

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

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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.*

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*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.*

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**COMBINED PETITION FOR PANEL REHEARING AND REHEARING  
EN BANC OF PLAINTIFFS-APPELLANTS SCA HYGIENE PRODUCTS  
AKTIEBOLAG AND SCA PERSONAL CARE, INC.**

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October 15, 2014

## CERTIFICATE OF INTEREST

Counsel for the appellants, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc., certifies the following:

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

SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc.

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

N/A.

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 me are:

SCA Hygiene Products Aktiebolag is a wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget SCA (publ.), which is traded on the Swedish stock exchange. No other publicly traded company owns 10% or more of the stock of SCA Hygiene Products Aktiebolag or SCA Personal Care, Inc.

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

In the Western District of Kentucky, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. were represented by Martin J. Black, Kevin M. Flannery, Sharon K. Gagliardi, and Teri-Lynn A. Evans of Dechert LLP, and E. Kenly Ames and Michael A. Owsley of English, Lucas, Priest & Owsley, LLP.

On appeal before this Court, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. are represented by Martin J. Black, Kevin M. Flannery, and Teri-Lynn A. Evans of Dechert LLP.

Date: October 15, 2014

/s/ Martin J. Black  
Martin J. Black  
DECHERT LLP  
Attorney for Appellants

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**I. STATEMENT OF COUNSEL PURSUANT TO FEDERAL CIRCUIT  
RULE 35(b)(2)**

Based on my professional judgment, I believe the panel decision is contrary to the following decision of the Supreme Court of the United States or the precedents of this Court: *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014); *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770 (Fed. Cir. 1995); *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290 (Fed. Cir. 1992); *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992).

Based on my professional judgment, I believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

(1) Is the equitable defense of laches available to bar damages for patent infringement occurring within the six-year limitations period of 35 U.S.C. § 286?

(2) Should this Court continue to require a presumption of delay and prejudice in relation to acts of infringement occurring within the six-year limitations period of 35 U.S.C. § 286?

(3) Did the Panel err by contradicting settled precedent on the standard for establishing the nexus between delay and economic prejudice to support a finding of laches?

Date: October 15, 2014

/s/ Martin J. Black  
Martin J. Black, DECHERT LLP  
Attorney for Plaintiffs-Appellants, SCA  
Hygiene Products Aktiebolag and SCA  
Personal Care, Inc.

## II. POINTS OF LAW OR FACT MISAPPREHENDED BY THE PANEL

In *Petrella*, the Supreme Court stated that it has never “approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1974 (2014). The Court referred explicitly to *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992), and the six-year limitations period of 35 U.S.C. § 286, stating tersely: “We have not had occasion to review the Federal Circuit’s position.” *Id.* at 1974, n.15.

This case presents that occasion. The pillars supporting *Aukerman* have been swept away by *Petrella* and can no longer bear the weight of the laches defense. Because *Petrella* and *Aukerman* cannot be reconciled, this Court should grant en banc review and expressly overrule *Aukerman*.

In the alternative, if the Court maintains the defense of laches, it should abolish the *Aukerman* presumptions, which are inconsistent with *Petrella*. Patent infringement is a continuing tort, and “each infringing act starts a new limitations period.” *Petrella*, 134 S. Ct. at 1969. *Aukerman* treated serial patent infringement as a unitary harm (960 F.2d at 1031-32), a position which *Petrella* rejected. *Petrella*, 134 S. Ct. at 1969-70. Even if the doctrine of laches has some continued viability, there is no basis for presuming unreasonable delay with respect to new acts of infringement occurring within the six-year damages window.

Finally, SCA seeks en banc or panel rehearing to address the conflict between the Panel’s decision<sup>1</sup> and *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770 (Fed. Cir. 1995), *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290 (Fed. Cir. 1992), and their progeny, in which the Court held that summary judgment of laches is inappropriate when there is a dispute over the nexus between delay and economic prejudice. In discussing estoppel, the Panel held that there was a genuine issue of material fact for trial regarding whether First Quality expanded its business in reliance on the view that the patent in suit was invalid. Op. at 20. Under this Court’s precedents, that is sufficient to put the nexus issue in dispute and preclude summary judgment.

### **III. ARGUMENT IN SUPPORT OF REHEARING EN BANC OR, IN THE ALTERNATIVE, PANEL REHEARING**

#### **A. Statement Of The Case**

##### **1. Factual Background**

SCA is a worldwide leader in adult incontinence products. SCA inventors developed innovative protective underwear and patented the invention in U.S. Patent No. 6,375,646 (“the ‘646 patent”), which issued on April 23, 2002. A6816.

