

Appellant's Brief

ORIGINAL

IN BANC SUPPLEMENTAL BRIEF FOR A. C. AUKERMAN COMPANY

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FILED
U.S. COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1137

RECEIVED
JUL 12 1991
United States Court of Appeals
For The Federal Circuit

FRANCIS X. GINDHART
CLERK

A. C. AUKERMAN COMPANY,

Plaintiff-Appellant,

FILED
U.S. COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

v.

JUL 11 1991

R. L. CHAIDES CONSTRUCTION CO.,

FRANCIS X. GINDHART
CLERK

Defendant-Appellee.

APPEAL FROM A DECISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
JUDGE SPENCER WILLIAMS

TOWNSEND and TOWNSEND
ROGER L. COOK
GERALD P. DODSON
DAVID L. BILSKER
Steuart Street Tower, 20th Fl.
One Market Plaza
San Francisco, CA 94105
(415) 543-9600

Attorneys for Appellant
A. C. AUKERMAN COMPANY

IN BANC SUPPLEMENTAL BRIEF FOR A. C. AUKERMAN COMPANY

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1137

A. C. AUKERMAN COMPANY,

Plaintiff-Appellant,

v.

R. L. CHAIDES CONSTRUCTION CO.,

Defendant-Appellee.

APPEAL FROM A DECISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
JUDGE SPENCER WILLIAMS

TOWNSEND and TOWNSEND
ROGER L. COOK
GERALD P. DODSON
DAVID L. BILSKER
Steuart Street Tower, 20th Fl.
One Market Plaza
San Francisco, CA 94105
(415) 543-9600

Attorneys for Appellant
A.C. AUKERMAN COMPANY

TABLE OF CONTENTS

	<u>PAGE</u>
TABLE OF AUTHORITIES	iii
I. CERTIFICATE OF INTEREST	x
II. STATEMENT OF PRIOR AND RELATED PROCEEDINGS	xi
III. STATEMENT OF ISSUES	1
IV. STATEMENT OF THE CASE	1
V. SUMMARY OF ARGUMENT	1
VI. ARGUMENT	2
A. The Standards for Laches in a Patent Infringement Case	2
1. Laches Should Apply Only to Equitable Actions and Should Not Bar a Legal Remedy in a Patent Infringement Suit Because Congress Has Already Set a Statute of Limitations in 35 U.S.C. § 286.	2
a. The Historical Foundations of Prohibiting Stale Claims	2
b. Stale Claims in Patent Cases	4
c. The Basis for Laches Application to Damages in Patent Suits Has Disappeared	5
2. When the Federal Circuit First Addressed the Issue of Laches in Patent Cases, It Improperly Accepted <u>Brundage</u> Which Was the Exception to the General Rule that Laches Does Not Apply to Bar Legal Actions When Congress Has Passed a Statute of Limitation	6
3. Courts Which Have Specifically Addressed Whether Laches Can Apply at Law Have Answered -- No	8
B. Assuming Laches Is to Apply at all to an Action for Damages at Law, the Two Distinct Elements of Laches, Unreasonable Delay on Behalf of the Patent Holder and Material Prejudice to the Infringer, Should Each Be Proved by the Infringer Separately Without the Aid of a Presumption	11

1.	The Six-Year Presumption Is in Conflict with Supreme Court Law on Laches	11
2.	The Six-Year Presumption Is Contrary to Case Law in Other Areas	13
3.	The Six-Year Presumption Is Unfair and Contrary to Sound Public Policy	15
4.	The Six-Year Presumption Is in Conflict with Law on Summary Judgment	20
C.	The Standards for Equitable Estoppel in a Patent Infringement Case	21
1.	The Distinction Between Laches and Equitable Estoppel	23
2.	All of The Estoppel Elements Should be Maintained	24
3.	No Presumptions Should be Adopted for Estoppel	25
4.	Silence is Not Sufficient Affirmative Conduct for Estoppel	26
VII.	CONCLUSION	28

TABLE OF AUTHORITIES

PAGE

CASES

Decisions -- Federal

A. C. Aukerman Co. v. Aparicio Cement Contractor, Inc.,
United States District Court for the
Northern District of California,
Civil Action No. C88 20705 SW xi

A.B. Chance Co. v. RTE Corp.,
854 F.2d 1307 (Fed. Cir. 1988) 20, 21, 28

Avia Group International, Inc. v. L.A. Gear California, Inc.,
853 F.2d 1557 (Fed. Cir. 1988) 29

Banker v. Ford Motor Co.,
69 F.2d 665 (3d Cir. 1934) 5

Bott v. Four Star Corp.,
807 F.2d 1567 (Fed. Cir. 1986) 29

Broomall Industries, Inc. v. Data Design Logic Systems, Inc.,
786 F.2d 401 (Fed. Cir. 1986) 27

Brundage v. United States,
504 F.2d 1382 (Ct. Cl. 1974),
rev'd, 851 F.2d 1372 (Fed. Cir. 1988) 6, 7

Campbell v. Haverhill,
155 U.S. 610 (1895) 4, 6

Castrello Merced v. Hernandez Colon,
740 F. Supp. 108 (D.C. Puerto Rico 1990) 9

Celotex Corporation v. Catrett,
477 U.S. 317 (1986) 20

Chicago & N.R. Co. v. C.C. Whitnack Produce Co.,
258 U.S. 369 (1922) 15

Cooper v. Westchester County,
42 F. Supp. 1 (S.D.N.Y. 1941) 6

Cornetta v. United States,
851 F.2d 1372 (Fed. Cir. 1988) 1, 3, 10, 11, 13, 16, 18, 26

<u>Costello v. United States,</u> 365 U.S. 265 (1961)	11, 13
<u>Country Floors v. Partnership of Gepner and Ford,</u> 930 F.2d 1056 (3d Cir. 1991)	14, 21
<u>Czaplicki v. The Hoegh Silvercloud,</u> 351 U.S. 525 (1956)	11, 12
<u>E.E.O.C. v. Westinghouse Elec. Corp.,</u> 592 F.2d 484 (8th Cir. 1979)	14
<u>EEOC v. American Nat. Bank,</u> 574 F.2d 1173 (4th Cir. 1978), <u>cert. denied,</u> 439 U.S. 876 (1978)	14
<u>Environmental Defense Fund, Inc. v. Alexander,</u> 614 F.2d 474 (5th Cir. 1980)	3, 13
<u>Ford v. Huff,</u> 296 F. 652 (5th Cir. 1924)	5
<u>Gallihier v. Cadwell,</u> 145 U.S. 368 (1892)	11
<u>Gardner v. Panama R. Co.,</u> 342 U.S. 29 (1951)	11, 12
<u>George J. Meyer Mfg. Co. v. Miller Mfg. Co.,</u> 24 F.2d 505 (7th Cir. 1928)	24
<u>Goodman v. McDonnell Douglas Corp.,</u> 606 F.2d 800 (8th Cir. 1979)	14
<u>Grant Airmass Corp. v. Gaymar Indus., Inc.,</u> 645 F. Supp. 1507 (S.D.N.Y. 1986)	9, 10
<u>Gull Airborne Instruments, Inc. v. Weinberger,</u> 694 F.2d 838 (D.C. Cir. 1982)	14
<u>Holmberg v. Armbrrecht,</u> 327 U.S. 392 (1946)	12
<u>Hottel Corp. v. Seaman Corp.,</u> 833 F.2d 1570 (Fed. Cir. 1987)	22, 27

