

United States Court of Appeals
for the
Federal Circuit

SCA HYGIENE PRODUCTS AKTIEBOLAG
and SCA PERSONAL CARE, INC.,

Plaintiffs-Appellants,

– v. –

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC,
INC., FIRST QUALITY PRODUCTS, INC. and FIRST QUALITY RETAIL
SERVICES, LLC,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR
THE WESTERN DISTRICT OF KENTUCKY IN CASE NO. 10-CV-0122
CHIEF JUDGE JOSEPH H. MCKINLEY, JR.

EN BANC BRIEF OF DEFENDANTS-APPELLEES

KENNETH P. GEORGE
CHARLES R. MACEDO
MARK BERKOWITZ
SANDRA A. HUDAK
AMSTER ROTHSTEIN & EBENSTEIN LLP
90 Park Avenue
New York, New York 10016
(212) 336-8000

Attorneys for Defendants-Appellees

April 16, 2015

CERTIFICATE OF INTEREST

Counsel for Defendants-Appellees, First Quality Baby Products, LLC, et. al.,
certifies the following:

1. The full name of every party or amicus curiae represented by us is:

First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by us is:

None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by us are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus curiae now represented by us in the trial court or agency or are expected to appear in this Court are:

In the Western District of Kentucky, First Quality Baby Products et al. were represented by Kenneth P. George, Ira E. Silfin, Charles R. Macedo, Michael J. Kasdan, Richard S. Mandaro, Jessica Capasso, and Addie A. Bendory of Amster Rothstein & Ebenstein LLP and Thomas P. O'Brien III and Cory J. Skolnick of Frost Brown Todd LLC.

On appeal before this court, First Quality Baby Products et al. are represented by Kenneth P. George, Charles R. Macedo, Mark Berkowitz, and Sandra A. Hudak of Amster Rothstein & Ebenstein LLP.

Dated: April 16, 2015

By: /s/Kenneth P. George

Kenneth P. George

AMSTER ROTHSTEIN & EBENSTEIN LLP

Attorney for Defendants-Appellees

TABLE OF CONTENTS

I. STATEMENT OF RELATED CASES..... 1

II. QUESTIONS PRESENTED AND BRIEF ANSWERS 2

III. STATEMENT OF THE FACTS 4

IV. STATEMENT OF THE CASE 7

V. SUMMARY OF THE ARGUMENT 8

VI. ARGUMENT..... 10

 A. LACHES SHOULD REMAIN A DEFENSE IN PATENT
 LAW..... 10

 1. *Petrella* Supports the Availability of Laches in Patent
 Cases..... 12

 i. Section 286 Is Not a Time-to-Sue Prescription 13

 ii. Sections 286 and 287 of the Patent Act Are
 Merely Limitations on Damages 15

 iii. Laches Fills a Critical Gap in the Patent Act 17

 iv. *Petrella’s* Policy Concerns Are Inapplicable to
 Patent Law 18

 2. Laches Is Available Under Section 282 of the Patent Act..... 23

 i. Section 282 Is Analogous to Section 33 of the
 Lanham Act 25

 ii. The Availability of a Laches Defense in Patent
 Law Has Been Repeatedly Ratified by Congress
 over the Past 100 Years 26

 3. Laches Was Available to Bar Monetary Remedies Prior
 to the Merger of Law and Equity, and Continues to Be
 Available After the Merger 30

i.	SCA Confuses Courts of Law and Equity with Legal and Equitable Remedies	32
ii.	Even Under <i>Petrella</i> , SCA’s Damages Claim Would Be Barred Because a Reasonable Royalty Is an Equitable Remedy	36
B.	THE LACHES REMEDY SHOULD NOT BE LIMITED TO PRE-FILING DAMAGES	39
1.	<i>Lane & Bodley</i> Applied Laches to Bar an Entire Patent Suit.....	41
2.	The Traditional Application of Laches Supports the Application of Laches to Bar Entire Patent Suits	44
3.	Fashioning Equitable Relief Should Be Left to the Discretion of the Trial Court	46
4.	SCA’s Claims Should Be Barred in Full.....	48
VII.	CONCLUSION.....	50

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>A. C. Aukerman Co. v. R. L. Chaides Constr. Co.</i> , 960 F.2d 1020 (Fed. Cir. 1992)	<i>passim</i>
<i>A. C. Aukerman Co. v. R. L. Chaides Constr. Co.</i> , No. 90-1137, 1991 U.S. App. LEXIS 7081 (Fed. Cir. Apr. 25, 1991)	45
<i>Altech Controls Corp. v. EIL Instruments, Inc.</i> , 8 Fed. Appx. 941 (Fed. Cir. 2001).....	22
<i>Antares Pharma, Inc. v. Medac Pharma Inc.</i> , 771 F.3d 1354 (Fed. Cir. 2014)	24
<i>Apple, Inc. v. Motorola, Inc.</i> , 869 F. Supp. 2d 901 (N.D. Ill. 2012).....	37
<i>Aro Mfg. Co. v. Convertible Top Replacement Co.</i> , 365 U.S. 336 (1961).....	24
<i>Astoria Fed. Sav. & Loan Ass’n. v. Solimino</i> , 501 U.S. 104 (1991).....	27–28
<i>Banker v. Ford Motor Co.</i> , 3 F. Supp. 737 (W.D. Pa. 1933).....	23, 33
<i>Banker v. Ford Motor Co.</i> , 69 F.2d 665 (3d Cir. 1934)	32
<i>Bilski v. Kappos</i> , 561 U.S. 593 (2010).....	23
<i>Birdsall v. Coolidge</i> , 93 U.S. 64 (1876).....	34

<i>Blonder-Tongue Labs. v. Univ. of Ill. Found.</i> , 402 U.S. 313 (1971).....	20
<i>Blue & Gold, Fleet, L.P. v. United States</i> , 492 F.3d 1308 (Fed. Cir. 2007)	15
<i>Bradford Co. v. Jefferson Smurfit Corp.</i> , Nos. 00-1511, -1546, 2001 U.S. App. LEXIS 25205 (Fed. Cir. Oct. 30, 2001).....	15–16
<i>Brennan v. Hawley Prods. Co.</i> , 182 F.2d 945 (7th Cir. 1950)	27, 31
<i>Brooks Furniture v. Dutailier Int’l, Inc.</i> , 393 F.3d 1378 (Fed. Cir. 2005)	47
<i>Central Coal & Coke Co. v. Hartman</i> , 111 F. 96 (8th Cir. 1901)	39
<i>Chirco v. Crosswinds Cmtys., Inc.</i> , 474 F.3d 227 (6th Cir. 2007)	36–37
<i>City of Monterey v. Del Monte Dunes</i> , 526 U.S. 687 (1999).....	30–31
<i>Coupe v. Royer</i> , 155 U.S. 565 (1895).....	34
<i>CTS Corp. v. Waldberger</i> , 134 S. Ct. 2175 (2014).....	13
<i>Cummings v. Wilson & Willard Mfg. Co.</i> , 4 F.2d 453 (9th Cir. 1925)	44
<i>Dock Terminal Engineering Co. v. Pennsylvania R. Co.</i> , 82 F.2d 19 (3d Cir. 1936)	44
<i>Dowagiac Mfg. Co. v. Minn. Moline Plow Co.</i> , 235 U.S. 641 (1915).....	35, 38
<i>Dwight & Lloyd Sintering Co. v. Greenawalt</i> , 27 F.2d 823 (2d Cir. 1928)	33

<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006).....	40, 46–47
<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 535 U.S. 722 (2002).....	30
<i>Fitbug Ltd. v. Fitbit, Inc.</i> , No. 5:13-cv-01418, 2015 U.S. Dist. LEXIS 8775 (N.D. Cal. Jan. 26, 2015)	22, 45
<i>Fred Riley Home Bldg. Corp. v. Cosgrove</i> , 883 F. Supp. 1478 (D. Kan. 1995).....	21
<i>George J. Meyer Mfg. Co. v. Miller Mfg. Co.</i> , 24 F.2d 505 (7th Cir. 1928)	33, 39
<i>Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers Inc.</i> , 446 F.2d 295 (2d Cir. 1971)	38–39
<i>Gillons v. Shell Co. of California</i> , 86 F.2d 600 (9th Cir. 1936)	17, 27, 32, 43–44
<i>Holman v. Oil Well Supply Co.</i> , 14 F. Supp. 490 (W.D. Pa. 1934).....	44
<i>Hot Wax, Inc. v. Turtle Wax, Inc.</i> , 191 F.3d 813 (7th Cir. 1999)	45, 50
<i>Independent Wireless Tel. Co. v. Radio Corp. of Am.</i> , 269 U.S. 459 (1926).....	31
<i>J.P. Stevens & Co. v. Lex Tex, Ltd.</i> , 747 F.2d 1553 (Fed. Cir. 1984)	24
<i>Jarrow Formulas, Inc. v. Nutrition Now, Inc.</i> , 304 F.3d 829 (9th Cir. 2002)	17
<i>Kappos v. Hyatt</i> , 132 S. Ct. 1690 (2012).....	46
<i>Lane & Bodley Co. v. Locke</i> , 150 U.S. 193 (1893).....	<i>passim</i>

<i>Leinoff v. Louis Milona & Sons, Inc.</i> , 726 F.2d 734 (Fed. Cir. 1984)	9, 12, 15, 17, 28
<i>Marlatt v. Mergenthaler Linotype Co.</i> , 70 F. Supp. 426 (D. Cal. 1947).....	32
<i>Merrell Soule Co. v. Powdered Milk Co.</i> , 7 F.2d 297 (2d Cir. 1925)	37
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 131 S. Ct. 2238 (2011).....	21, 28
<i>Motorola, Inc. v. United States</i> , 729 F.2d 765 (Fed. Cir. 1984)	16
<i>Nat’l Railroad Passenger Corp. v. Morgan</i> , 536 U.S. 101 (2002).....	44
<i>Nautilus, Inc. v. Biosig Instruments, Inc.</i> , 134 S. Ct. 2120 (2014).....	20
<i>New Era Publications Int’l v. Henry Holt & Co.</i> , 873 F.2d 576 (2d Cir. 1989)	37
<i>Nike Inc. v. Wal-Mart Stores</i> , 138 F.3d 1437 (Fed. Cir. 1998)	29, 34
<i>Octane Fitness, LLC v. ICON Health & Fitness, Inc.</i> , 134 S. Ct. 1749 (2014).....	23, 40, 46–47
<i>Petrella v. Metro-Goldwyn-Mayer</i> , 134 S. Ct. 1962 (2014).....	<i>passim</i>
<i>Petrella v. Metro-Goldwyn-Mayer</i> , 584 Fed. Appx. 653 (9th Cir. 2014).....	37
<i>Rolls-Royce PLC v. United Techs. Corp.</i> , No. 1:10-cv-00457, 2011 U.S. Dist. LEXIS 48984 (E.D. Va. May 4, 2011)	16
<i>SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC</i> , 767 F.3d 1339 (Fed. Cir. 2014)	<i>passim</i>