In 2003, SCA and First Quality exchanged correspondence relating to First Quality’s use of SCA’s patented technology. A1156; A1158-A1160. First Quality

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<sup>1</sup> *SCA Hygiene Prods. v. First Quality Baby Prods.*, No. 2013-1564, -- F.3d --, 2014 WL 4627594 (Fed. Cir. Sept. 17, 2014) (hereinafter “Opinion” or “Op.”).



took the position that the '646 patent was invalid. A1159. Rather than file suit immediately, SCA sought guidance from the PTO and filed a request for reexamination on July 7, 2004. A1174. The reexamination took almost three years, ending on March 27, 2007, with new claims, and all claims confirmed. *Id.*

On August 2, 2010, SCA brought the instant action for patent infringement against First Quality in the United States District Court for the Western District of Kentucky, six years and ten months after sending the original correspondence.

A0056-A0062. On November 12, 2012, First Quality moved for summary judgment on its laches and equitable estoppel defenses. A0235-A0309. SCA opposed First Quality's motion, submitting deposition testimony from nine witnesses to rebut the presumption of economic prejudice. A1097-A1144.

Nevertheless, on August 16, 2013, the district court granted summary judgment in favor of First Quality on both estoppel and laches. A0001-A0021.

## **2. The *Petrella* Decision**

On May 19, 2014, while the case was under submission, the Supreme Court issued its opinion in *Petrella*, holding that the equitable defense of laches cannot be invoked to preclude an award of damages for copyright infringement during the three-year look-back window of the copyright statute (17 U.S.C. § 507(b)<sup>2</sup>). 134

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<sup>2</sup> Section 507(b) of the copyright statute states: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507 (b).

S. Ct. at 1967. The Court held:

To the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, however, courts are not at liberty to jettison Congress' judgment on the timeliness of suit. Laches, we hold, cannot be invoked to preclude the adjudication of a claim for damages brought within the three-year window.

*Id.*

Like the copyright statute, the patent statute has a look-back window: “[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . . .” 35 U.S.C. § 286. The logic of *Petrella* applies equally to patent cases, and SCA filed a letter of supplemental authority on May 27, 2014, arguing that *Petrella* compels the reversal of *Aukerman*. ECF # 51.

### **3. The Panel Decision**

On September 17, 2004, the Panel issued its Opinion, reversing the grant of summary judgment on equitable estoppel and finding, *inter alia*, a genuine issue of material fact as to whether First Quality had suffered economic prejudice. Op. at 16-21. The Panel declined, however, to address the viability of *Aukerman*, stating only the Supreme Court or an en banc panel of this Court could do so. *Id.* at 8-9.

#### **B. There Is A Direct Conflict Between *Petrella* And *Aukerman***

##### **1. When Congress Provides A Limitations Period, There Is No Room For The Judicially Created Doctrine Of Laches**

*Petrella* rejects all of the crucial arguments made in *Aukerman* in support of

the continued viability of laches. Indeed, the position of the *Aukerman* Court is, in all relevant respects, the position of the *Petrella* dissent.

*Aukerman* begins the discussion of laches with the statement that “[t]he Supreme Court has long recognized the defense of laches to a patent infringement action brought in equity.” *Aukerman*, 960 F.2d at 1028. This proposition is true, but does not address the relevant question, which is whether the Supreme Court has authorized the use of laches to bar *legal* claims for damages. On this point, *Aukerman* cites no binding authority because, as noted in *Petrella*, the Supreme Court has never “approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations.” *Petrella*, 134 S. Ct. at 1974.

As the Supreme Court explained, laches was developed by courts of equity to fill a gap when Congress had provided no statutory limitations period. *Id.* at 1973. Accordingly, laches has no application in areas where Congress has identified the limitations period. *Id.* at 1973-74. The Supreme Court has “cautioned against invoking laches to bar legal relief” and stated that “in actions at law, [i]f Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter . . . .” *Id.* (internal quotations omitted).

*Petrella* directly contradicts the central premise of *Aukerman*—that laches can be used as an overlay on a statutory limitations period to bar damages accruing

within that period. *Aukerman*, 960 F.2d at 1030. The Supreme Court held directly to the contrary, stating that when Congress has identified a limitations period, there is no room for laches to bar damages: “[I]n face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief . . . .” *Petrella*, 134 S. Ct. at 1974.

In short, there is a fundamental clash between *Petrella* and *Aukerman*. *Aukerman* lauds “the *discretionary* power” of judges while calling the Congressional six-year bar of 35 U.S.C. § 286 “an *arbitrary* limitation.” *Aukerman*, 960 F.2d at 1030 (emphasis in original). That approach finds no support in the *Petrella* majority opinion. Where, as here, Congress has provided a statutory look-back period, there is simply no room for judicial discretion.