<u>Huff v. Ford</u> , 289 F. 858 (S.D. Fla. 1923), rev'd, 296 F. 652 (1924)	5
<u>Hybritech Inc. v. Abbott Laboratories</u> , 849 F.2d 1446 (Fed. Cir. 1988)	10
<u>In re J.E. Jennings, Inc.</u> , 46 Bankr. 167 (B.C. E.D. Pa. 1985)	9
<u>In re Lower Lake Erie Iron Ore Antitrust Litigation</u> , 759 F. Supp. 219 (E.D. Pa. 1991)	9
<u>In re Mandrell</u> , 39 Bankr. 455 (B.C. M.D. Tenn. 1984)	9
<u>Jamesbury Corp. v. Litton Industrial Products, Inc.</u> , 839 F.2d 1544 (Fed. Cir. 1988), cert. denied, 488 U.S. 828 (1988)	1, 7, 8, 16, 17, 22, 25, 26
<u>Jandak v. Brookfield</u> , 520 F. Supp. 815 (N.D. Ill. 1981)	9
<u>Jenn-Air Corp. v. Penn Ventilator Co.</u> , 464 F.2d 48 (3d Cir. 1972)	19
<u>Lebold v. Inland Steel Co.</u> , 125 F.2d 369 (7th Cir. 1941)	25
<u>Leinoff v. Louis Milona & Sons, Inc.</u> , 726 F.2d 734 (Fed. Cir. 1984)	6-8, 16, 17
<u>M. Lowenstein & Sons, Inc. v. Austin</u> , 430 F. Supp. 844 (S.D.N.Y. 1977)	8
<u>Mainland Industries, Inc. v. Standal's Patents Ltd.</u> , 799 F.2d 746 (Fed. Cir. 1986)	22
<u>Majorica, S.A. v. R.H. Macy & Co, Inc.</u> , 762 F.2d 7 (2d Cir. 1985)	14
<u>McLean v. Fleming</u> , 96 U.S. 245 (1878)	23
<u>MCV, Inc. v. King-Seeley Thermos Co.</u> , 870 F.2d 1568 (Fed. Cir. 1989)	23

<u>Menendez v. Holt,</u> 128 U.S. 514 (1888)	23-25
<u>Meyers v. Brooks Shoe Inc.,</u> 912 F.2d 1459 (Fed. Cir. 1990)	17, 23, 27
<u>National Wildlife Federation v. Burford,</u> 835 F.2d 305 (Fed. Cir. 1987)	13
<u>Naxon Telesign Corp. v. Bunker Ramo Corp.,</u> 686 F.2d 1258 (7th Cir. 1982)	25, 26
<u>Nilsen v. Moss Point,</u> 674 F.2d 379 (5th Cir. 1982), <u>rev'd on other grounds,</u> 701 F.2d 556 (5th Cir. 1983) (en banc)	10
<u>Order of R. Telegraphers v. Railway Express Agency, Inc.,</u> 321 U.S. 342 (1944)	3
<u>Panduit Corp. v. All States Plastic Mfg. Co.,</u> 744 F.2d 1564 (Fed. Cir. 1984)	15
<u>Pierce v. International Tel & Tel. Corp.,</u> 147 F. Supp. 934 (D.C. N.J. 1957)	17, 19
<u>Potash Co. of America v. International Minerals & Chemical,</u> 213 F.2d 153 (10th Cir. 1954)	17
<u>Sandobal v. Armour and Co.,</u> 429 F.2d 249 (8th Cir. 1970)	8
<u>SRI Int'l v. Matsushita Elec. Corp.,</u> 775 F.2d 1107 (Fed. Cir. 1985)	20
<u>Standard Oil Co. v. United States,</u> 685 F.2d 1322 (Cl. Ct. 1982)	8
<u>Stickle v. Heublein, Inc.,</u> 716 F.2d 1550 (Fed. Cir. 1983)	26
<u>Studiengesellschaft Kohle mbH v. Eastman Kodak Co.,</u> 616 F.2d 1315 (5th Cir. 1980)	16
<u>Studiengesellschaft Kohle, m.b.H. v. Dart Industries, Inc.,</u> 726 F.2d 724 (Fed. Cir. 1984)	26

<u>Sumner v. United States,</u> 478 F.2d 202 (Ct. Cl. 1982)	7, 9
<u>Sun Oil Co. v. Fleming,</u> 466 F.2d 211 (10th Cir. 1972)	7
<u>Tripp v. United States,</u> 406 F.2d 1066 (Ct. Cl. 1969)	29
<u>TWM Mfg. Co. v. Dura Corp.,</u> 592 F.2d 346 (6th Cir. 1979)	27
<u>Union Planters Nat. Bank v. Markowitz,</u> 468 F. Supp. 529 (W.D. Tenn. 1979)	6, 8
<u>United States v. Diebold, Inc.,</u> 369 U.S. 654 (1962)	21, 28
<u>Wauchope v. U.S. Dept. of State,</u> 756 F. Supp. 1277 (N.D. Cal. 1991)	13
<u>Woodrum v. Abbott Linen Supply Co.,</u> 428 F. Supp. 860 (S.D. Ohio 1977)	3, 9
<u>Young Engineers, Inc. v. U.S. International Trade Com.,</u> 721 F.2d 1305 (Fed. Cir. 1983)	22
<u>Young v. The Steamboat Key City,</u> 81 U.S. (14 Wall) 653 (1872)	12

STATUTES

16 Stat § 206 (1870)	4
17 U.S.C. § 507 (1977), <u>enacted</u> 71 Stat. 663 (1957)	6
28 U.S.C. § 398 (1928), <u>repealed by</u> Judiciary and Judicial Procedure Act 28 U.S.C. (1949)	5
29 Stat. 694 (1897)	4
35 U.S.C. § 70 (1946)	5

35 U.S.C. § 283	4, 10
35 U.S.C. § 286	2, 4, 6, 10, 17, 18
38 Stat. 956	5
60 Stat. 778 (1946)	5
66 Stat. 813 (1952)	17
Civil Rights Act of 1964 § 701, 42 U.S.C. § 2000 (1981)	14
Civil Rights Act of 1964, 42 U.S.C. § 1983 (1981)	9
H.R. No. 7794 82d Cong. 2d Sess. 10 (1952)	6
Senate Report No. 1979 82d Cong. 2d Sess. 9 (1952)	6

RULES

Federal Rules of Appellate Procedure, Federal Circuit Rule 47.4	x
Federal Rules of Civil Procedure, Rule 8(c)	11
Federal Rules of Civil Procedure, Rule 56(c)	20
Federal Rules of Evidence, Rule 301	21

OTHER

5 D. Chisum, <u>Patents</u> § 19.05[3] 19-192 n.13-14 (1991)	24, 25
6 J. Moore, <u>Moore's Federal Practice</u> § 56.15[3] (1991)	20
10A Wright, Miller & Kane, <u>Federal Practice & Procedure: Civil 2d</u> § 2727 (1983 & Supp. 1991)	20

27 Am. Jur.2d Equity § 159 n.5 (1966 & Supp. 1991)	18
27 Am. Jur.2d Equity § 158 (1966 & Supp. 1991)	3
27 Am. Jur.2d Equity § 160 (1966 & Supp. 1991)	3
30 C.J.S. Equity § 1 (1966 & Supp. 1991)	21
30A C.J.S. Equity § 112 (1966 & Supp. 1991)	22
D. Dobbs, <u>Remedies</u> 42 (1973)	22, 26
Louisell, <u>Federal Evidence</u> , Presumptions -- Civil, § 67 (1977)	15, 21
Louisell, <u>Federal Evidence</u> , Presumptions -- Civil, § 70 (1977)	11
McCormick on Evidence § 342 (3d. ed. 1984 & Supp. 1987)	15, 16
Morgan, <u>Basic Problems of Evidence</u> , 34-26 (1962)	21
Note, <u>Developments in the Law: Statutes of Limitations</u> , 63 Har. L. Rev. 1177 (1950)	2, 3
P. Rosenberg, <u>Patent Law Fundamentals</u> , § 17.06 (1991)	22

I. CERTIFICATE OF INTEREST

The undersigned counsel of record for Plaintiff-Appellant A.C. Aukerman furnishes the following in compliance with Rule 47.4.

(1) The full name of every party and amicus represented by the attorney in the case. **A. C. Aukerman Company.**

(2) The name of the real party in interest if the party named in the caption is not the real party in interest. **A. C. Aukerman Company.**

(3) Any publicly held affiliates if a party or amicus curiae is a corporation.
None.

(4) The names of all law firms whose partners or associates have appeared for the party in the lower tribunal or are expected to appear for the party in this court.
Townsend and Townsend.

II. STATEMENT OF PRIOR AND RELATED PROCEEDINGS

1. There have been no other appeals in or from this civil action in the district court.

2. There is no other case known to Aukerman that would directly affect or be directly affected by this court's decision in the pending appeal. The court's decision may have an indirect affect on A. C. Aukerman Co. v. Aparicio Cement Contractor, Inc., United States District Court for the Northern District of California, Civil Action No. C88 20705 SW.