<i>SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC</i> , No. 1:10-cv-00122, 2013 U.S. Dist. LEXIS 98755 (W.D. Ky. July 15, 2013).....	<i>passim</i>
<i>SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC</i> , No. 2013-1564, 2014 U.S. App. LEXIS 24697 (Fed. Cir. Dec. 30, 2014).....	1, 8, 14
<i>Std. Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.</i> , 754 F.2d 345 (Fed. Cir. 1985).....	13, 14, 15
<i>Stockbridge-Munsee Cmty. v. New York</i> , 756 F.3d 163 (2d Cir. 2014).....	18
<i>Studiengesellschaft Kohle mbH v. Eastman Kodak Co.</i> , 616 F.2d 1315 (5th Cir. 1980).....	17
<i>Symbol Techs. Inc. v. Lemelson Med.</i> , 277 F.3d 1361 (Fed. Cir. 2002).....	24
<i>Teva Pharm. USA, Inc. v. Sandoz, Inc.</i> , 135 S. Ct. 831 (2015).....	20
<i>Tilghman v. Proctor</i> , 125 U.S. 136 (1888).....	34
<i>United States v. Mack</i> , 295 U.S. 480 (1935).....	12
<i>United States v. Nat’l Lead Co.</i> , 332 U.S. 319 (1947).....	37–38
<i>United States v. New Orleans R. Co.</i> , 248 U.S. 507 (1919).....	23
<i>Union Shipbuilding Co. v. Boston Iron & Metal Co.</i> , 93 F.2d 781 (4th Cir. 1938).....	27
<i>Universal Coin Lock Co. v. American Sanitary Lock Co.</i> , 104 F.2d 781 (7th Cir. 1939).....	32
<i>Warner-Jenkinson Co. v. Hilton Davis Chem. Co.</i> , 520 U.S. 17 (1997).....	28, 30

<i>Westco-Chippewa Pump Co. v. Delaware Electric & Supply Co.</i> , 64 F.2d 185 (3d Cir. 1933)	33, 44, 50
<i>Yates v. Smith</i> , 271 F. 27 (1920).....	44
Rules	
Fed. R. Civ. P. 2	31
Fed. R. Civ. P. 8(c).....	15, 16, 25
Statutes	
15 U.S.C. § 1065	21
15 U.S.C. § 1115	11, 26
17 U.S.C. § 507	<i>passim</i>
35 U.S.C. § 154.....	19
35 U.S.C. § 282	<i>passim</i>
35 U.S.C. § 284.....	36
35 U.S.C. § 285	47
35 U.S.C. § 286	<i>passim</i>
35 U.S.C. § 287	16
America Invents Act, Pub. L. 112-29 (2011)	29
American Inventors Protection Act of 1999, Pub. L. 106–113 (1999)	28, 29
Judicial Code § 274b (63d Cong., 39 Stat. 956 (1915)).....	31
Intellectual Property and High Technology Technical Amendments Act of 2002, Pub. L. 107–273 (2002).....	29
Patent Act of 1870, Ch. 230, 16 Stat. 198-217, § 61 (July 8, 1870).....	31
Pub. L. 104-41, § 2, 109 Stat. 352 (1995).....	29

R.S. § 4919 (1946)	35–36
R.S. § 4921 (1946)	35–36, 38
Uruguay Round Agreements Act, Pub. L. 103–465 (1994)	28
Other Authorities	
<i>Black’s Law Dictionary</i> 1760 (10th ed. 2014).....	23
Fed. Trade Comm’n, <i>The Evolving IP Marketplace: Aligning Patent Notice And Remedies With Competition</i> (2011), <i>available at</i> www.ftc.gov/os/2011/03/110307patentreport.pdf	38
H.R. Rep. No. 82-1923 (1952).....	24–25, 35
<i>Moy’s Walker on Patents</i> § 23.42 (4th ed.)	45
P.J. Federico, <i>Commentary on the New Patent Act</i> , 35 U.S.C.A. (1954 ed.), <i>reprinted in</i> 75 J. Pat. & Trademark Off. Soc’y 161, 127 (1993)	24
Restatement (Second) of Torts § 939 cmt. c (1977).....	44
Restatement (Third) of Unfair Competition § 31 (1995).....	44
S. Rep. No. 82-1979 (1952)	24–25, 36

I. STATEMENT OF RELATED CASES

The Court issued the original Panel decision in this matter on September 25, 2014. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 767 F.3d 1339 (Fed. Cir. 2014) (Reyna, Wallach, Hughes, JJ.) (hereinafter “*SCA I*”). On December 30, 2014, the en banc Court issued an order vacating *SCA I* and requesting additional briefing. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 2013-1564, 2014 U.S. App. LEXIS 24697, at *2–3 (Fed. Cir. Dec. 30, 2014) (hereinafter “*SCA II*”).

There is no other appeal in or from the same civil action in the District Court that was previously before this Court or any other appellate court.

First Quality is aware of three pending cases before this Court whose outcome may be directly affected by this Court’s decision in this appeal. This Court stayed the briefing schedules in *Reese v. Sprint Nextel Corp.*, Nos. 2015-1030, -1031, -1032, -1035, -1036; *Medinol Ltd. v. Cordis Corp.*, No. 2015-1027; and *LendingTree, LLC v. Zillow, Inc.*, Nos. 2014-1435, -1531, -1532, and 2015-1186, pending resolution of this appeal.

II. QUESTIONS PRESENTED AND BRIEF ANSWERS

(a) In light of the Supreme Court’s decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014) (and considering any relevant differences between copyright and patent law), should this court’s en banc decision in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992), be overruled so that the defense of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. § 286?

Brief Answer: No. *Petrella*’s holding, which merely followed settled law to resolve a circuit split, does not undermine the availability of this over 100-year-old equitable doctrine in the context of patent law. As the Supreme Court recognized in *Petrella*, *Aukerman* relied upon provisions of the Patent Act, legislative history, and historical practice to conclude that laches can bar damages incurred prior to the commencement of suit. Unlike the Copyright Act, the Patent Act does not include a traditional “statute of limitations,” and thus laches fills a critical gap by providing a method for determining the timeliness of an infringement action. Also unlike the Copyright Act, the Patent Act provides for a statutory “unenforceability” defense, under 35 U.S.C. § 282, which includes the defense of laches. In 1893, the Supreme Court recognized that laches was available in patent actions and, therefore, the courts have consistently recognized laches as an available defense ever since. *Petrella* does not require this Court to eliminate laches as a defense to a claim for patent infringement.

(b) In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, should the defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief? See, e.g., *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893).

Brief Answer: Yes. The doctrine of laches should be applied uniformly in all areas of law in which the doctrine is available. In this regard, a finding of laches can generally bar all requested relief, including an entire suit. The Supreme Court even applied laches to bar an entire patent infringement suit in *Lane & Bodley*. To the extent that *Aukerman* limits a laches defense to only pre-filing damages, that rigid, patent-specific rule cannot be reconciled with this precedent, other areas of the law, and the equitable nature of the doctrine. Therefore, district courts should be allowed to exercise their discretion under the doctrine of laches in accordance with traditional equitable principles to bar both retrospective and prospective relief.

III. STATEMENT OF THE FACTS

The patent-at-issue in this case—U.S. Patent No. 6,375,646 (“the ‘646 Patent”)—is directed to a disposable incontinence product (*e.g.*, adult protective underwear). (A0316–A0324). Shortly after the ‘646 Patent’s issuance in 2002, SCA conducted a comprehensive infringement analysis of the marketplace, which included First Quality’s products. (A0848:19–A0851:20). In 2003, SCA’s outside counsel wrote a notice letter to First Quality that identified a particular “pants-type diaper” as purportedly infringing the ‘646 Patent and demanded First Quality’s “assurance that [it would] immediately *stop making and selling such products.*” *SCA I*, 767 F.3d at 1342; *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 1:10-cv-00122, 2013 U.S. Dist. LEXIS 98755, at *3–4 (W.D. Ky. July 15, 2013) (hereinafter “*SCA D. Ct.*”); (A0544) (emphasis added to all). First Quality promptly responded to SCA’s letter, advising SCA that the asserted patent was invalid and, therefore, not infringed. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *4, 15; (A0547–A0548).

First Quality heard nothing further from SCA regarding this patent until SCA sued First Quality seven years later in 2010. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *5–7, 15. In 2004, First Quality did receive another letter from SCA alleging infringement of a different SCA-owned patent (U.S. Patent No. 6,726,670 (“the ‘670 Patent”)), but this letter did not

respond to First Quality’s invalidity assertions regarding the ‘646 Patent, nor otherwise mention the ‘646 Patent. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *5, 15; (A0550). The parties exchanged another set of correspondence regarding the ‘670 Patent, in which SCA again made no mention of the ‘646 Patent. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *5–6; (A0571–A0579).

Despite this silence, SCA continuously tracked First Quality’s activities since 2003. *SCA I*, 767 F.3d at 1346; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *16–17 (citing (A0896:7–A0897:23; A0900:4–A0901:5; A0917:23–A0918:14)). And, as it turned out, in 2004, SCA initiated *ex parte* reexamination of the ‘646 Patent based upon the same prior art that First Quality had referenced in its response letter to SCA. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *6; (A0586–A0597). The reexamination concluded in 2007 with the U.S. Patent and Trademark Office confirming the validity of SCA’s claims. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *6; (A0325–A0326). In 2008, SCA again investigated whether to bring an infringement action against First Quality on the ‘646 Patent, (A0858:5–16); *see also SCA I*, 767 F.3d at 1342–43; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *13, but again failed to inform First Quality of its intent to pursue its infringement claim. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *5–7, 15; (A0854:22–A0855:2).

First Quality only learned of the reexamination after SCA filed suit in 2010. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *6.

During the seven years that SCA remained silent (*i.e.*, 2003–2010), First Quality made substantial and continuously increasing capital investments in its protective underwear business. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *20. For example, in 2006, while SCA’s patent was under reexamination, First Quality expanded its line of adult incontinence products. *SCA I*, 767 F.3d at 1342; *see also SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *21. First Quality subsequently purchased three new protective underwear lines for its King of Prussia facility alone, with its most recent line added in 2009 costing in excess of \$10 million dollars. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *21 (citing (A1040–A1041)); (A1042:15–A1043:10); *see also SCA I*, 767 F.3d at 1342.