## **2. *Petrella* Undercuts All Of The Arguments Made In Support Of Laches In *Aukerman***

*Petrella* also addressed and rejected all of the remaining arguments made in *Aukerman* in support of the viability of laches in patent damage actions.

First, *Aukerman* argues that the merger of law and equity supports the conclusion that the equitable principle of laches can be asserted as a defense to a legal claim for damages. *Aukerman*, 960 F.2d at 1031. The *Petrella* Court discussed the 1938 merger of law and equity, rebutted the line of argument definitively, and stated: “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 . . . .”

*Petrella*, 134 S. Ct. at 1974.

Second, *Aukerman* argued that the reference to laches in the list of affirmative defenses in Rule 8 of the Federal Rules of Civil Procedure supports the application of laches to actions at law. *Aukerman*, 960 F.2d at 1031. The Supreme Court addressed Rule 8 as well, rejecting that construction of the rule: “The expansive role for laches [defendant] envisions careens away from understandings, past and present, of the essentially gap-filling, not legislation-overriding, office of laches. Nothing in this Court’s precedent suggests a doctrine of such sweep.”

*Petrella*, 134 S. Ct. at 1974.

Third, *Aukerman* reasoned that “continuing tortious acts may be deemed to constitute a unitary claim.” *Aukerman*, 960 F.2d at 1031. This was a crucial premise because patent infringement is a continuing tort, and by refusing to acknowledge that each new act of infringement starts the laches clock anew, *Aukerman* was able to justify measuring the delay from the first infringement to the filing of suit, rather than from each new act of infringement. *Id.* The decision chided the appellant for misreading Supreme Court precedent, in particular, *Holmberg v. Armbrecht*, 327 U.S. 392 (1946). *Aukerman*, 960 F.2d at 1031-32.

*Petrella*, however, took the opposite view, holding unequivocally that “each infringing act starts a new limitations period.” *Petrella*, 134 S. Ct. at 1969.

Rejecting *Aukerman*’s reading of *Holmberg*, *Petrella* cited *Holmberg* for the

proposition that “[b]oth before and after the merger of law and equity in 1938, this Court has cautioned *against* invoking laches to bar legal relief.” *Id.* at 1973 (citing *Holmberg*, 327 U.S. at 395-97) (emphasis added). Thus, the Supreme Court’s reading of its own jurisprudence is inconsistent with *Aukerman*.

Finally, *Aukerman* cites to circuit court practice prior to the passage of the 1952 Patent Act and the lack of any Congressional direction to abolish laches. *Aukerman*, 960 F.2d at 1034-35.<sup>3</sup> This argument mirrors the *Petrella* dissent, which relied on circuit court precedent and the silence of Congress in passing the Copyright Act to argue that there must be a vestigial judicial power to apply laches within a limitations period. *Petrella*, 134 S. Ct. at 1982-85. Indeed, the dissent even cited *Aukerman* as authority—obviously to no avail. *Id.* at 1984-85. The

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<sup>3</sup> *Aukerman* states that the application of laches to patent infringement claims was “well established” in 1952, citing decisions from five circuits. *Aukerman*, 960 F.2d at 1029. However, for two circuits, the cited cases were suits in equity involving an accounting of the infringer’s profits, not damage claims at law. *Gillons v. Shell Co. of Cal.*, 86 F.2d 600 (9th Cir. 1936); *Dwight & Lloyd Sintering Co., Inc. v. Greenawalt*, 27 F.2d 823 (2d Cir. 1928). In two other circuits, the courts relied on Judicial Code § 274(b) (28 U.S.C. § 398, repealed June 25, 1948, ch. 646), which governed the procedural mechanism by which equitable defenses could be interposed in actions at law under prior pleading rules. *Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *Ford v. Huff*, 296 F. 652, 654 (5th Cir. 1924). That statute was repealed in 1948 (*see* Act of June 25, 1948, ch. 646) in favor of Rule 2 of the Federal Rules of Civil Procedure, and provides no support for the proposition that laches can be applied when there is a statutory limitations period in place. *Petrella* rejected the line of argument that pleading rules such as Rule 2 (merger of law and equity) and Rule 8 (laches is an affirmative defense) could be used to justify the application of laches against infringement damage claims. *Petrella*, 134 S. Ct. at 1973-74.

majority rejected the argument and remained steadfast in its opposition to reading judicial discretion into the prescribed limitations period.