III. STATEMENT OF ISSUES

The Court in banc requests additional briefing on the following questions:

1. In a patent infringement suit, should a presumption of undue delay or a presumption of material prejudice or both arise in connection with a laches defense where the delay in filing suit exceeds six (6) years? See, e.g., Jamesbury Corp. v. Litton Industrial Products, Inc., 839 F.2d 1544 (Fed. Cir. 1988), cert. denied, 488 U.S. 828 (1988).
2. If the answer to question 1 is inconsistent with the rule in other fields of law, see Cornetta v. United States, 851 F.2d 1372 (Fed. Cir. 1988), what justification is there for having a different rule?
3. In a patent infringement suit, what should be the elements of an estoppel defense?

IV. STATEMENT OF THE CASE

Since the Court advises that the original briefs will be considered by the in banc Court, Aukerman will rely upon its original brief for its statement of the case. Aukerman's statement of the case is included at pages 1-11 of its original brief filed with the Court.

V. SUMMARY OF ARGUMENT

Laches is an equitable defense which depends on consideration of all of the facts in the particular case. As a threshold matter, Aukerman questions whether this equitable defense should apply to an action at law for damages for patent infringement. Even if it is to apply, a party relying upon this defense in a patent infringement action should be required to prove all of the elements, just as other parties must prove the elements of laches in other areas of the law. To presume laches in favor of an alleged infringer upon the mere passage of time is contrary to Supreme Court law on laches and summary judgment. In addition, there is no policy or procedural rationale to shift onto the patentee

the burden to produce evidence to excuse delay or show lack of prejudice to an alleged infringer where the delay in filing suit exceeds six years from the notice of infringement.

Historically, estoppel was recognized at law and in equity. Equitable estoppel is invoked to avoid injustice in particular cases. In a patent infringement action, this Court has consistently held that equitable estoppel requires that the alleged infringer show all four of the following elements: (1) unreasonable and inexcusable delay in filing suit; (2) prejudice to the alleged infringer as a result of the delay; (3) affirmative conduct by the patentee inducing the belief that it abandoned its claims against the alleged infringer; and (4) detrimental reliance by the infringer. Unlike laches, no presumptions have been established by the Court, nor should they be. The burden of proof should remain on the party asserting the estoppel defense. In addition, if silence is determined to be part of the patentee's affirmative conduct, it must be found to be intentionally misleading silence and bad faith. The justification for strict proof of these estoppel elements is rooted in Supreme Court law recognizing that an estoppel should rarely arise to defeat the patent right.

VI. ARGUMENT

A. The Standards for Laches in a Patent Infringement Case.

1. Laches Should Apply Only to Equitable Actions and Should Not Bar a Legal Remedy in a Patent Infringement Suit Because Congress Has Already Set a Statute of Limitations in 35 U.S.C. § 286.

a. The Historical Foundations of Prohibiting Stale Claims.

Legislatures have been creating statutes of limitation for over seven hundred years. Note, Developments in the Law: Statutes of Limitations, 63 Har. L. Rev. 1177 (1950). These statutes promote fairness; at the same time, they provide assurance to

people that old law suits will not be brought against them. *Id.* at 1187. Statutes of limitation also promote the policy against having to resist stale claims when, "evidence has been lost, memories have faded, and witness have disappeared." *Id.* quoting, Order of R. Telegraphers v. Railway Express Agency, Inc., 321 U.S. 342, 349 (1944).

Though the genesis of laches is different from statutes of limitation, the policies it promotes are nearly identical. Statutes of Limitation did not apply in equity courts; therefore chancellors of equity created laches to bar stale claims and prejudice. Cornetta v. United States, 851 F.2d 1372, 1378 (Fed. Cir. 1988); Environmental Defense Fund, Inc. v. Alexander, 614 F.2d 474, 477-78 (5th Cir. 1980).

Laches sought to prevent two types of prejudice. The first was defense prejudice which arises because of the loss of records and evidence, fading memories and witness unavailability. Cornetta at 1378. The second was economic prejudice to the defendant which arises from a monetary award to a prevailing plaintiff. *Id.* Thus the policies laches promote are almost identical to those the Railway Express Court enunciated for statutes of limitation.

To promote these same policies, equity courts, though not bound by statutes of limitation, looked to them to determine unreasonable and prejudicial time periods for bringing suits in their jurisdiction. 27 Am. Jur.2d Equity § 160 (1966 & Supp. 1991). The general maxim at work is that equity followed law. *Id.* at § 158. This, however, does not imply the converse is true. To apply laches to bar an action at law, where Congress has enacted a limitations period, is a distortion of the historical foundation of laches. Woodrum v. Abbott Linen Supply Co., 428 F. Supp. 860, 862 (S.D. Ohio 1977)

(laches only available at equity, not at law where legislative body has fixed period to bring an action).

b. Stale Claims in Patent Cases.

Before 1870 Congress had not passed a statute of limitation for patent suits. Campbell v. Haverhill, 155 U.S. 610, 613 (1895). In 1870 Congress enacted a limitations period saying, "all actions shall be brought during the term for which the letters patents shall be granted or extended, or within six years after the expiration thereof." Id. quoting 16 Stat at. § 206. This section lapsed in 1874 and no Congressional limitation period was applicable in Campbell. Id. Congress passed a new statute of limitation provision in 1897 which except for minor changes in wording is identical to 35 U.S.C. § 286, the provision in effect today.¹

The Campbell Court did not even discuss the application of laches, but chose instead to apply the state statute of limitations period for torts which was six years. Id. at 621. The Campbell Court thought Congress intended to have state limitation periods applicable in patent cases.

At present, 35 U.S.C. § 286 defines the limitation period for legal remedies in patent actions as the ability to receive damages six years from the time of filing. On the other hand, 35 U.S.C. § 283 states that the rules of equity should apply when a party seeks equitable relief. With equitable and legal relief now in separate sections, and each

¹ 29 Stat. 694 (1897) amended R.S. 4921 to read in part:
"But in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action"

showing that stale claims at law are not barred, only limited, modern patent courts have nonetheless mixed the remedies.

c. The Basis for Laches Application to Damages in Patent Suits Has Disappeared.

Between 1897 and 1946 Aukerman has found only two patent cases which addressed the issue of whether laches -- an equitable remedy could bar legal relief. In Huff v. Ford, 289 F. 858 (S.D. Fla. 1923), rev'd, 296 F. 652 (1924), the trial court ruled that although laches was a valid defense in equity, it had no application to an action at law where the limitation was fixed by statute. Id. at 874. The appellate court overruled, holding that in 38 Stat. 956, 28 U.S.C. § 398, Congress had specifically allowed equitable defenses to be pled at law without having to resort to a separate bill in equity. Ford v. Huff, 296 F. 652, 658 (5th Cir. 1924). Accord Banker v. Ford Motor Co., 69 F.2d 665, 666 (3d Cir. 1934). However, because 28 U.S.C. § 398 has been repealed and is obsolete, the basis for these decisions is no longer present.²

Second, the logical basis for applying laches to damage actions in patent suits disappeared in 1946 when Congress abolished the remedy of accounting, an equitable remedy. See 60 Stat. 778 (1946); 35 U.S.C. § 70 (1946). Yet, since 1946, when Congress abolished the equitable remedy of accounting, no court, including the Federal Circuit, has addressed whether laches can properly be applied to an action at law for patent infringement damages.

² 28 U.S.C. § 398 is listed as "obsolete" in the current edition of Title 28. Presently, it has no corresponding or applicable section.

2. When the Federal Circuit First Addressed the Issue of Laches in Patent Cases, It Improperly Accepted Brundage Which Was the Exception to the General Rule that Laches Does Not Apply to Bar Legal Actions When Congress Has Passed a Statute of Limitation.

In Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 741 (Fed. Cir. 1984), this Court addressed for the first time the application of laches to a patent infringement action. The Court recognized the limitation period in 35 U.S.C. § 286 and determined that some other doctrine had to be applicable because § 286 did not bar pre-filing damages, it only limited them.³ Section 286 does in fact completely bar damages if the action is not brought within six years of the expiration of the patent right. Aukerman believes that the Court should reconsider whether to rely upon laches to completely bar recovery of pre-filing damages when Congress has specifically chosen not to bar them except under the conditions of § 286.⁴

The Leinoff court inappropriately chose the equitable penalty of laches to bar the pre-filing damages and then relied on Brundage v. United States, 504 F.2d 1382, 1384

³ It is improper to utilize laches as a defense to completely bar recovery of pre-filing damages flowing from a continuing tort such as patent infringement. Cf. Cooper v. Westchester County, 42 F. Supp. 1, 5 (S.D. N.Y. 1941) (infringement asserted is a continuing tort and the cause of action cannot be restricted to the time at which the alleged infringing apparatus was first installed); Union Planters Nat. Bank v. Markowitz, 468 F. Supp. 529 (W.D. Tenn. 1979) (six-year limitations period runs on each cause of action separately).

