured adult diapers and obtained U.S. Patent No. 6,375,646 B1 ("the '646 patent") directed toward a pair of absorbent pants. In 2003, SCA informed a competing firm, First Quality, that it believed one of First Quality's products was infringing its '646 patent. First Quality responded that it believed that its own patent, U.S. Patent No. 5,415,649 ("the '649 patent"), which antedated the '646 patent, covered the same invention and that the '646 patent was therefore invalid. SCA did not further pursue the matter with First Quality, but instead filed an ex parte reexamination proceeding with the United States Patent and Trademark Office ("USPTO") in 2004 to determine whether its '649 patent was still valid in light of the '649 patent. Three years later, in 2007, the USPTO issued a certificate confirming the validity of the '646 patent.

In 2010, SCA then sued First Quality for infringing its '646 patent. The U.S. District Court, however, granted First Quality's motion for summary judgment based on laches and equitable estoppel. SCA appealed the decision to the United States Court of Appeals for the Federal Circuit ("Federal Circuit"). While the case was pending appeal, the Supreme Court issued its decision in *Petrella v. Metro Goldwyn-Mayer,* 134 S. Ct. 1962 (2014), which held that laches could not defeat a damages claim brought within the U.S. Copyright Act's statute of limitations. Even though the U.S. Patent Act has a similar statute of limitations, the Federal Circuit nevertheless held on appeal that laches could be asserted within the Patent Act's statute of limitations.

On appeal, the Supreme Court reversed the Federal Circuit, finding that laches could not be claimed as a defense to infringement for infringing activity that occurs within six years of the patentee filing suit. 35 U.S.C. §286 provides that "[e]xcept as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." The Supreme Court first noted that, while the *Petrella* case was interpreting the U.S.Copyright statute, the rule that a statute of limitations bars a laches defense, also applies to patents. Thus, the Supreme Court interpreted § 286 as "a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim."

Supreme Court Justice Breyer dissented from the Court's opinion, suggesting that the result of the Court's holding might be to shield opportunistic behavior on the part of patentees. Specifically, Justice Breyer expressed concerns that, under the Court's interpretation, patentees could wait for infringers to invest heavily in the development of infringing products before suing and still collect the previous six years worth of infringement damages.

Nevertheless, while the Supreme Court's ruling removes laches as a defense for any acts of infringement that occurs within six years of the patentee filing suit, opportunistic behavior by patentees may still be used against them. Specifically, the Supreme Court noted that "the doctrine of equitable estoppel provides protection against … unscrupulous patentees inducing potential targets of infringement suits to invest in the production of arguably infringing products."