In addition, in 2008, First Quality completed the acquisition of the Tyco Healthcare Retail Group LP (“THRG”), which included several protective underwear lines. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *21; *SCA I*, 767 F.3d at 1342. These expenditures have resulted in significant annual growth. (A0329:15–A0331: 6). SCA was well-aware of First Quality’s investments and acquisitions, and the record evidence shows that First Quality would have restructured its activities to minimize infringement liability if SCA had brought

suit earlier. *SCA I*, 767 F.3d at 1347; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *22–26 (citing, *inter alia*, (A0990–A1008)).

IV. STATEMENT OF THE CASE

On August 2, 2010, SCA filed its Complaint alleging infringement of the ‘646 Patent. (A0056). On November 12, 2012, following the close of fact discovery, First Quality filed a motion for summary judgment of laches and estoppel. (A0235). On August 16, 2013, the District Court issued its Memorandum and Order granting First Quality’s motion for summary judgment of laches and estoppel. (A0022).

SCA appealed, and a Panel of this Court (the “Panel”), consisting of Judges Reyna, Wallach, and Hughes, heard oral argument on April 8, 2014. Before the Panel of this Court issued its decision, the Supreme Court issued its opinion in *Petrella*, holding that “in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief.” *Petrella*, 134 S. Ct. at 1974. Although SCA had never before challenged the availability of a laches defense under *Aukerman*, (ECF No. 74 at 9; *cf.* ECF No. 33 at 4), SCA notified the Court, and argued that “*Petrella* compels a finding that [*Aukerman*] is no longer good law.” (ECF No. 51 at 2). First Quality challenged this argument, (ECF No. 52), and, on September 17, 2004, the Panel issued its opinion, agreeing with First Quality that *Petrella* did not overrule *Aukerman*. *SCA I*, 767 F.3d at 1345. The

Panel affirmed the District Court’s grant of summary judgment as to laches, but reversed on equitable estoppel, finding that there were genuine issues of material fact regarding reliance that could not be resolved on summary judgment. *Id.* at 1350–51.

On October 15, 2014, SCA filed a combined petition for panel rehearing and rehearing en banc. (ECF No. 55). On December 30, 2014, this Court granted SCA’s petition for rehearing en banc, and vacated the Panel decision. *SCA II*, 2014 U.S. App. LEXIS 24697, at *2–3. The Order limited briefing to two issues, reprinted above as the “Questions Presented.” *Id.* at *2–3; *see supra* Section II.

V. SUMMARY OF THE ARGUMENT

Citing *Petrella*, SCA asks this Court to erase over 100 years of history to save SCA from a decade of poor decisions. *Petrella* stands for the unremarkable principle that laches cannot bar an action brought within the time specified by a “statute of limitations” because “courts are not at liberty to jettison Congress’ judgment on the timeliness of suit.” *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962, 1967 (2014). However, SCA refuses to accept “***the fact that there is no statute of limitations for claims of patent infringement . . .***” *SCA II*, 2014 U.S. App. LEXIS 24697, at *3 (emphasis added). Section 286—SCA’s alleged “statute of limitations”—“only restricts the *extent* one can recover pre-filing damages.”

Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 741 (Fed. Cir. 1984) (emphasis added) (original emphasis omitted). It does not extinguish a patentee’s claim.

As this Court recognized both before and after *Aukerman*, because of the absence of a traditional statute of limitations in the Patent Act, laches plays a critical “gap-filling” role in patent law. *Leinoff*, 726 F.2d at 741; *see infra* Section VI.A.1. As such, *Aukerman* is consistent with *Petrella*, 134 S. Ct. at 1974, and over a century of appellate decisions regularly recognizing laches as a defense in patent actions.

Moreover, unlike the Copyright Act, the Patent Act expressly provides for “unenforceability” defenses, which include laches, in all patent actions irrespective of the remedy sought. 35 U.S.C. § 282. *Petrella*’s holding is therefore irrelevant to the Patent Act. *See infra* Sections VI.A.2; VI.A.3.

Although *Petrella* does not call into question the availability of laches in patent cases, there is one takeaway from *Petrella* that is relevant to patent law: laches, as an equitable doctrine, should not be applied according to rigid rules, but should be *available* to bar any type of relief (*e.g.*, pre-filing damages, post-filing damages, and injunctions) in accordance with traditional equity principles. *See infra* Section VI.B. Yet, *Aukerman* established a rigid “pre-filing damages rule” for the application of laches in patent law—that “laches bars relief on a patentee’s claim *only* with respect to damages accrued prior to suit.” 960 F.2d 1020, 1041

(Fed. Cir. 1992) (emphasis added). This holding conflicts with Supreme Court precedent, both in the patent context and in other areas of the law. *See infra* Sections VI.B.1.; VI.B.2. Moreover, the Supreme Court has repeatedly eschewed rigid, patent-specific rules, particularly in crafting equitable relief. *See infra* Section VI.B.3.

Aukerman should be modified-in-part, and district courts should be given the discretion to bar, in addition to pre-filing damages, prospective remedies under appropriate circumstances, such as those present in this case. *See infra* Section VI.B.4.

VI. ARGUMENT

A. LACHES SHOULD REMAIN A DEFENSE IN PATENT LAW

In response to this Court’s first question, First Quality respectfully submits that, not only are there relevant differences between the Patent Act and the Copyright Act related to the availability of laches, there are differences between all three federal intellectual property statutes: the Copyright Act, the Patent Act, and the Lanham Act. Accordingly, *Petrella*’s holding—applying separation of powers principles against the statutory structure and legislative background of the Copyright Act—does not speak to the availability of laches in the separate statutory, legislative, and historical context of the Patent Act.

Petrella simply does not affect the laches defense in patent law because 35 U.S.C. § 286 is not a statute of limitations. And, unlike the Copyright Act, the Patent Act statutorily provides for the defense of laches within the “unenforceability” defense under 35 U.S.C. § 282. *Aukerman*, 960 F.2d at 1028–29. As a result, the relevant statutory structure of the Patent Act is more akin to that of the Lanham Act, which “contains no statute of limitations, and expressly provides for defensive use of ‘equitable principles, including laches.’” *Petrella*, 134 S. Ct. at 1974 n.15 (citing 15 U.S.C. § 1115(b)(9)). Laches is undoubtedly an available defense in trademark law; likewise, laches is an available defense in patent law as it has been applied for over 100 years.

This Court came to this same conclusion over twenty years ago in *Aukerman*. In doing so, it rejected the same arguments that SCA is rearguing now. Just as the *Petrella* Court did, *see* 134 S. Ct. at 1970–75, this Court looked to the statutory language of Sections 286 and “282 and commentary thereon, legislative history, and historical practice.” *See Petrella*, 134 S. Ct. at 1974 n.15 (citing *Aukerman*, 960 F.2d at 1029–31, 1039–41). When that form of analysis was applied, *Aukerman* correctly reached the opposite conclusion as *Petrella* as to the availability of laches under the Patent Act, because of the differences between the Copyright Act and the Patent Act.

1. *Petrella* Supports the Availability of Laches in Patent Cases

Petrella held that, where Congress has enacted a “statute of limitations,” such as Section 507(b) of the Copyright Act, “laches cannot be invoked to bar legal relief.” *Petrella*, 134 S. Ct. at 1974. This is not a novel principle, but one that has been applied by the Supreme Court for over a half-century. *See United States v. Mack*, 295 U.S. 480, 489 (1935) (“Laches within the term of the statute of limitations is no defense at law.”). The Supreme Court granted *certiorari* to apply this well-settled principle in the context of the Copyright Act in order to resolve a circuit split. *Petrella*, 134 S. Ct. at 1972. In resolving the divide, *Petrella* makes clear that it was merely following settled legal principles. *Id.* at 1972–74 (“***we adhere to the position*** that, in the face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief . . .”) (emphasis added).

Where no statute of limitations has been enacted (*e.g.*, patent law), the Supreme Court reconfirmed the “gap-filling” role of laches. *Petrella*, 134 S. Ct. at 1974. This is precisely how the laches defense has been applied in patent law for well over 100 years. *See Leinoff*, 726 F.2d at 741 (“Since there is no statute from which to determine the timeliness of an infringement action, vis-a-vis the patentee’s first knowledge of infringement, courts use the equitable doctrine of laches.”). As such, *Petrella* actually supports *Aukerman*.

i. **Section 286 Is Not a Time-to-Sue Prescription**

Petrella's holding is based on the fact that Section 507(b) of the Copyright Act is a traditional statute of limitations that sets a specific time period in which a cause of action for copyright infringement must be brought. *Petrella*, 134 S. Ct. at 1977. This Court has similarly defined a “statute of limitations” as:

A statute prescribing limitations to the right of action on certain described causes of action; that is, declaring that ***no suit shall be maintained*** on such causes of action unless brought within a specified period after the right accrued.

Std. Oil Co. v. Nippon Shokubai Kagaku Kogyo Co., 754 F.2d 345, 347 (Fed. Cir. 1985) (quoting *Black's Law Dictionary* (4th ed. 1968)) (emphasis added); *see also CTS Corp. v. Waldberger*, 134 S. Ct. 2175, 2182 (2014) (a traditional “statute of limitations creates ‘a time limit for suing in a civil case, based on the date when the claim accrued’”) (quoting *Black's Law Dictionary* 1546 (9th ed. 2009)).

SCA repeatedly asserts that “[t]he Patent Act contains an ***express limitation*** on the time within which a patentee must bring an ***infringement claim***.” (ECF Nos. 83 and 84, “SCA Br.,” at 8–9) (emphasis added). But these bold statements have no support. All SCA can point to is the fact that members of Congress “repeatedly referred” to Section 286 as a “statute of limitations.” (SCA Br. at 10). A side-by-side comparison of the two statutory provisions confirms that, despite any superficial labels, the Copyright Act’s statute of limitation (Section 507(b)) is

substantively distinct from the Patent Act’s time limitation on damages under Section 286:

Copyright Act <i>17 U.S.C. § 507(b)</i>	Patent Act <i>35 U.S.C. § 286</i>
No <i>civil action</i> shall be maintained . . . unless it is commenced within three years <i>after the claim accrued</i> no <i>recovery</i> shall be had for any infringement committed more than six years <i>prior to the filing of the complaint</i> or counterclaim for infringement in the action

The Supreme Court in *Petrella* thus appropriately deemed Section 507(b) to be a “time-to-*sue* prescription,” that reflects “Congress’ judgment on the timeliness of *suit*” and “*bars relief of any kind*.” *Petrella*, 134 S. Ct. at 1967, 1978 (emphases added). In contrast, “[a]ssuming a finding of liability, the effect of section 286 is to limit recovery to damages for infringing acts committed within six years of the date of the filing of the infringement action[,] . . . count[ing] backwards from the date of the complaint” *Aukerman*, 960 F.2d at 1030; *see also Std. Oil*, 754 F.2d at 348 (“In the application of § 286, one starts from the filing of a complaint or counterclaim and counts backward to determine the date before which infringing acts cannot give rise to a right to recover damages.”) (emphasis omitted).