⁴ The Committee reports accompanying the passage of § 286 specifically refer to it as the "statute of limitation." See H.R. No. 7794 82d Cong. 2d Sess. 10 (1952) (§ 286 relates to the statute of limitations); Senate Report No. 1979 82d Cong. 2d Sess. 9 (1952). Congress chose to provide an incentive against stale claims by limiting pre-filing damages, not barring them, the 17-year monopoly did that. As Campbell showed, Congress was aware of the application of statutes of limitation in patent suits that completely bar damages, but chose not to adopt them. Cf. The Copyright Act, 17 U.S.C. § 507 (suit filed more than three years after action accrues is barred).

(Ct. Cl. 1974), rev'd, 851 F.2d 1372 (Fed. Cir. 1988), to support its application of laches. Leinoff, 726 F.2d at 741. Brundage was the exception to the general rule that laches does not apply to bar a legal action which is covered by a statute of limitation. Sumner v. United States, 678 F.2d 202, 205 (Ct. Cl. 1982) (Brundage applied a limited exception of the general rule).

Brundage extended the application of laches in civilian pay cases against the government to military pay cases as well. Brundage, 504 F.2d at 1386. What the Leinoff court disregarded, however, was that even the Court of Claims considered Brundage an anomaly to the settled rule that "laches is invoked only in actions in equity not in actions at law In suits at law, the only time bar is the statute of limitations." Sumner, 678 F.2d at 205. See also Sun Oil Co. v. Fleming, 469 F.2d 211, 214-15 (10th Cir. 1972) (because laches only applies to actions in equity, it was inapplicable to action at law for possession).

As Sumner showed, pay cases against the government required special rules -- such as the application of laches to legal defenses. Without laches, it was possible the government would have to dole out back pay to a dismissed worker over a long period of time, while simultaneously paying the worker it had hired as a replacement, thereby paying for the services of two individuals and only getting the service of one. Sumner, 678 F.2d at 205; Brundage, 504 F.2d at 1386.

No possibility of prejudice to the government from paying twice for a single service exists in patent cases as it did in Brundage. The Leinoff court should have relied on the Sumner line of cases which showed that laches was inapplicable to cases at law. Although Jamesbury Corp. v. Litton Industrial Products, Inc., 839 F.2d 1544 (Fed Cir.

1988) decided a unique set of facts, it did not change the law with regard to the application of laches to legal remedies. *Id.* at 1552. It simply followed Leinoff.

3. Courts Which Have Specifically Addressed Whether Laches Can Apply at Law Have Answered -- No.

In the commercial area of contract law, where remedies frequently involve both legal and equitable relief, courts have recognized that laches is an inappropriate defense to a legal remedy. For instance, in Standard Oil Co. v. United States, 685 F.2d 1322 (Cl. Ct. 1982) laches did not bar Standard Oil from recovering damages for the six years proceeding suit. *Id.* at 1322. The court held that laches was an equitable doctrine and would not apply at law where the statute of limitations governed. *Id.* There was no reason for departing from the long line of cases that refused to apply laches in contract actions. *Id.* at 1334 (citations omitted). See also Sandobal v. Armour and Co., 429 F.2d 249, 257 (8th Cir. 1970) (in breach of contract action, the equitable doctrine of laches would rarely if ever be invoked to bar an action at law seeking damages); Union Planters Nat. Bank v. Markowitz, 468 F. Supp. 529, 533 (W.D. Tenn. 1979) (in contract action on a guarantee, laches applied only if plaintiff sought some form of equitable relief; it was not a valid defense to an action brought solely at law); M. Lowenstein & Sons, Inc. v. Austin, 430 F. Supp. 844, 846 (S.D.N.Y. 1977) (in diversity action applying New York law to a guaranty action, court held that laches was inapplicable because it is a defense to equity, not law, where the statute of limitations provides the only barrier to stale claims).

In civil rights cases as in patent cases, Congress has created the remedies for violation of rights. Therefore, these cases provide more authority for refusing to apply laches in a patent action for damages. The civil rights cases also hold that the application

of laches to bar a legal remedy is inappropriate. See Castrello Merced v. Hernandez Colon, 740 F. Supp. 108, 112 n.1 (D.C. Puerto Rico 1990) (in legal action seeking damages under § 1983 of the Civil Rights Act, the application of laches was inappropriate because plaintiff did not seek purely equitable relief); Jandak v. Brookfield, 520 F. Supp. 815, 819 (N.D. Ill. 1981) (in civil rights action for damages due to illegal wire tap, argument that action was barred because of laches was specious because laches is an equitable doctrine which is not applied in legal action to nullify the statute of limitations); Woodrum v. Abbott Linen Supply Co., 428 F. Supp. 860, 862 (S.D. Ohio 1977) (in civil rights employment discrimination action for damages, the application laches was inappropriate; it applies only in equity, not at law, "where a legislative body has fixed the period within which the action may be brought."); See also Sumner v. United States, 678 F.2d 202, 205 (Cl. Ct. 1982) (action under the Social Security Act); In re J.E. Jennings, Inc., 46 Bankr. 167, 172 (B.C. E.D. Pa. 1985) (application of laches "inappropriate because Bankruptcy Code provides a specific statutory time limitation for the commencement of [the] . . . action."); In re Mandrell, 39 Bankr. 455, 459 (B.C. M.D. Tenn. 1984) (the application of "laches is inappropriate when a specific statute of limitation is provided by applicable law."). Further, in antitrust cases, courts have determined that laches does not bar any actions at law for damages. See In re Lower Lake Erie Iron Ore Antitrust Litigation, 759 F. Supp. 219, 231 (E.D. Pa. 1991) (laches inapplicable to antitrust damage actions because only applicable to equitable claims).

The argument that detriment to a patent defendant can be greater, because a plaintiff can simply allow damages to build up before suing, has also been soundly rejected as a justification for applying laches to bar a legal remedy. In Grant Airmass

Corp. v. Gaymar Indus., Inc., 645 F. Supp. 1507 (S.D.N.Y. 1986), the defendant argued that laches should apply to bar the damage remedy. Id. at 1515. Defendant believed that it had been prejudiced because plaintiff allowed damages to build up for four years before suing. Id. The court held that this type of prejudice could not be barred by laches; "[t]he relevant statute of limitation provide[d] the only barrier to a stale action at law." Id.

Of course actions at law may be joined with those for equitable relief. In those situations, equitable defenses are available only to defeat the equitable remedy. See 35 U.S.C. § 283. A framework for making this application was suggested in Nilsen v. Moss Point, 674 F.2d 379 (5th Cir. 1982), rev'd on other grounds, 701 F.2d 556 (5th Cir. 1983) (en banc). The Nilsen court held that the legal portion of relief could be barred only by the statute of limitations. Id. at 388 n.15 (citations omitted).

As discussed more thoroughly in Part C.1. below, historically laches did not apply to prospective equitable relief such as injunctions. However, the standards for injunctive relief have traditionally included elements of the laches defense. See Hybritch Inc. v. Abbott Laboratories, 849 F.2d 1446, 1457 (Fed. Cir. 1988) ("The period of delay exercised by a party prior to seeking a preliminary injunction in a case involving intellectual property is but one factor to be considered by a district court in its analysis of irreparable harm.").

Aukerman believes that to the extent Cornetta v. United States, 851 F.2d 1372 (Fed. Cir. 1988) left laches in place to bar legal damages in a military pay case, patent law should differ.⁵ In patent law, only 35 U.S.C. § 286 should limit pre-filing damages;

⁵ The government is inherently different from all other defendants. Other defensive mechanisms, such as sovereign immunity, are peculiar to the Government. Therefore, it is improper to apply defenses which are specifically for the sovereign to an ordinary

this was Congress' intent. Implicit in Aukerman's position is that this Court should accept for patent cases, the rule and reasoning in Cornetta which abolished allowing a defendant to establish prejudice simply because of the passage of time.

B. Assuming Laches Is to Apply at all to an Action for Damages at Law, the Two Distinct Elements of Laches, Unreasonable Delay on Behalf of the Patent Holder and Material Prejudice to the Infringer, Should Each Be Proved by the Infringer Separately Without the Aid of a Presumption.

1. The Six-Year Presumption Is in Conflict with Supreme Court Law on Laches.

Under Fed. R. Civ. P. 8(c), laches is an affirmative defense. The burden of proving each of the elements of an affirmative defense rests with the defendant. The Supreme Court has said that "[l]aches requires proof of (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense." Costello v. United States, 365 U.S. 265, 281 (1961) (emphasis added).⁶

There is no proof of lack of diligence or prejudice when delay is presumed unreasonable and prejudicial to the party asserting the defense after a period of six years. Presumptions are not evidence and should not be treated as evidence. Louisell, Federal Evidence, Presumptions -- Civil, § 70, p. 564 (1977). An infringer armed with the presumptions of unreasonable delay and prejudice is required to prove nothing.

defendant. In fact, Congress has already contemplated the situation where the Government is a defendant in a patent infringement suit. See 35 U.S.C. § 286, ¶ 2.

⁶ See Galliker v. Cadwell, 145 U.S. 368, 372 (1892) ("... [L]aches is not like limitation, a mere matter of time; but principally a question of the inequity of permitting the claim to be enforced -- an inequity founded upon some change in the condition or relations of the property or party."; Gardner v. Panama R. Co., 342 U.S. 29 (1951) ("... [Laches] should not be determined merely by a reference to and a mechanical application of the statute of limitations.)).

The Supreme Court expressly rejected such a device when considering laches. In Czaplicki v. The Hoegh Silvercloud, 351 U.S. 525 (1956), the Supreme Court reversed the Second Circuit's finding of laches, and remanded the case back to the trial court. *Id.* at 534. The Second Circuit based the existence of the laches bar solely on the fact that the statute of limitations had run. The Czaplicki Court held that the mere existence of fact A (the running of the statute of limitations) could not establish fact B (unjust delay and prejudice). *Id.* at 533. To establish unreasonable delay and prejudice, the peculiar circumstances of each case must be examined. *Id.* (citing Young v. The Steamboat Key City, 81 U.S. (14 Wall) 653, 660 (1872)).

Further, as the Supreme Court stated in Gardner v. Panama R. Co., 342 U.S. 29 (1951), the equities of each element of laches, inexcusable delay and prejudice must be examined. *Id.* at 31. If a passage of time creates a presumption of prejudice, then laches has been relegated to an artificial test, in contravention of its historical roots, and the policies behind equity which require all facts to be examined. This artificial test for determining laches in patent suits may well decide without any proof whether a patentee can maintain its suit for past damages.

The application of a presumption is also contrary to the Supreme Court's ruling in Holmberg v. Armbrecht, 327 U.S. 392 (1946). In ruling on a laches defense, Justice Frankfurter wrote that a court of equity was not bound to find, nor should it assume, that a mere passage of time established an unreasonable and prejudicial delay which would bar a suit in equity. *Id.* at 396. The basis for his reasoning was that "[e]quity eschews mechanical rules; it depends on flexibility." *Id.* A presumption of unexcused delay and prejudice after a six-year delay is mechanical and inflexible.

The rulings in Costello, Czaplicki, Gardner, and Holmberg show that a court of equity must look at all the facts to establish laches. They show implicitly if not explicitly, that no single set of facts exists which would justify creating a presumption to establish unreasonable delay and prejudice to a defendant from a mere passage of time.⁷

2. The Six-Year Presumption Is Contrary to Case Law in Other Areas.

As this Court properly held in Cornetta, the application of presumptions has no place in a laches analysis. 851 F.2d 1380. Aukerman's position is that when the presumption is inappropriate even in special cases which seek to protect the government, it is inappropriate in cases between two ordinary commercial parties.

Nor have other courts applied such presumptions when considering a laches defense in other areas of the law. In Wauchope v. U.S. Dept. of State, 756 F. Supp. 1277 (N.D. Cal. 1991), the government urged the application of the equitable defense of laches to the plaintiff's claim for citizenship, which was not brought until 1989, fifty-eight years after her birth. In relying on Costello, the Court said that since the government failed to show that the delay was inexcusable or that there was any prejudice from the delay, it was unwilling to invoke the "harsh" defense of laches to bar a significant constitutional claim on such a meager showing.

The same elements of proof of laches must be shown without the assistance of presumptions in environmental cases, Environmental Defense Fund, Inc. v. Alexander, 614 F.2d 474, 478 (5th Cir. 1980) (independent criteria must be met before laches can

⁷ For instance even waiting 27 years before filing suit may not be an unreasonable and prejudicial delay. In fact, in Costello v. United States, 365 U.S. 265, 283 (1961) the Court held the defendant benefitted from such a delay. Id.

be invoked to bar litigation); National Wildlife Federation v. Burford, 835 F.2d 305, 318 (D.C. Cir. 1987) (laches is an affirmative defense that requires findings that the plaintiff delayed inexcusably or unreasonably in filing suit and that the delay was prejudicial to the defendant); employment discrimination suits brought under Title VII of the Civil Rights Act of 1964; E.E.O.C. v. Westinghouse Elec. Corp., 592 F.2d 484, 486 (8th Cir. 1979) (defendant must establish with "such clarity as to leave no room for controversy" that it has been substantially and unduly prejudiced in its ability to defend the lawsuit..."); EEOC v. American Nat. Bank, 574 F.2d 1173, 1176 (4th Cir. 1978), cert. denied, 439 U.S. 876 (1978) (delay can best be considered after the facts have been fully developed); government procurement suits, Gull Airborne Instruments, Inc. v. Weinberger, 694 F.2d 838, 843 (D.C. Cir. 1982) (laches does not depend solely on the time that has elapsed); and trademark and unfair competition suits, Majorica, S.A. v. R.H. Macy & Co., Inc., 762 F.2d 7 (2d Cir. 1985) (party asserting laches claim must prove it was prejudiced by the delay); Country Floors v. Partnership of Gepner and Ford, 930 F.2d 1056, 1065 (3d Cir. 1991) (laches usually requires the kind of record only created by a full trial on the merits).

At most, as stated in a veterans' rights case, elapse of a set period of time should be considered "as merely one element in the congeries of factors to be considered in determining whether the length of delay was unreasonable and whether the potential for prejudice was great." Goodman v. McDonnell Douglas Corp., 606 F.2d 800, 805 (8th Cir. 1979). A party relying on laches as an affirmative defense in a patent infringement action should also have to prove the elements of that defense.

3. The Six-Year Presumption Is Unfair and Contrary to Sound Public Policy.

Presumptions depend on considerations of fairness, public policy and probability. Generally, presumptions are standardized practices of treating certain facts uniformly with respect to their effect as proof of other facts. McCormick on Evidence § 342 (3d. ed. 1984 & Supp. 1987). A rebuttable presumption is an assumption of one fact upon the proof of another in the absence of a satisfactory explanation as to why the assumption should not be made. Louisell, Federal Evidence, Presumptions -- Civil, § 67, p. 535 (1977). In Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1581 (Fed. Cir. 1984), this Court set forth the rationale for presumptions:

Presumptions of fact have been created to assist in certain circumstances where direct proof of a matter is for one reason or another rendered difficult. They arise out of considerations of fairness, public policy, and probability, and are useful devices for allocating the burden of production of evidence between the parties. However, derived as they are from considerations of fairness and policy, they must not be given mechanical application....We must not give undue dignity to a procedural tool and fail to recognize the realities of the particular situation at hand.

There is no overriding policy, consideration of fairness or probability that exists to justify the creation of a presumption in favor of the alleged infringer from the mere passage of time.

Presumptions must be procedurally fair. For example, proof that freight was delivered in good condition to the first carrier gives rise to the presumption, when damage occurs in transit, that it was caused by the last carrier. The access of the respective carriers to the facts, as contrasted with that of the shipper, demonstrates a fundamental fairness in favor of this presumption. See Chicago & N.R. Co. v. C.C. Whitnack Produce Co., 258 U.S. 369 (1922). In addition, the doctrine of *res ipsa*

loquitur allows a jury to draw an inference of negligence if a certain set of facts is pled. The inference is justified because the defendant has the facts to disprove negligence, not the plaintiff. McCormick on Evidence, at § 343.⁸ No similar statement of fundamental fairness can be made in favor of the infringer's presumption here.