In sum, Section 286 of the Patent Act is not a statute of limitations that bars an untimely cause of action, a fact this Court has recognized time and time again. *SCA II*, 2014 U.S. App. LEXIS 24697, at *3 (“In light of the fact that there is no

statute of limitations for claims of patent infringement . . . ”); *see also Blue & Gold, Fleet, L.P. v. United States*, 492 F.3d 1308, 1315 (Fed. Cir. 2007) (noting that, “in the patent context, we have recognized that [the] doctrines of laches and equitable estoppel operate to bar relief even though there is no applicable statute of limitations.”); *Bradford Co. v. Jefferson Smurfit Corp.*, Nos. 00-1511, -1546, 2001 U.S. App. LEXIS 25205, at *25 (Fed. Cir. Oct. 30, 2001) (“section 286 is not a statute of limitations”); *Aukerman*, 960 F.2d at 1030 (“section 286 is not a statute of limitations in the sense of barring a suit for infringement”); *Std. Oil*, 754 F.2d at 347 (Section 286 “is not a statute of limitations barring suit in the usual meaning of the term. It does not say that ‘no suit shall be maintained.’”); *Leinoff*, 726 F.2d at 741 (Section 286 “only restricts the extent one can recover pre-filing damages. It places no other limitation on the filing of an infringement action during a patent’s . . . term.”) (emphasis omitted).

ii. Sections 286 and 287 of the Patent Act Are Merely Limitations on Damages

Digging deeper, there are simply no parallels to be drawn between Section 286 of the Patent Act and Section 507(b) of the Copyright Act. Section 286 is not (and cannot be) a statute of limitations, because it is not a statutory defense.

Unlike Section 507(b), which must be plead under Fed. R. Civ. P. 8(c) as a “statute of limitations” at the outset of the litigation, patent infringement defendants are not required to plead Section 286 as an affirmative defense under Fed. R. Civ. P. 8(c)

and 35 U.S.C § 282. *See Bradford*, 2001 U.S. App. LEXIS 25205, at *27 (“Because our precedent illustrates that a limitation on damages is not a statutory defense that must be pleaded, we conclude that 35 U.S.C. § 286 is not an affirmative defense for purposes of either Fed. R. Civ. P. 8(c) or 35 U.S.C. § 282.”); *see also Rolls-Royce PLC v. United Techs. Corp.*, No. 1:10-cv-00457, 2011 U.S. Dist. LEXIS 48984, at *9 (E.D. Va. May 4, 2011) (plaintiff’s argument that Section 286 is a statutory defense that the defendant was required to affirmatively plead “ignores more than two decades of Federal Circuit precedent” because “Section 286 . . . is . . . not a statute of limitations”).

Instead, Section 286, like the Patent Act’s other statutory “limitation on damages,” 35 U.S.C. § 287, is drafted as a limitation on damages and not a defense to liability. *See Motorola, Inc. v. United States*, 729 F.2d 765, 769, 771 (Fed. Cir. 1984) (Section 287 is “not a statutory defense to an action for infringement”) (emphasis omitted). A failure to comply with Section 287 will bar recovery of damages *until* the date the patent holder gives actual notice to the alleged infringer of the infringing activity. 35 U.S.C. § 287(a). Neither Section 286 nor similarly titled Section 287 bar a patent holder from bringing suit. Rather, these two timing factors only serve as limitations on damages.

iii. Laches Fills a Critical Gap in the Patent Act

Given that nothing in the Patent Act bars an infringement *claim*, *Petrella* confirms the availability of laches in the patent context. This is because the Supreme Court has endorsed the “gap-filling” role of laches, *Petrella*, 134 S. Ct. at 1974, which is precisely how laches has been applied in patent law for over 100 years. *See Leinoff*, 726 F.2d at 741; *see, e.g., Studiengesellschaft Kohle mbH v. Eastman Kodak Co.*, 616 F.2d 1315, 1326 (5th Cir. 1980), *cert. denied*, 449 U.S. 1014 (1980) (“In considering whether plaintiff’s delay in litigating his claim makes him guilty of laches, courts use the six-year statutory period for damages as a frame of reference . . .”).¹

While Section 507(b), in light of the statutory framework of the Copyright Act, leaves “little place” for laches, *Petrella*, 134 S. Ct. at 1977, differences between the Copyright Act and the Patent Act demonstrate that laches plays a “gap-filling” role in patent law.

¹ Although Section 286 is not a statute of limitations, courts generally draw on the most analogous timeframe to a statute of limitations when picking a timeframe for a presumption of laches. It is appropriate to continue to do so in patent law as well. *See Gillons v. Shell Co. of California*, 86 F.2d 600, 608 (9th Cir. 1936) (“When the suit is filed after the statutory period, injury is presumed. . . . In the patent cases, the ‘analogous’ statutory period is six years.”); *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 837 (9th Cir. 2002) (“[C]onsistent with the views of our sister circuits, we hold that if a [Lanham Act] § 43(a) claim is filed . . . after the analogous limitations period has expired, the presumption is that laches is a bar to suit.”).

To illustrate, under Section 507(b), “[n]o civil action shall be maintained under the [Copyright Act] unless it is commenced within three years after the claim *accrued*.” 17 U.S.C. § 507(b) (emphasis added). A copyright claim generally “accrues” when a “plaintiff *discovers, or with due diligence should have discovered*, the injury that forms the basis for the claim.” *Petrella*, 134 S. Ct. at 1969 n.4 (emphasis added). The Patent Act contains no corresponding statute. Laches therefore fills the gap. *See Aukerman*, 960 F.2d at 1032 (“The period of delay is measured from the time the plaintiff *knew or reasonably should have known* of the defendant’s alleged infringing activities to the date of suit.”) (emphasis added).

Because there is no statute of limitations in the Patent Act, *Petrella* is irrelevant to *Aukerman*. *See Stockbridge-Munsee Cmty. v. New York*, 756 F.3d 163, 166 (2d Cir. 2014) (holding that *Petrella* is irrelevant to Indian land claims because “Congress has not fixed a statute of limitations for” such actions), *en banc rehearing denied*, (2d Cir. Aug. 11, 2014), *petition for cert. denied*, No. 14-538 (Mar. 2, 2015).

iv. ***Petrella’s* Policy Concerns Are Inapplicable to Patent Law**

Although the Copyright Act’s statute of limitations was “most significant” to *Petrella’s* holding, 134 S. Ct. at 1968, the Supreme Court raised several other aspects of copyright law that demonstrate Congress’ intent to deny a laches

defense under the Copyright Act. More specifically, *Petrella* identified the well-settled elements of laches—(1) unreasonable delay with (2) resulting material prejudice to the alleged infringer—but discounted certain policy arguments based on resulting prejudice in light of the statutory structure of the Copyright Act.

Petrella, 134 S. Ct. at 1967, 1972.

Petrella explains that evidentiary prejudice was not an issue of concern for Congress in enacting the specific provisions of the Copyright Act. Among other things, the Supreme Court pointed to the “lengthy term” of copyrights which endures for decades and is subject to “reversionary renewal rights exercisable by an author’s heirs” *Petrella*, 134 S. Ct. at 1970, 1976. “Congress ***must have been aware***” that these prescriptions—including a term that could last over 100 years and rights that could pass to an author’s heirs—could cause prejudice but chose to structure the Copyright Act that way nonetheless. *Id.* at 1976 (emphasis added). By contrast, patents have a relatively short term of less than twenty years and no provisions for renewal that are analogous to those in the Copyright Act.

See 35 U.S.C. § 154.

Petrella also found laches unnecessary in view of the simplistic infringement analysis applied in copyright actions, in which the “the [registration] certificate, the original work, and the allegedly infringing work,” are evaluated by “the factfinder’s ‘good eyes and common sense.’” *Petrella*, 134 S. Ct. at 1977

(noting that copyright actions required nothing more than “the factfinder’s direct comparison of the original and the infringing works.”). According to the Supreme Court, this simplified analysis “reduces the need for extrinsic evidence” in the first place. *Id.*

These policy considerations do not hold true in a typical patent case, which involves analysis of the prosecution history, technology tutorials, claim construction hearings, and extensive expert testimony on both liability and damages. *See Blonder-Tongue Labs. v. Univ. of Ill. Found.*, 402 U.S. 313, 331 (1971) (noting that “some courts have frankly stated that patent litigation can present issues so complex that legal minds, without appropriate grounding in science and technology, may have difficulty in reaching decision”). Claim construction often involves underlying questions of fact ***from the time period that the patent was filed***, an issue not present in copyright law. *See, e.g., Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015) (“[T]he district court will need to look beyond the patent’s intrinsic evidence and to ***consult extrinsic evidence*** in order to understand, for example, the background science or the meaning of a term in the relevant art ***during the relevant time period.***”) (emphasis added); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130 (2014) (“claim construction calls for ‘the necessarily sophisticated analysis of the whole

document,’ and may turn on evaluations of expert testimony”) (quoting *Markman v. Westview Instruments, Inc.*, 517 U. S. 370, 389 (1996)).

Other evidence of Congress’s disregard for evidentiary prejudice manifests in the burden of proving infringement falling primarily on the copyright holder, such that the copyright holder is at least as prejudiced as the defendant by the loss of evidence. *Petrella*, 134 S. Ct. at 1966–77. By contrast, in patent law, the burdens of proof significantly disadvantage the accused infringer when there is a loss of evidence due to time. The Patent Act specifically provides that a patent is “presumed valid.” 35 U.S.C. § 282(a). This *presumption* of validity, as compared to the *prima facie* evidence of validity of a copyright, subjects patent infringement defendants to a much higher burden in arguing invalidity, enhancing the impact of evidentiary prejudice.² Compare *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011) (“§ 282 requires an invalidity defense to be proved by clear and convincing evidence”), with *Fred Riley Home Bldg. Corp. v. Cosgrove*, 883 F. Supp. 1478, 1481–82 (D. Kan. 1995) (burden of persuasion for validity of copyright shifts to plaintiff upon effective challenge by defendant).

² Similarly, under the Lanham Act, which statutorily provides for laches, trademarks achieve “incontestable” status after five years of continuous use. 15 U.S.C. § 1065.