For instance, in Cornetta, facts proving the "second-man" theory of economic prejudice to the defendant were uniquely in the defendant government's hands. Cornetta, 851 F.2d at 1379. In Jamesbury, the defendant was also uniquely in possession of the facts showing prejudice.⁹ The prejudice was economic and resulted from the defendant's decision to invest in its company rather than sell it. Jamesbury, 839 F.2d at 1554. In Leinoff, indicia of actual prejudice to the defendant were not discussed. 726 F.2d at 742. However, in Studiengesellschaft Kohle mbH v. Eastman Kodak Co., 616 F.2d 1315 (5th Cir. 1980), upon which Leinoff relied, the elements of economic prejudice were also uniquely in the defendant's possession.¹⁰ Id. at 1329. These cases show that a defendant infringer will usually possess the information proving economic prejudice; therefore, no fairness justification exists for shifting the burden of producing evidence to a plaintiff to establish economic prejudice.

⁸ In virtually every situation where a presumption arises on policy grounds, the party it works against has superior access to facts. McCormick at § 343 n.12-29.

⁹ The Jamesbury court only discussed prejudice in conjunction with estoppel. Jamesbury, 839 F.2d 1554. Unreasonable delay was the only element discussed with regard to laches. Id. at 1551-53. Apparently, prejudice although not discussed, was presumed.

¹⁰ In the present situation the factors showing economic prejudice are also uniquely in Chaides' possession. Chaides claims he would have included a licensing fee in his bids and possibly would have filed for bankruptcy. (App. 336-40).

Undue delay should not be presumed after six years either. A defendant can have equal and sometimes superior access to the evidence showing unreasonable delay. The answers to factors that Jamesbury set forth to determine unreasonableness are, once again, usually in the defendant's hand. First, litigation will excuse delay "if the infringer understands that the patentee is not acquiescing in the infringement." Jamesbury, 839 F.2d at 1552. Second, litigation excuses delay if the infringer is informed that rights will be enforced once other litigation ends. Id. at 1553. Third, litigation will not excuse delay if the infringer does not know about other litigation and therefore reasonably believes that it will be left alone. Id.¹¹

The special nature of the patent limitation period also justifies having no presumptions based solely on time. In Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 741 (Fed. Cir. 1984), this court recognized that 35 U.S.C. § 286 does not bar the filing of a suit during the 17-year monopoly, it only limits damages to those which are current. Id. at 741.

Section 286 of The Patent Act, itself, penalizes such delay by preventing the patentee from recovering any damages the patentee has suffered at the infringer's hands prior to the last six years before the suit was filed. 35 U.S.C. § 286, 66 Stat. 813 (1952). Thus the longer, and, from the standpoint of time only, the more unreasonable the patentee's delay is, the greater is its punishment under the statute. See Pierce v.

¹¹ A reasonable belief that suit will not be filed, however, does not include a business decision or willingness to gamble that the patentee will never sue. Meyers v. Brooks Shoe, Inc., 912 F.2d 1459, 1463 (Fed. Cir. 1990). In addition, in Potash Co. of America v. International Minerals & Chemical, 213 F.2d 153 (10th Cir. 1954), the Court said, "[i]f the party which advances the defense of laches is responsible for the delay or contributes substantially to it he cannot take advantage of it."

International Tel & Tel. Corp., 147 F. Supp. 934 (D.C. N.J. 1957) (All segments of 16 years which elapsed between issuance of the patents in suit and the patentee bringing action for patent infringement were excused.). When each year that passes penalizes the patentee by loss of damages under the six-year limitation of 35 U.S.C. § 286, it should be necessary that the patentee's delay be proven unreasonable from the standpoint of both time and actually prejudicing the alleged infringer to bar all pre-filing damages.

Consequently, it is illogical to create a presumption of unreasonable delay or prejudice after considering the patent limitation period and the existing statutory limitation on pre-filing damages. When equity chancellors looked to limitation periods, i.e., when "equity followed the law", they did so to give those periods the same construction they received at law. 27 Am. Jur.2d Equity § 159 n.5 (1966 & Supp. 1991) (citations omitted). This would not be possible in a patent case. For laches to follow the construction of the limitation period in a patent action, it must bar pre-filing damages. As demonstrated previously, this would be contrary to the express intent of Congress.¹²

Furthermore, since the passage of the Declaratory Judgment Act of 1934, a defendant's claim of unreasonableness because of a mere passage of time before a plaintiff files suit, is not well founded. The minute there is good cause to believe there is an "actual controversy" as to its right to make, use or sell the patent holder's invention, the alleged infringer holds the key to its protection in its own hand. In the absence of a clear showing that the patentee, instead of claiming its rights, had actually abandoned them, the

¹² As this court noted in Cornetta v. United States, 851 F.2d 1372, 1381 (Fed. Cir. 1988), to judicially create an unpredictable free-floating, *de facto* statute of limitations superseding the one mandated by Congress is not the role of a court. *Id.* When Congress has passed judgment about when claims will be too stale to pursue, "[c]ourts should be cautious in intruding on this legislative judgment." *Id.*

alleged infringer proceeds at its peril. Thus, it should take more to prove prejudice to an alleged infringer than a mere presumption. See Pierce v. Int'l Tel. & Tel. Corp., 147 F. Supp. 934, 938 (D.C.N.J. 1957).

Eliminating the six-year presumption will also encourage greater equitable behavior by infringers. Jenn-Air Corp. v. Penn Ventilator Co., 464 F.2d 48 (3d Cir. 1972) is a case in point. The defendant infringer claimed that a nine-year delay in instituting suit was, per se, inexcusable and never tried to prove prejudice. Instead, it asserted that the plaintiff patent holder must affirmatively prove that its delay did not prejudice the defendant. In Jenn-Air, the infringer also refused to answer the patent holder's interrogatories calling for the reasons justifying the laches defense. The Jenn-Air court said that the infringer had misplaced the burden; it is the defendant infringer who must prove that there was unexcused delay on the part of the patent holder and that the infringer was prejudiced as a result.

Aukerman's case also points up the inequity in requiring the patent holder to prove that delay was not unreasonable or prejudicial to the infringer. Chaides falsely represented that its infringing use would only amount to \$200-300 a year. (App. 203). In fact, Chaides promptly began pouring concrete with Aukerman's mold at a much greater rate, eventually 50-60 times this rate. (App. 174, 330-33). It is reasonable to infer that Chaides caused Aukerman's delay in bringing suit by deceiving Aukerman about the level of its use of Aukerman's inventions. (App. 151, ¶¶ 5-6; App. 119, ¶¶ 8-10). Further, it is reasonable to infer that any prejudice which Chaides may have experienced by Aukerman's alleged delay is of Chaides' own making. If Aukerman would have known of Chaides substantially increased infringing activity and copying of its mold, it

is also reasonable to infer that Aukerman would have sued Chaides earlier. (App. 119-120, ¶ 9). It is simply unfair on these facts to infer that Aukerman's delay was unreasonable or prejudicial to Chaides because Aukerman waited over six years to bring suit. Chaides should have to prove its affirmative defense of laches.

4. The Six-Year Presumption Is in Conflict with Law on Summary Judgment.

The presumption that the patentee's delay is undue and prejudicial after six years is in conflict with presumptions required in summary judgment law. Fed. R. Civ. P. 56(c) provides that summary judgment shall be granted only "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact." (Emphasis added).

The moving party bears the burden of proof, i.e., of demonstrating the absence of any genuine issue of material fact. A.B. Chance Co., 854 F.2d at 1311; SRI Int'l v. Matsushita Elec. Corp., 775 F.2d 1107, 1116 (Fed. Cir. 1985). 10A Wright, Miller & Kane, Federal Practice & Procedure: Civil 2d § 2727 (1983 & Supp. 1991); 6 J. Moore, Moore's Federal Practice ¶ 56.15[3] (1991). The burden has two distinct components: an initial burden of production, which shifts to the nonmoving party if satisfied by the moving party; and an ultimate burden of persuasion, which always remains on the moving party. See Celotex Corporation v. Catrett, 477 U.S. 317, 322 (1986); 10A Wright, Miller & Kane, at § 2727.

The Court must view the evidence in the light most favorable to the respondent. Any doubt as to the existence of issues of material fact must be resolved against the moving party; and all reasonable inferences must be drawn in the respondent's favor.

A.B. Chance Co., 854 F.2d at 1307; United States v. Diebold, Inc., 369 U.S. 654, 655 (1962). If an inference is mandatory, as required by this case law, then it amounts to a presumption because it is a conclusion which is required in the absence of explanation. See Louisell, Federal Evidence, Presumptions -- Civil, § 67, 536 (1977).

To say that an infringer can establish an affirmative defense of laches in a summary judgment proceeding by "producing" merely evidence establishing a presumption and proving nothing more in that proceeding distorts the basic law of summary judgment. Such a "burden" of production is no burden at all; the presumption making a nullity of the summary judgment law. Cf. Country Floors, 930 F.2d at 1066 (existence of laches could not be determined on summary judgment).

If an infringer, as the moving party, must actually produce evidence and not rely upon a simple presumption in a summary judgment proceeding involving laches, for example, if he must submit affirmative evidence that the delay was unexcused and he was materially prejudiced by that delay, then this is further reason to abandon the presumption as inoperative and a source of confusion in such proceedings.¹³

C. The Standards for Equitable Estoppel in a Patent Infringement Case.

"Estoppel," a term of wide implication, implies that one who by deed or conduct has induced another to act in a particular manner will not be permitted to adopt an inconsistent position, attitude, or course of conduct and thereby cause loss or injury to such other. See generally 30 C.J.S. Equity § 1 (1966 & Supp. 1991).

¹³ On the question of the quantum of proof which will make a presumption disappear, see Morgan, Basic Problems of Evidence, 34-26 (1962). The judicial opinions exhibit some eight different views as to the condition which must be fulfilled to prevent or modify or destroy the effect which the establishment of the basic fact would have if it stood alone. Cf. Fed. R. Evid. 301.

Historically, estoppel was acknowledged at law and in equity. Unlike laches, estoppel does not derive from the original separation of law and equity, nor depend on the conceptual differences in the remedies. See generally D. Dobbs, Remedies 42 (1973). Thus, although the laches and estoppel defenses may be related, Aukerman's rationale for modification or elimination of laches as a defense in a patent infringement action need not affect the applicable estoppel doctrine.

Although there are several kinds of estoppel recognized (laches is in fact a species of estoppel), estoppel applied as a defense in a patent infringement action is termed "equitable estoppel." 30A C.J.S. Equity § 112 (1966 & Supp. 1991); P. Rosenberg, Patent Law Fundamentals, § 17.06 (1991). Equitable estoppel is based upon an ethical principle. It is not limited to a particular fact situation or by many specific rules. See generally D. Dobbs, Remedies 42 (1973).

The requirements for an equitable estoppel defense in a patent infringement action were first pronounced by the Federal Circuit in Young Engineers, Inc. v. U.S. International Trade Com., 721 F.2d 1305, 1316 (Fed. Cir. 1983). In Young Engineers, Judge Nies stated that equitable estoppel requires that the alleged infringer show all four of the following elements: (1) unreasonable and inexcusable delay in filing suit; (2) prejudice to the alleged infringer as a result of the delay; (3) affirmative conduct by the patentee inducing the belief that it abandoned its claims against the alleged infringer; and (4) detrimental reliance by the infringer.

The Federal Circuit has steadfastly recited these requirements in Mainland Industries, Inc. v. Standal's Patents Ltd., 799 F.2d 746 (Fed. Cir. 1986); Hottel Corp. v. Seaman Corp., 833 F.2d 1570, 1573 (Fed. Cir. 1987); Jamesbury Corp. v. Litton

Industrial Products Inc., 839 F.2d 1544, 1551 (Fed. Cir. 1988); MCV, Inc. v. King-Seeley Thermos Co., 870 F.2d 1568, 1571 (Fed. Cir. 1989); Meyers v. Brooks Shoe Inc., 912 F.2d 1459, 1461 (Fed. Cir. 1990).

Thus, for equitable estoppel, the Federal Circuit has repeatedly stated that the infringer must prove the same elements as in laches [elements (1) and (2)], plus two additional elements [items (3) and (4)].

1. The Distinction Between Laches and Equitable Estoppel.

A finding of equitable estoppel is a particularly harsh result since laches bars only equitable relief while estoppel entirely bars assertion of the patent claim. Even though Congress has statutorily established a seventeen-year monopoly for a patentee, a finding of estoppel thus effectively terminates the patent against an infringer. In addition, a finding of estoppel can cripple enforcement efforts against other infringers as well because of the loss of regard for the patent and the privileged competitive position occupied by the estoppel winner vis-a-vis other infringers.

The distinction between the effect of laches and estoppel traces back to two early trademark decisions by the Supreme Court. In McLean v. Fleming, 96 U.S. 245 (1878), the Court held that the plaintiff's delay in bringing suit precluded the party from any right to account for past profits, but it did not bar an injunction where infringement was clear. Ten years later, in Menendez v. Holt, 128 U.S. 514, 523-24 (1888), the Supreme Court emphasized the distinction between retrospective and prospective relief in the context of laches and estoppel:

Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has continued so long and under such circumstances as to defeat the right itself ... Acquiescence to avail must be such as to create a new right in the defendant....

So far as the act complained of is completed, acquiescence may defeat the remedy on the principle applicable when action is taken on the strength of encouragement to do it, but so far as the act is in progress and lies in the future, the right to the intervention of equity is not generally lost by previous delay, in respect to which the elements of an estoppel could rarely arise.

In Menendez, the Supreme Court recited that relief would not be refused on the ground that, as the defendant had been allowed over time to cut down half the trees on the complainant's land, it had acquired by that allowance, the right to cut down the remainder. Thus, there is a longstanding historical basis in the law for requiring greater proof for an estoppel that would have as its result the extinguishment of the patent.

2. All of The Estoppel Elements Should be Maintained.

One commentator has questioned whether the first two elements (unreasonable delay and prejudice to the infringer as a result of the delay) are properly considered actual elements of the estoppel defense since traditionally an estoppel arises from representation and detrimental reliance. 5 D. Chisum, Patents § 19.05[3] 19-192 n.13-14 (1991). The historical roots for this Court's first two elements which are derived from the laches defense can be traced through cited precedent to a 1928 case, George J. Meyer Mfg. Co. v. Miller Mfg. Co., 24 F.2d 505 (7th Cir. 1928), where the court extensively discussed the distinctions between laches and estoppel. To establish estoppel, the Court said that "when it can be shown that the holder of the patent in addition to being guilty of laches has, by his conduct, estopped himself from asserting his rights under the patent, all relief should be denied and the bill dismissed." (Emphasis added). Id. at 507. The Meyer court relied on the Supreme Court in Menendez for support for the proposition that delay cannot defeat the legal right to a patent, unless it has continued so long and under such circumstances as to defeat the right itself. Thus, unlike the laches presumption, the

reason for the two additional elements of laches in estoppel is rooted in Supreme Court law recognizing that an estoppel should rarely arise to defeat the patent right. Menendez, 128 U.S. 523-24. Aukerman's position is that there is no compelling reason to depart from these requirements.

Whether "prejudice to the infringer" and "detrimental reliance by the infringer" are in fact distinct elements has also been questioned. 5 D. Chisum, Patents § 19.05[3] 19-192 n.13-14 (1991). The distinction between the two elements is clear and should be maintained. Unlike laches, estoppel requires that the party asserting the estoppel defense must prove reliance on acts of the party against whom estoppel is asserted. See Lebold v. Inland Steel Co., 125 F.2d 369, 375 (7th Cir. 1941) ("Estoppel arises only when one has so acted as to mislead another and the one thus misled has relied upon the action of the inducing party to his prejudice.").

3. No Presumptions Should be Adopted for Estoppel.

This Court has not adopted any presumptions regarding any of the elements of estoppel. The burden of proof in an estoppel defense has never shifted from the alleged infringer, nor should it, because of the severity of the result should an estoppel be found. Jamesbury, 839 F.2d at 1554. In contrast to the defense of laches, an infringer who raises the defense of estoppel is unable to automatically shift its burden of demonstrating prejudice to the plaintiff based on the passage of a set period of time. Jamesbury, 839 F.2d at 1554. In Jamesbury, this Court followed the Seventh Circuit in Naxon Telesign Corp. v. Bunker Ramo Corp., 686 F.2d 1258, 1264 (7th Cir. 1982), which explained why the burden of proving detrimental reliance should not be shifted from the infringer:

First, the consequences of a finding of estoppel completely bars a plaintiff from asserting its rights. Moreover, the nature of estoppel is based on

a misleading act of the plaintiff and detrimental reliance by the defendant. [Footnote omitted.] ... Therefore, in light of the severity of the result of a finding of estoppel, a court should not lightly presume injury to the party raising the defense.