With respect to economic prejudice, one *amicus* asserts that “businesses do not base their decision-making on whether they have or have not been sued for patent infringement.” (ECF No. 124 at 15–16). This is simply not true, neither generally nor in the present case. Delay in filing suit for patent infringement often results in losses on research and development, marketing, and capital investments, that the accused infringers would not suffer if they had been sued earlier. *See, e.g., Altech Controls Corp. v. EIL Instruments, Inc.*, 8 Fed. Appx. 941, 951 (Fed. Cir. 2001) (affirming summary judgment of laches where the district court found economic prejudice as corporate “changes would have been structured differently had [the defendant] been aware of a potential lawsuit by [the plaintiff].”); *see also Fitbug Ltd. v. Fitbit, Inc.*, No. 5:13-cv-01418, 2015 U.S. Dist. LEXIS 8775, at *30–31 (N.D. Cal. Jan. 26, 2015) (finding severe economic prejudice were defendant to lose rights to use mark after business building efforts during period of plaintiff’s delay); *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *22–23 (“SCA’s delay in bringing an infringement action deprived First Quality of the opportunity to modify its business strategies.”).

Thus, prejudice, both evidentiary and economic, is a much larger concern in patent law than in copyright law, partially because of the statutory differences between the Patent Act and the Copyright Act.

2. Laches Is Available Under Section 282 of the Patent Act

Unlike the Copyright Act, the Patent Act expressly provides for “unenforceability” as a defense in patent infringement actions. 35 U.S.C. § 282(b) (“The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement or **unenforceability**. . . .”) (emphasis added).

“In patent law, as in all statutory construction, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.” *Bilski v. Kappos*, 561 U.S. 593, 603 (2010) (internal quotations and modifications omitted); *see also Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014) (“The Patent Act does not define ‘exceptional,’ so we construe it in accordance with its ordinary meaning.”) (internal quotations and modifications omitted). The plain meaning of “unenforceable” is “valid but incapable of being enforced.” *Black’s Law Dictionary* 1760 (10th ed. 2014). Courts have long recognized that “unenforceability” defenses include the equitable defense of laches. *See, e.g., United States v. New Orleans R. Co.*, 248 U.S. 507, 511 (1919) (addressing whether a trust agreement was “**unenforceable** by reason of inexcusable laches”) (emphasis added); *Banker v. Ford Motor Co.*, 3 F. Supp. 737, 742 (W.D. Pa. 1933) (“The term ‘equitable defenses,’ . . . includes a state of facts which, . . . has the effect of barring, or rendering **unenforceable** against a

defendant in a suit, the claim asserted by the plaintiff therein.”) (internal quotation omitted) (emphasis added), *aff’d*, 69 F.2d 665 (3d Cir. 1934).

Likewise, *Aukerman* determined that the “unenforceability” defense of Section 282 includes “*equitable defenses such as laches*, estoppel and unclean hands.” *Aukerman*, 960 F.2d at 1029 (citing P.J. Federico, Commentary on the New Patent Act, 35 U.S.C.A. at 55 (1954 ed.), *reprinted in* 75 J. Pat. & Trademark Off. Soc’y 161, 127 (1993)) (emphasis added). *Aukerman* was not alone—panels of this Court, **before and after *Aukerman***, have reached the exact same conclusion. *See, e.g., J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984); *Symbol Techs. Inc. v. Lemelson Med.*, 277 F.3d 1361, 1366 (Fed. Cir. 2002) (“It is apparent from [the history of the Patent Act] that the drafters thought the defense of laches would be available.”), *cert denied*, 537 U.S. 825 (2002).³

Congress never intended Section 282 to be construed narrowly. Rather, in Section 282, “defenses to a suit for infringement are stated *in general terms*.”

³ Both this Court and the Supreme Court have cited to Mr. Federico’s Commentary as authority. *See, e.g., Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342, 342 n.8 (1961) (citing the Federico Commentary as authority in interpreting effect of 1952 Patent Act on the “body of case law on direct infringement”); *Antares Pharma, Inc. v. Medac Pharma Inc.*, 771 F.3d 1354, 1360 n.7 (Fed. Cir. 2014) (“Federico’s commentary is an invaluable insight into the intentions of the drafters of the Act.”) (quoting *Symbol Techs.*, 277 F.3d at 1366).

H.R. Rep. No. 82-1923, at 10 (1952) (emphasis added); S. Rep. No. 82-1979 at 8–9 (1952) (same). And, in codifying the defenses available in a patent infringement action, Congress did not intend to “materially chang[e] the substance” of the established defenses. H.R. Rep. No. 82-1923, at 10. The Senate did, however, specifically amend the House version of the bill to include “*or unenforceability*” to Section 282 for clarification. *See* S. Rep. No. 82-1979 at 29 (italics represent amendment).

SCA argues that because “[t]he doctrine of laches is not a listed defense [in Section 282], by *expression unius est exclusion alterius*, [laches] cannot be read into the statute.” (SCA Br. at 27). Following this logic, any defense not specifically enumerated in Section 282—laches, estoppel, unclean hands, and inequitable conduct—would be unavailable. Even SCA does not believe this argument as it agrees that estoppel remains a defense in patent cases. (*Id.* at 11).

“Unenforceability” under Section 282 must include the equitable defenses that have been historically applied in patent law (*e.g.*, laches, estoppel and unclean hands). SCA tellingly offers no alternative interpretation.

i. Section 282 Is Analogous to Section 33 of the Lanham Act

Petrella found it significant that the Copyright Act does not provide for laches as a defense. *Petrella*, 134 S. Ct. at 1972, 1974 (citing appellate court for observing that “[l]aches in copyright cases . . . is ‘entirely a judicial creation’” and

Fed. R. Civ. P. 8(c) as the only potential congressionally sanctioned basis for laches in copyright law). The Court emphasized that its holding was based on the fundamental rule that courts may not “overrid[e]” Congress’ prescriptions. *Id.* at 1975.

But *Petrella* expressly recognized that a laches defense may be available under alternative statutory structures. *Id.* at 1974 n.15. For instance, the Court noted that “[i]n contrast to the Copyright Act, the Lanham Act, which governs trademarks, . . . expressly provides for defensive use of ‘equitable principles, including laches.’” *Id.* (quoting 15 U.S.C. § 1115(b)(9)). Because a laches defense is statutorily provided for by Congress under Section 282 of the Patent Act (like in the Lanham Act), laches in patent law cannot be “legislation-overriding.” *Cf. id.* at 1974.

ii. The Availability of a Laches Defense in Patent Law Has Been Repeatedly Ratified by Congress over the Past 100 Years

The historical foundation for laches in the Patent Act is distinct from that of the Copyright Act. The Copyright Act’s statute of limitations was not added until 1957, and it “remained materially unchanged” in the most recent revision to the Copyright Act in 1976. *Petrella*, 134 S. Ct. at 1969 n.3. Laches was available in copyright law prior to the enactment of the federal statute of limitations in 1957. *Id.* at 1968. But post-1976, and the addition of the statute of limitations, a circuit

split arose. *Id.* at 1972. The Supreme Court granted *certiorari* in *Petrella* in order to resolve this divide. *Id.*

In contrast to laches in copyright law, the laches defense has been regularly applied in patent law for over 100 years. When Congress first enacted Section 282 in 1952, laches had been a recognized defense in patent law for over 60 years. *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 200 (1893) (affirming the denial of relief in view of “the long period that the plaintiff permitted to elapse before he resorted to his legal remedy”); *Brennan v. Hawley Prods. Co.*, 182 F.2d 945, 948 (7th Cir. 1950) (affirming dismissal of complaints due to long delay with resulting prejudice to defendant that rendered it “inequitable to allow plaintiff to enforce his claim for infringement”), *cert. denied*, 340 U.S. 865 (1950); *Gillons v. Shell Co. of California*, 86 F.2d 600, 610 (9th Cir. 1936) (affirming dismissal of complaint asking for an accounting due to the “unreasonable delay . . . and the consequent inequity, under the circumstances, of permitting the claim to be enforced”) (internal quotation omitted); *Union Shipbuilding Co. v. Boston Iron & Metal Co.*, 93 F.2d 781, 783 (4th Cir. 1938) (affirming dismissal due to, *inter alia*, laches).

The fact that Congress expressly codified the available defenses in the 1952 Patent Act without material change in light of this widespread and uniform practice clearly shows that it did not intend to eliminate the defense of laches. *See, e.g., Astoria Fed. Sav. & Loan Ass’n. v. Solimino*, 501 U.S. 104, 108 (1991) (“Congress

is understood to legislate against a background of common-law adjudicatory principles” and to incorporate them “except when a statutory purpose to the contrary is evident”) (internal quotation marks and citation omitted). The Supreme Court has previously reached the same conclusion—that the 1952 Patent Act did not disrupt existing judicial precedent—with respect to other areas of patent law. *See, e.g., Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 26–27 (1997) (concluding that the doctrine of equivalents survived the 1952 Act and noting that, “[i]n the context of infringement, we have already held that pre-1952 precedent survived the passage of the 1952 Act”).

Since the formation of the Federal Circuit, this Court has recognized that laches is an available defense to a patent infringement claim. *See, e.g., Leinoff*, 726 F.2d at 741. In *Aukerman*, this Court took up the case en banc, not to decide whether laches should be a defense, but to, *inter alia*, clarify the relevant elements of that defense. *Aukerman*, 960 F.2d at 1028. SCA (and the *amici*) fail to cite a single patent case where a court has held that laches should not be an available defense under the Patent Act. Thus, this Court’s consistent application of laches, based in part upon its reading of Section 282, supports maintaining this defense. *Cf. Microsoft*, 131 S. Ct. at 2243 (upholding clear and convincing standard for invalidity defenses under Section 282 because, in the course of “nearly 30 years . . . , the Federal Circuit has never wavered in this interpretation of § 282.”). Notably,

this Court's *Aukerman* decision from 1992 has been followed by more than a dozen amendments to, and three significant overhauls of, the Patent Act. *See, e.g.*, Uruguay Round Agreements Act, Pub. L. 103–465 (1994); American Inventors Protection Act of 1999, Pub. L. 106–113 (1999); America Invents Act (“AIA”), Pub. L. 112-29 (2011).

Section 282 itself was amended numerous times since *Aukerman*. *See* Pub. L. 104-41, § 2, 109 Stat. 352 (1995) (amendment related to obviousness defense); American Inventors Protection Act of 1999, Pub. L. 106–113, § 1000(a)(9), 113 Stat. 1536 (1999) (technical amendment); Intellectual Property and High Technology Technical Amendments Act of 2002, Pub. L. 107–273, § 13206(b)(1)(B), 116 Stat. 1906 (2002) (technical amendment). Notably, in revising the Patent Act under the AIA, Congress made a technical amendment to the punctuation around the word “unenforceability,” but did not make any substantive changes to the defense. AIA, Pub. L. 112-29, § 20(g) (2011).

The lack of any material change to the “unenforceability” defense of Section 282 post-*Aukerman* confirms Congress’ continued “legislative ratification” of laches as an available defense. *See, e.g., Nike Inc. v. Wal-Mart Stores*, 138 F.3d 1437, 1444–45 (Fed. Cir. 1998) (“Since we must recognize that the Congress was fully aware of judicial constructions of a prior statute during the enactment of subsequent legislation encompassing that prior statute, our interpretation of the

subsequent legislation must include the prior judicial constructions unless they were explicitly revoked by Congress.”) (internal quotation omitted).

In both the *Festo* and *Warner-Jenkinson* cases, the Supreme Court addressed a similar situation in connection with the doctrine of equivalents, noting that:

The lengthy history of the doctrine of equivalents strongly supports adherence to [this Court’s] refusal . . . to find that the Patent Act conflicts with that doctrine. ***Congress can legislate the doctrine of equivalents out of existence any time it chooses. The various policy arguments now made by both sides are thus best addressed to Congress, not this Court.***

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 733 (2002) (quoting *Warner-Jenkinson*, 520 U.S. at 28) (emphasis added). This same reasoning applies here.

3. Laches Was Available to Bar Monetary Remedies Prior to the Merger of Law and Equity, and Continues to Be Available After the Merger

SCA offers a convoluted argument to the effect that the merger of law and equity in 1938 eliminated the application of a laches defense for “actions at law for damages.” (See SCA Br. at 9–10, 19–20). Quite frankly, the merger is irrelevant to the matter at hand.⁴ In drafting the Patent Act, Congress expressly provided that

⁴ As a practical matter, the only distinctions remaining between “legal” and “equitable” claims relates to a party’s right to a trial by jury under the Seventh Amendment, and not the availability of particular remedies. See, e.g., *City of Monterey v. Del Monte Dunes*, 526 U.S. 687, 726 n.1 (1999) (Scalia, J., concurring-in-part and concurring-in-judgment) (“Since the merger of law and (cont.)

unenforceability (*e.g.*, laches) “shall be [a] defense[] ***in any action*** involving the validity or infringement of a patent” 35 U.S.C. § 282(b) (emphasis added). The bolded language was carried over from the pre-Patent Act statutes, which, as discussed further below, required patent holders to bring infringement actions either in law or equity. *See* Patent Act of 1870, Ch. 230, 16 Stat. 198-217, § 61 (July 8, 1870); *see also Independent Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469 (1926) (referring to the patent owner’s obligation to allow the use of his name as plaintiff “***in any action*** brought at the instance of the licensee ***in law or in equity*** to obtain damages . . . or to enjoin infringement”) (emphasis added). By incorporating this language into Section 282, Congress confirmed that the listed defenses “shall be” available to bar ***all remedies***, regardless of whether their origin was legal or equitable in nature.

Laches continued to be applied in patent cases both after the merger began in 1919 under Judicial Code § 274b (63d Cong., 39 Stat. 956 (1915)), and after the merger was finalized in 1938 with Fed. R. Civ. P. 2. *See, e.g., Brennan*, 182 F.2d at 948–49 (citing to laches cases brought in equity as support for laches defense in

(*continued*)

equity, any type of relief, including purely equitable relief, can be sought in a tort suit . . . the fact that I seek only equitable relief would disentitle me to a jury, . . . but that would not render the nuisance suit any less a tort suit, so that if damages were sought a jury would be required.”) (internal citations omitted).

patent law, and affirming dismissal of complaints due to laches); *Marlatt v. Mergenthaler Linotype Co.*, 70 F. Supp. 426, 433–34 (D. Cal. 1947) (finding “plaintiff is barred by laches from maintaining this suit” seeking an injunction, damages, and profits); *Universal Coin Lock Co. v. American Sanitary Lock Co.*, 104 F.2d 781, 783 (7th Cir. 1939) (affirming dismissal of suit seeking damages on grounds of laches); *Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934) (same).

i. SCA Confuses Courts of Law and Equity with Legal and Equitable Remedies

Aukerman correctly recognized that laches had been regularly applied to bar claims for damages at the time the 1952 Patent Act went into effect, and identified a half-dozen cases in support of this statement. *Aukerman*, 960 F.2d at 1029, 1029 n.6. SCA nonsensically asserts that these cases are irrelevant simply because “the cited case were suits *in equity*, not damage claims at law.” (SCA Br. at 30) (emphasis added). But in each of these cases, the patentee sought *money damages*, just like SCA does in this case. *See, e.g.*:

- *Gillons*, 86 F.2d at 601, 608 (affirming dismissal of complaint for laches where the patentee expressly stated that “[w]e seek no injunction here. What we seek is an accounting, and that only.”);

- *Westco-Chippewa Pump Co. v. Delaware Electric & Supply Co.*, 64 F.2d 185, 186 (3d Cir. 1933) (affirming lower court’s ruling “that the plaintiff had been guilty of laches, and so refused an injunction and an accounting, and accordingly dismissed the bill of complaint.”);
- *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823, 827 (2d Cir. 1928) (“The delay of 13 years, not otherwise excused, therefore appears to us fatal to any accounting”);
- *George J. Meyer Mfg. Co. v. Miller Mfg. Co.*, 24 F.2d 505, 506 (7th Cir. 1928) (arguing on appeal that despite a finding of laches, the plaintiff was “entitled at least to injunctive relief and to some damages”).

See also Banker, 3 F. Supp. at 738–42 (applying laches to dismiss complaint in action at law seeking “to recover \$18,000,000 damages”), *aff’d*, 69 F.2d 665 (3d Cir. 1934).

It is evident that SCA is confusing *courts* of law and equity with legal and equitable *remedies*, a mistake repeated throughout SCA’s brief, and which belies the logic of its analysis. SCA compounds this error by assuming that: (1) money damages are necessarily legal, and (2) equitable remedies are limited to injunctions. (*See* SCA Br. at 33–36). These assumptions are wrong.

Courts of equity have long permitted patentees to recover money damages (e.g., an accounting and a reasonable royalty) in equity actions. *Coupe v. Royer*, 155 U.S. 565, 582 (1895) (“In equity, . . . the complainant is entitled to recover the damages he has sustained, in addition to the [infringer’s] profits received. At law the plaintiff is entitled to recover, as damages, . . . not what the defendant has gained, but what plaintiff has lost.”); *see also Tilghman v. Proctor*, 125 U.S. 136, 148 (1888) (“[A] court of equity . . . will not send the plaintiff to a court of law to recover damages, but will itself administer full relief, by awarding, as an equivalent or a substitute for legal damages, a compensation . . .”).

Beginning in 1870, the patent laws provided distinct damages statutes, one for law and one for equity. As a result, patentees were required to choose between two paths of recovery: (1) proceed in equity and recover the infringer’s profits and obtain an injunction, or (2) proceed in law and recover “as damages, compensation for pecuniary injury he suffered by the infringement.” *Birdsall v. Coolidge*, 93 U.S. 64, 68–69 (1876). In other words, recovery in law was limited to the patentee’s actual loss, and if no actual loss could be proven, the patentee walked away empty-handed.

Not surprisingly, because of the larger monetary recovery that was available, the vast majority of patent cases were brought in equity prior to the merger of law and equity. *See Nike*, 138 F.3d at 1441 (“Because both the patentee’s losses and

the infringer’s profits could be obtained in equity, whereas only the patentee’s losses were recoverable at law, after 1870 a patentee had incentive to invoke equity jurisdiction even when injunctive relief was not important.”).

Equity courts became even more appealing to patentees in 1915, when the Supreme Court endorsed the remedy of a “reasonable royalty” in a *case in equity*. See *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641 (1915). This remedy was later added to patent statutes, which, just prior to enactment of the 1952 Patent Act,⁵ read as follows:

Action at Law	Action in Equity
<p>Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the <i>actual damages sustained</i>, according to the circumstances of the case, . . . together with the costs.</p> <p>R.S. § 4919 (1946) [35 U.S.C. § 67].</p>	<p>The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant <i>injunctions</i> according to the course and principles of courts of equity, . . . ; and upon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a <i>reasonable royalty</i> therefor, together with such costs, and interest, as may be fixed by the court. . . .</p> <p>R.S. § 4921 (1946) [35 U.S.C. § 70].</p>

⁵ See Staff of Comm. on the Judiciary, 81st Cong., Proposed Revision and Amendment of the Patent Laws, Preliminary Draft with Notes 67 (Comm. Print 1950) (providing text of “Present statutes”).

The 1952 Patent Act consolidated the law and equity damages statutes above into 35 U.S.C. § 284. *See* H.R. Rep. No. 82-1923, at 29 (“This section consolidates the provisions relating to damages in R.S. §§ 4919 and 4921, with some changes in language.”); S. Rep. No. 82-1979 at 8–9 (same). At the same time, Congress ensured that the defenses listed in Section 282 would apply “*in any action*,” regardless of the nature of the suit or the remedy sought.

ii. Even Under *Petrella*, SCA’s Damages Claim Would Be Barred Because a Reasonable Royalty Is an Equitable Remedy

As discussed above, *Petrella* did not address the proper application of laches where there is no statute of limitations (*e.g.*, under the Patent Act). Nevertheless, even if *Petrella* was controlling of patent actions, it would not change the result of this case. That is because SCA does not seek a legal remedy (*i.e.*, lost profits), but *only* a reasonable royalty.

Petrella confirms that, even where Congress has prescribed a “time-to-sue” prescription, laches will apply to bar “to claims of an equitable cast,” whether in the form of monetary relief or an injunction:

In sum, the courts below erred in treating laches as a complete bar to *Petrella*’s copyright infringement suit. The action was commenced within the bounds of § 507(b), the Act’s time-to-sue prescription, and does not present extraordinary circumstances of the kind involved in *Chirco* and *New Era*. . . . Should *Petrella* ultimately prevail on the merits, the District Court, in determining appropriate injunctive relief

and assessing profits, may take account of her delay in commencing suit.

Petrella, 134 S. Ct. at 1978 (citing *Chirco v. Crosswinds Cmtys., Inc.*, 474 F.3d 227 (6th Cir. 2007) and *New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576 (2d Cir. 1989)). On remand, the Ninth Circuit heeded this directive, and affirmed summary judgment as to laches barring Petrella's claims for unjust enrichment and for an accounting. *Petrella v. Metro-Goldwyn-Mayer*, 584 Fed. Appx. 653, 654 n.1 (9th Cir. 2014) ("Nothing in the Supreme Court opinion affects our holdings that Petrella's claims for unjust enrichment and for an accounting are barred by laches, . . .").