Judges Nies, Archer and Smith all agreed that a presumption from the length of delay could not be used to establish one element of the estoppel defense -- detrimental reliance. Jamesbury, 839 F.2d at 1554, 1555. Aukerman supports the reasoning of the Seventh Circuit as adopted by this Court in Jamesbury that the infringer should carry the burden to prove detrimental reliance. In addition to the reasoning in Naxon, the infringer is also the party best able to set out facts relevant to the detrimental reliance inquiry. It would be unfair for the patent holder to rebut the presumption and then disprove actual prejudice, when the infringer holds the evidence. The infringer could "have its cake and eat it too"; it could raise the presumption and deny the patent holder any information that might rebut it. Cf. Cornetta, 851 F.2d at 1380. Thus, a presumption should not be relied upon for any of the elements of estoppel.

4. Silence is Not Sufficient Affirmative Conduct for Estoppel.

Recognizing the severe result that estoppel entirely bars the assertion of a patent claim, this Court has held that silence alone is not sufficient affirmative conduct to give rise to estoppel. Studiengesellschaft Kohle, m.b.H. v. Dart Industries, Inc., 726 F.2d 724 (Fed. Cir. 1984); see also Stickle v. Heublein, Inc., 716 F.2d 1550, 1559 (Fed. Cir. 1983) (estoppel by implied license cannot arise out of unilateral expectations or even reasonable hopes of one party).

There is usually no need for scienter, an intent to deceive, in estoppel cases. D. Dobbs, Remedies 42 (1973). However, when silence is part of the affirmative conduct this Court has rightly required scienter because of the potency of the defense to

completely extinguish the patent right. The Federal Circuit has squarely held that, if silence is to be an element (along with other elements) of alleged affirmative conduct amounting to estoppel, the silence must be "intentionally misleading" and some evidence must exist to amount to "bad faith." Hottel Corp. v. Seaman Corp., 833 F.2d 1570, 1573 (Fed. Cir. 1987) (citing with approval, TWM Mfg. Co. v. Dura Corp., 592 F.2d 346, 350 (6th Cir. 1979) where the Court held that actual misrepresentation, affirmative acts of misconduct or intentionally misleading silence are required for estoppel); Broomall Industries, Inc. v. Data Design Logic Systems, Inc., 786 F.2d 401 (Fed. Cir. 1986) (favorably discussing Sixth Circuit opinion requiring intentionally misleading silence to establish an estoppel).

In Meyers decided in 1990, this Court properly held that a suggestion of infringement coupled with an offer of license followed by silence was insufficient to establish equitable estoppel. To constitute estoppel, the Court reiterated that silence must be "sufficiently misleading to induce the alleged infringer to reasonably infer that the patentee has abandoned his patent claims." Hottel, 833 F.2d at 1574.

The district court in Aukerman's case erroneously found that "estoppel is applicable where the silence was sufficiently misleading so as to constitute bad faith, although the silence may not have been intentionally misleading." (App. 9). This finding was derived from a distortion of Hottel where this Court explained that "[a]lthough there is precedent for applying equitable estoppel where there has been 'intentionally misleading silence' some evidence must exist to show that the silence was sufficiently misleading to amount to bad faith." Hottel, 833 F.2d at 1574-75 (citations omitted). Thus, the Hottel court established a two-part test for estoppel where silence is part of the affirmative

conduct: (1) the silence must be found to have been intentionally misleading; and (2) some evidence must exist to show bad faith. This two-part test should remain the law where silence is part of the affirmative conduct.

VII. CONCLUSION

Aukerman appreciates the opportunity to present its views before the Court in banc on the standards for the laches and estoppel defenses in a patent infringement case. The integrity of the patent system depends upon uniform, predictable standards governing enforcement of patent rights. Aukerman is the owner of patents because it believes in this system.

In this Court's in banc consideration of what should be the law of laches and estoppel in a patent infringement action, it is respectfully urged that the Court not lose sight of the fact that the district court erred in a number of respects in concluding in a summary judgment action that Aukerman's legal rights were barred by either of the defenses of laches or estoppel.

Under Supreme Court law concerning review of summary judgments, Aukerman is entitled to reversal of the district court's opinion no matter how the Court resolves the questions about the law of laches and estoppel. This Court must view the evidence presented to the district court and here, in the light most favorable to Aukerman. Any doubt as to the existence of issues of material fact must be resolved against the moving party, Chaides; and all reasonable inferences must be drawn in Aukerman's favor. United States v. Diebold, Inc., 369 U.S. 654, 655 (1962). These principles have been repeatedly adhered to by the Federal Circuit. A.B. Chance Co. v. RTE Corp., 854 F.2d

1307, 1311 (Fed. Cir. 1988); Avia Group International, Inc. v. L.A. Gear California, Inc., 853 F.2d 1557, 1561 (Fed. Cir. 1988).

Aukerman presented evidence that Chaides substantially increased its infringing activities from its 1979 representation of de minimis use. (App. 174, 330-33). Viewed in a light most favorable to Aukerman, the evidence of Aukerman's earlier understanding regarding Chaides' minimal infringing activities and the evidence of Chaides' increased infringing use of the patented method provides a reasonable basis on the facts of this case for the timing of Aukerman's suit and does not support summary judgment as a matter of law. Tripp v. United States, 406 F.2d 1066, 1071 (Ct. Cl. 1969) (the patent owner could reasonably delay bringing suit until it "could determine that the extent of possible infringement made litigation monetarily ripe.").

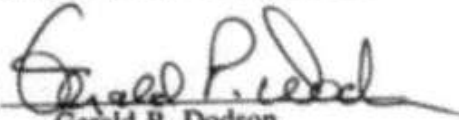
The trial court also erred when it concluded on summary judgment that the Chaides constructed mold might not be infringing because this misplaces the burden of proof. Because all of the evidence is to be viewed in a light most favorable to Aukerman in a summary judgment proceeding, the conflicting evidence must be viewed as showing that the Chaides form does infringe. In addition, Chaides' conduct in copying Aukerman's form and misrepresenting its level of use raised genuine issues of material fact as to whether Chaides' conduct was sufficiently misleading to bar otherwise available defenses. Bott v. Four Star Corp., 807 F.2d 1567, 1576 (Fed. Cir. 1986) (egregious

conduct by a defendant will defeat a defense of laches). Thus, the district court summary judgment is contrary to existing law and should be reversed on a number of grounds as soon as possible.

Dated: July 11, 1991.

Respectfully submitted,

TOWNSEND AND TOWNSEND

By 
Gerald P. Dodson

Attorneys for Appellant
A.C. AUKERMAN COMPANY

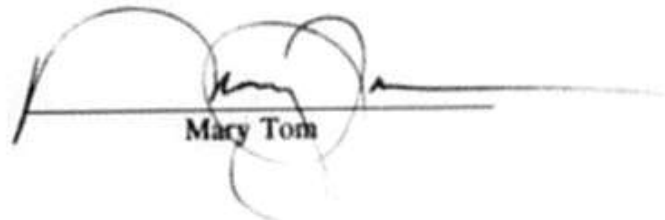
PROOF OF SERVICE BY FEDERAL EXPRESS

I am a citizen of the United States and am employed in the City and County of San Francisco, State of California; am over the age of eighteen years; and am not a party to the above-entitled case. My business address is One Market Plaza, Steuart Street Tower, 20th Floor, San Francisco, California 94105. I am employed in the office of a member of the bar of this Court at whose direction this service is made.

On July 11, 1991, I served the foregoing IN BANC SUPPLEMENTAL BRIEF FOR A.C. AUKERMAN COMPANY on counsel for appellee in said action, by depositing two true copies thereof with the Federal Express office at San Francisco, California, enclosed in a sealed envelope, fully prepaid, addressed for next-business-day delivery to:

Thomas E. Schatzel, Esq.
LAW OFFICES OF THOMAS E. SCHATZEL
A Professional Corporation
3211 Scott Boulevard, Suite 201
Santa Clara, CA 95054

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on July 11, 1991, at San Francisco, California.


Mary Tom