A reasonable royalty is no different than an accounting. *United States v. Nat'l Lead Co.*, 332 U.S. 319, 349 n.8 (1947) ("In patent accounting suits, where the profits or damages cannot be ascertained and no standard of comparison is available, the court may allow a reasonable royalty."); *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp. 2d 901, 910 (N.D. Ill. 2012) ("The difference between conventional damages and a royalty is that often a royalty is actually a form of restitution—a way of transferring to the patentee the infringer's profit, or, what amounts to the same thing, the infringer's cost savings from practicing the patented invention without authorization.").

Like an accounting, a reasonable royalty is a creation purely of equity. *See Merrell Soule Co. v. Powdered Milk Co.*, 7 F.2d 297, 300 (2d Cir. 1925)

(characterizing a reasonable royalty as “damages recovered and recoverable in equity”); *see also Nat’l Lead*, 332 U.S. at 349 n.8 (1947) (“[W]here the profits or damages cannot be ascertained and no standard of comparison is available, the court may allow a reasonable royalty.”); *Apple*, 869 F. Supp. 2d at 909–10 (“A reasonable royalty . . . usually is a form of equitable relief . . . when it is imposed, in lieu of an injunction, to prevent future harm to the patentee.”); Fed. Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice And Remedies With Competition* (March 2011), available at www.ftc.gov/os/2011/03/110307patentreport.pdf (“In most cases, the judge rather than the jury has determined the [reasonable royalty] rate because the relief is equitable rather than legal.”) (internal citations omitted).

As discussed above, a reasonable royalty first appeared in an *equity* action and was later incorporated into the *equity* damages statute, R.S. § 4921. In adopting this remedy, the Supreme Court explicitly relied on equitable principles:

It is inconsistent with the ordinary principles and practice of courts of chancery, either, on the one hand, to permit the wrongdoer to profit by his own wrong, or, on the other hand, to make no allowance for the cost and expense of conducting his business, or to undertake to punish him by obliging him to pay more than a fair compensation to the person wronged.

Dowagiac Mfg. Co., 235 U.S. at 647. This makes sense, since “[t]he whole notion of a reasonable royalty is a device in aid of justice, by which that which is really incalculable shall be *approximated*, rather than that the patentee, who has suffered

an indubitable wrong, shall be dismissed with empty hands.” *Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers Inc.*, 446 F.2d 295, 300 n.5 (2d Cir. 1971) (emphasis added). The hypothetical negotiation that typically forms the basis of a reasonable royalty calculation is nothing more than an approximation, which was facially incompatible with the exactness required for remedies in actions at law (*i.e.*, lost profits). *See, e.g., Central Coal & Coke Co. v. Hartman*, 111 F. 96, 98 (8th Cir. 1901) (“The actual damages which will sustain a judgment must be established, not by conjectures or unwarranted estimates of witnesses, but by facts from which their existence is logically and legally inferable. The speculations, guesses, estimates of witnesses, form no better basis of recovery than the speculations of the jury themselves.”).

Even under SCA’s strained view that the Patent Act contains the type of traditional statute of limitations addressed in *Petrella*, laches fully bars SCA’s claim for damages.

B. THE LACHES REMEDY SHOULD NOT BE LIMITED TO PRE-FILING DAMAGES

Aukerman established a rigid “pre-filing damages rule” for the application of laches in patent law—that “laches bars relief on a patentee’s claim *only* with respect to damages accrued prior to suit.” 960 F.2d at 1041. This rule was drawn from a 1928 Seventh Circuit case: *George J. Meyer Mfg. v. Miller Mfg.*, 24 F.2d 505 (7th Cir. 1928). The *Meyer* Court sought to strike a balance between allowing

a plaintiff time to evaluate the commercial benefit of filing suit against the resulting prejudice to a infringer. *Id.* at 507. While that may have been the correct result under the particular facts of that case, it does not support the rigid, bright-line rule propounded by *Aukerman* to be applied to **all** patent cases.

First, *Aukerman*'s limited laches remedy is plainly inconsistent with Supreme Court precedent. In *Lane & Bodley*, the Supreme Court held that laches required dismissal of the plaintiff's entire claim, including money damages and injunctive relief. *Lane & Bodley*, 150 U.S. at 197.

Second, *Aukerman*'s rule is inconsistent with other areas of the law, such as trademark law, where laches has repeatedly been used to bar prospective relief. There should be no "special" rules for laches in patent cases; laches should be applied in patent law as it is permitted in other areas of law in which there is no statute of limitations. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (power to grant a permanent injunction must be "exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.").

Third, *Aukerman*'s bright-line and rigid rule is inconsistent with Supreme Court directives that fashioning equitable relief is best left to the discretion of the trial courts. *Octane*, 134 S. Ct. at 1756. District courts should be empowered to bar, in addition to pre-filing damages, prospective remedies under appropriate

circumstances. Even SCA concedes that laches is applicable to prospective relief. (*See* SCA Br. at 35–37).

Finally, applied to the facts of this case, SCA’s claim should be barred in whole. As the District court and Panel recognized, SCA failed to identify a valid excuse for its lengthy delay in bringing suit. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *18; *SCA I*, 767 F.3d at 1346. Indeed, SCA’s conduct was particularly egregious since it sat idle while knowing full-well that First Quality was making significant investments in its protective underwear business. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *16; *SCA I*, 767 F.3d at 1346. At the time SCA’s Complaint was filed, the only way to remedy the prejudice to First Quality was to dismiss the entire suit.

1. *Lane & Bodley* Applied Laches to Bar an Entire Patent Suit

The last Supreme Court case to consider laches in the patent context, *Lane & Bodley*, confirms that laches should be available to bar an entire infringement suit, including money damages and injunctive relief.

The facts of *Lane & Bodley* are straightforward. In 1872, while employed as an engineer at the defendant’s firm, the plaintiff invented a novel valve for use in hydraulic elevators. *Lane & Bodley*, 150 U.S. at 197. That same year the plaintiff filed for a patent on the invention, which issued in 1876. *Id.* at 198. For the majority of the time until the suit was filed in 1884, the plaintiff remained

employed by, and on good terms with, the defendant and was well aware of the infringement. *Id.* at 200. “When asked to account for his conduct in this respect [*i.e.*, his lengthy delay in filing suit], his explanation was that he felt convinced that any demand he might make would have been rejected, and his friendly relations with the defendants be disturbed.” *Id.*

The Supreme Court viewed these facts as establishing a simple case of laches:

Courts of equity, it has often been said, will not assist one who has slept upon his rights, and shows no excuse for his laches in asserting them. The plaintiff’s excuse, in this instance, that he preferred for prudential reasons, to receive a salary from the defendant rather than to demand a royalty, is entitled to a less favorable consideration by a court of equity than if his conduct had been that of mere inaction.

Id. at 201. Moreover, these facts, the Court concluded, warranted complete dismissal of the plaintiff’s complaint, including his claim for an accounting (*i.e.*, money damages) and an injunction against future infringement. *Id.* at 193, 201.

Thus, the Supreme Court has recognized that laches may be applied to entirely bar relief in the context of patent law, and *Aukerman*’s contrary holding cannot stand. SCA’s attempts to sidestep the impact of *Lane & Bodley* are without merit. First, SCA divines that “the defense asserted in *Lane & Bodley* was *estoppel*,” not laches. (SCA Brief at 11). The decision speaks for itself—it focuses *solely* on the plaintiff’s actions and testimony, which is the hallmark of a laches analysis. *Aukerman*, 960 F.2d at 1034 (“As we have indicated, laches

focuses on the reasonableness of the plaintiff’s delay in suit.”). In fact, the Supreme Court was concerned with just two issues: (1) how long the plaintiff knew of the alleged infringement, and (2) the plaintiff’s excuse for his delay in bringing suit. *Lane & Bodley*, 150 U.S. at 200–01. By contrast, “equitable estoppel focuses on what the defendant has been led to reasonably believe from the plaintiff’s conduct.” *Aukerman*, 960 F.2d at 1034. *Lane & Bodley* never mentions, let alone relies upon, what the defendant “believed.”

SCA also makes hay out of the fact that the infringement action was “brought in equity, not at law.” (SCA Br. at 33–34; *see also id.* at 11 (*Lane & Bodley* “was brought on the equity side of the court. . . .”)). As discussed above, this is a distinction without a difference. Section 282 of the Patent Act expressly provides for unenforceability (*e.g.*, a laches defense) in **any action**, regardless if brought in law or equity. *See supra* Section VI.A.2. In addition, by dismissing the entire action, the Supreme Court applied laches to bar **all** relief requested, including both monetary damages and injunctive relief. *Lane & Bodley*, 150 U.S. at 194, 201 (underlying judgment, which was reversed by the Supreme Court, included “a final decree against the defendant for the sum of \$ 3667.37, with interest and costs”).

Indeed, laches was routinely applied to bar both retrospective and prospective relief, including money damages, prior to Congress’ legislative

ratification of laches by way of the 1952 Patent Act. *See, e.g., Gillons*, 86 F.2d at 600 (affirming dismissal of entire bill seeking accounting); *Holman v. Oil Well Supply Co.*, 14 F. Supp. 490 (W.D. Pa. 1934) (dismissing entire bill), *aff'd*, 83 F.2d 538 (3d Cir. 1936); *Dock Terminal Engineering Co. v. Pennsylvania R. Co.*, 82 F.2d 19 (3d Cir. 1936) (affirming dismissal of entire bill); *Westco-Chippewa Pump*, 64 F.2d 185 (same); *Cummings v. Wilson & Willard Mfg. Co.*, 4 F.2d 453 (9th Cir. 1925) (same), *cert. denied*, 268 U.S. 701 (1925); *Yates v. Smith*, 271 F. 27 (1920) (dismissing entire bill), *aff'd on separate grounds*, 271 F. 33 (3d Cir. 1921), *cert. denied*, 256 U.S. 693 (1921).

2. The Traditional Application of Laches Supports the Application of Laches to Bar Entire Patent Suits

SCA asserts that “[t]here is no Supreme Court precedent supporting the proposition that there is a special role for laches in patent cases.” (SCA Br. at 33). SCA is right. Where a laches defense is available, it should be applied uniformly across all areas of law. In this regard, the traditional application of laches in other areas (*e.g.*, trademark actions) bars **entire suits** seeking monetary remedies, injunctive remedies, or both. *See, e.g., Aukerman*, 960 F.2d at 1039–40 (recognizing that “[t]he general rule is that laches may bar partial or entire relief”) (citing Restatement (Third) of Unfair Competition § 31 (1995) and Restatement (Second) of Torts § 939 cmt. c (1977)); *Nat’l Railroad Passenger Corp. v. Morgan*, 536 U.S. 101, 121 (2002) (“laches defense . . . bars a plaintiff from

maintaining a suit if he unreasonably delays in filing a suit and as a result harms the defendant” in context of Title VII action); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 822–23 (7th Cir. 1999) (affirming summary judgment that laches barred plaintiff’s pursuit of all requested relief including an injunction and damages); *Fitbug*, 2015 U.S. Dist. LEXIS 8775, at *39 (dismissing plaintiff’s Lanham Act claims seeking an injunction, profits, and damages on summary judgment of laches).

The rigid pre-filing damages rule adopted by *Aukerman* has been criticized as “potentially peculiar,” in part because it is “more rigidly limited than is the effect of laches in other areas of law.” *Moy’s Walker on Patents* § 23.42 (4th ed.). Ironically, the original *Aukerman* panel recognized this issue, noting that “there is language in some cases suggesting that laches serves only to withhold damages for infringement prior to the filing of suit, and thus presumably would not apply to post-filing remedies such as injunctions.” *See A. C. Aukerman Co. v. R. L. Chaides Constr. Co.*, No. 90-1137, 1991 U.S. App. LEXIS 7081, at *17 n.4 (Fed. Cir. Apr. 25, 1991), *vacated by*, 935 F.2d 1262 (Fed. Cir. 1991). It further noted that “[i]t is difficult to understand exactly the origin of that view, which would appear to be ***directly at odds with the historic roots of the doctrine.***” *Id.* (emphasis added).

The application of laches in *Lane & Bodley* comports with the doctrine’s traditional application. The Supreme Court has repeatedly cautioned against

judicially created, patent-specific rules that depart from the general rule of law. See, e.g., *Octane*, 134 S. Ct. at 1756; *Kappos v. Hyatt*, 132 S. Ct. 1690, 1701 (2012) (“a litigant in a 35 U.S.C. § 145 proceeding is permitted to introduce evidence not presented to the Patent and Trademark Office (PTO) according to the ordinary course of equity practice and procedure”) (Sotomayor, J., concurring) (internal citations and quotations omitted); *eBay*, 547 U.S. at 394 (2006) (power to grant a permanent injunction must be “exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards”).

There is no basis for a patent-specific rule that inflicts a firm restriction on the effect of this equitable doctrine. In keeping with *Lane & Bodley*, the traditional application of the doctrine, and the need to avoid patent-specific rules, laches should be available to bar an entire patent infringement claim.

3. Fashioning Equitable Relief Should Be Left to the Discretion of the Trial Court

The *Aukerman* Court recognized the discretionary nature of laches: “Laches . . . invokes the discretionary power of the district court to limit the defendant’s liability for infringement by reason of the equities between the particular parties.” 960 F.2d at 1030. Nevertheless, *Aukerman* adopted a rigid pre-filing damages rule “as a matter of policy.” *Id.* at 1041. The Supreme Court has repeatedly rejected

similar bright-line rules in favor of allowing the district court greater discretion and flexibility in fashioning equitable remedies.

eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006), examined the standard for awarding permanent injunctions in patent cases. The Supreme Court rejected this Court’s prior rigid test and instead held that “familiar principles apply with equal force to disputes arising under the Patent Act” since “a major departure from the long tradition of equity practice should not be lightly implied.” *eBay*, 547 U.S. at 391. As an equitable remedy, a district court’s power to grant a permanent injunction must be “exercised consistent with traditional principles of equity” and “just as the District Court erred in its categorical denial of injunctive relief, the Court of Appeals erred in its categorical grant of such relief.” *Id.* at 394.

Octane Fitness v. Icon, 134 S. Ct. 1749 (2014), considered the standard to be applied by district court judges in deciding whether to award attorney fees to the prevailing party under 35 U.S.C. § 285. Before 2005, courts applied Section 285 “in a discretionary manner, assessing various factors to determine whether a given case was sufficiently ‘exceptional’ to warrant a fee award.” *Octane*, 134 S. Ct. at 1753. However, in 2005, the Federal Circuit adopted a more rigid approach in *Brooks Furniture v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005). *Octane*, 134 S. Ct. at 1754. In *Octane*, the Supreme Court rejected the *Brooks Furniture* standard and directed a return to the previous, discretionary, approach. *Id.* at 1756.

Likewise, the equitable defense of laches should be left to the discretion of the district court to apply as appropriate under the facts of the case, without arbitrary restriction as to the scope of the relief. (*Cf.* SCA Br. at 35–37 (“Fashioning equitable relief is inherently an issue of judicial discretion, and a court sitting in equity can consider, when relevant, whether the plaintiff’s delay counsels against a particular form of equitable relief.”)).

4. SCA’s Claims Should Be Barred in Full

SCA does not dispute that it knew of First Quality’s alleged infringement for over seven years before filing suit. It sent its original notice letter alleging infringement of the ‘646 Patent (the patent-at-issue in this case) in 2003. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *3–4; (A0544). Despite First Quality’s prompt response letter denying infringement of the ‘646 Patent, SCA never mentioned the ‘646 Patent to First Quality again until SCA filed the present suit in 2010. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *5–7, 15. SCA had clearly moved on as, in 2004, it sent another letter to First Quality asserting that a different First Quality product infringed a different SCA-owned patent. *SCA I*, 767 F.3d at 1342; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *5, 15.

It is also undisputed that SCA waited over three years to file suit after the conclusion of an *ex parte* reexamination proceeding in 2007. *SCA I*, 767 F.3d at

1342–43; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *6–7; (A0854:22–A0855:2). SCA was aware that the accused First Quality products were a commercial success, as it had been monitoring First Quality continuously since 2003. *SCA I*, 767 F.3d at 1346; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *16–17 (citing (A0896:7–A0897:23; A0900:4–A0901:5; A0917:23–A0918:14)).

Meanwhile, during SCA’s delay, First Quality made a number of capital expenditures to expand its relevant product lines and to increase its production capacity. *SCA I*, 767 F.3d at 1347; *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *20, 23. Since 2006, First Quality purchased at least three new protective underwear lines for its King of Prussia facility alone, with its most recent line added in 2009 that cost in excess of \$10 million dollars. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *21 (citing (A1040–A1041)); (A1042:15–A1043:10); *see also SCA I*, 767 F.3d at 1342. In 2008, First Quality purchased THRG, which includes some of the product lines at issue in this litigation. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *21; *SCA I*, 767 F.3d at 1342. As found by the District Court and affirmed by the Panel, these expenditures confirmed the economic prejudice suffered by First Quality due to SCA’s delay in bringing suit. *SCA D. Ct.*, 2013 U.S. Dist. LEXIS 98755, at *21–26; *see also SCA I*, 767 F.3d at 1347–48.

Like the plaintiff in *Lane & Bodley*, SCA **knowingly** slept on its rights, with full-knowledge of First Quality’s allegedly infringing activities, and showed no valid excuse for not asserting them earlier. *Cf. Lane & Bodley*, 150 U.S. at 200–01. SCA’s long overdue filing of its Complaint in this case did not erase the extensive economic prejudice caused by its delay. As of the time SCA filed suit, there was no relief that could mitigate the harm to First Quality—machinery had been purchased and new business units had been acquired. Thus, laches should bar all of SCA’s claims, both prior to and after the date of its Complaint. *See Westco-Chippewa Pump Co.*, 64 F.2d at 188 (“[Defendant] now has a new factory with new equipment worth a quarter million dollars, not including its good will. **An injunction against the defendant would virtually destroy this entire investment made in consequence of plaintiff’s long delay in asserting its rights.**”) (emphasis added); *Hot Wax*, 191 F.3d at 824, 824 n.3 (affirming dismissal of Lanham Act claims for damages and injunction where, had plaintiff “successfully pressed its claims in a timely manner, [defendant] certainly could have invested its time and money in other areas”).

VII. CONCLUSION

For these reasons, First Quality respectfully requests that this Court: (i) confirm the availability of the laches defense under the Patent Act; (ii) affirm the District Court’s grant of summary judgment of laches in this case; and (iii) remand

to the District Court for consideration of the appropriate relief to grant First Quality as a result of SCA's sleeping on its rights in this case.

Dated: April 16, 2015

Respectfully submitted,
AMSTER ROTHSTEIN & EBENSTEIN LLP

By: /s/ Kenneth P. George

Kenneth P. George
Charles R. Macedo
Mark Berkowitz
Sandra A. Hudak
AMSTER ROTHSTEIN & EBENSTEIN LLP
90 Park Avenue
New York, NY 10016
Tel: (212) 336-8000
Fax: (212) 336-8001

kgeorge@arelaw.com
cmacedo@arelaw.com
mberkowitz@arelaw.com
shudak@arelaw.com

*Attorneys for Defendants-Appellees
First Quality Baby Products, LLC,
First Quality Hygienic, Inc.,
First Quality Products, Inc., and
First Quality Retail Services, LLC*

**United States Court of Appeals
for the Federal Circuit**

CERTIFICATE OF SERVICE

SCA HYGIENE PRODUCTS AKTIEBOLAG, et al. v. FIRST QUALITY BABY PRODUCTS, ET AL., No. 2013-1564

I, Natasha S. Johnson, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by AMSTER ROTHSTEIN & EBENSTEIN LLP, Attorneys for Defendants-Appellees to print this document. I am an employee of Counsel Press.

On **April 16, 2015**, Counsel for Appellees has authorized me to electronically file the foregoing ***En Banc Brief for Defendants-Appellees*** with the Clerk of Court using the CM/ECF System, which will send notice of such filing to all registered CM/ECF users.

The required 31 copies of the e-filed document, have been sent to the Court, via Federal Express, within the time provided in the Court's rules.

/s/ Natasha S. Johnson
Natasha S. Johnson
Counsel Press

**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME
LIMITATION, TYPEFACE REQUIREMENTS AND TYPE STYLE
REQUIREMENTS**

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B).

 xx The brief contains 12,376 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii), or

 The brief uses a monospaced typeface and contains lines of text, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6).

 xx The brief has been prepared in a proportionally spaced typeface using Microsoft Word in a 14 point Times New Roman font or

 The brief has been prepared in a monospaced typeface using MS Word 2002 in a characters per inch font.

Date: April 16, 2015

By: /s/ Kenneth P. George

Kenneth P. George

AMSTER ROTHSTEIN & EBENSTEIN LLP

Attorneys for Defendants-Appellees

First Quality Baby Products, LLC,

First Quality Hygienic, Inc.,

First Quality Products, Inc., and

First Quality Retail Services, LLC