### **3. There Is No Principled Difference Between Copyright and Patent Law**

The Supreme Court has held that, particularly in the field of equitable principles, patent law must be consistent with other areas of jurisprudence. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839-40 (2006).

Notably, in rejecting the argument that the Court should adopt a special laches rule for copyright cases, the Court stated emphatically: “There is nothing at all different . . . about copyright cases in this regard.” *Petrella*, 134 S. Ct. at 1973 (internal citations omitted). The same can be said of patent law.

Patent infringement, like copyright infringement, is a continuing tort. Each new First Quality sale is a new act of infringement, just as the creation of each new copy of the motion picture *Raging Bull* was a new act of infringement in *Petrella*. 134 S. Ct. at 1969. In evaluating the limitations period for such continuing torts, Congress had to balance the desire to lay stale claims to rest against the unfairness of allowing infringers to commit new acts of infringement following suit. The compromise was to set a clear rule of decision—three years of back damages for copyrights and six years of back damages for patents.

Congress implemented that solution for both patents and copyrights. In the Patent Act of 1897, Congress enacted a six-year limitation on damages in actions

relating to patent infringement. Act of March 3, 1897, ch. 391, § 6, 29 Stat. 692.

According to the legislative history, the purpose of the law was to provide a uniform national statute of limitations:

Section 6 provides a statute of limitation in patent cases. Under the decisions of the Supreme Court, the State statutes of limitation apply to actions for infringement of patents brought upon the law side of the court. It seems to your committee desirable that there should be a uniform statute of limitations . . . .

H.R. Rep. No. 940, 54th Cong., 1st Sess., 2 (1896). The Patent Act of 1952 incorporated the substance of this provision into Section 286, and added language concerning counterclaims. 35 U.S.C. § 286. Notably, Congress considered this forerunner of Section 286 to be a “*statute of limitations in patent cases*,” rebutting any claim that Section 286 is exempt from the principles which apply to statutes of limitations. H.R. Rep. No. 940, 54th Cong., 1st Sess., 2 (1896) (emphasis added).

Sixty years later, Congress implemented the same solution for copyright law. Before 1957, there was no federal limitations period for copyright infringement, and the federal courts used analogous state statutes of limitations to evaluate the timeliness of suit. *Petrella*, 134 S. Ct. at 1968-69. This created a lack of uniformity and uncertainty, and, in 1957, “Congress addressed the matter and filled the hole . . . [with] a three-year look-back limitations period . . . .” *Id.*

The development of copyright law paralleled the development of patent law. In both fields, Congress enacted look-back limitation periods to address the



lack of a standard national statute of limitations while balancing all parties' rights relating to these continuing torts. Congress chose the certainty of a statute of limitations over the discretion of courts.<sup>4</sup> There is no principled distinction between the limitations periods in the copyright and patent laws, both of which spring from the same concerns.

**C. The Court Should Abolish The *Aukerman* Laches Presumptions**

If *Aukerman* survives, then the Court should abolish the presumptions of delay and prejudice because they are inconsistent with *Petrella*.

The *Aukerman* presumptions rest on the premise that infringement is a unitary claim. *Aukerman*, 960 F.2d at 1031-32. The logic of the argument is strained. If a patentee delays bringing suit for six years and a day after the first act of infringement, it hardly follows that one should presume prejudice in relation to a claim for infringement occurring the day before suit. *Aukerman* avoided this issue

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<sup>4</sup> The Patent Act provides further support for barring laches. 35 U.S.C. § 282 enumerates the defenses to patent infringement, namely: non-infringement, invalidity, and unenforceability. 35 U.S.C. § 282. The doctrine of laches is not a listed defense and, by *expressio unius est exclusio alterius*, cannot be read into the statute. While the Federal Circuit rejected that argument in *Aukerman*, the Supreme Court has never approved that analysis, and the canons of statutory construction compel a different finding. See *Cipollone v. Liggett Group, Inc.*, 505 U.S. 504, 517 (1992) (“Congress’ enactment of a provision defining the preemptive reach of a statute implies that matters beyond that reach are not preempted.”). *Aukerman*’s reliance on a comment from one of the members of the drafting committee of the 1952 Act is weak support for rewriting the statute and, at best, goes to whether laches is available in actions at equity, not as a defense to a damage claim. 960 F.2d at 1029.

by asserting without support that continuing torts constitute a unitary harm, not independent acts. The reasoning is circular, and more importantly, the unitary harm theory was rejected in *Petrella*. 134 S. Ct. at 1969. Each act of infringement is a separate act, and the equities must be balanced for each new infringement. Because the six-year presumption of *Aukerman* makes no distinction between acts of infringement occurring the day before suit and those occurring six years and a day before suit, the presumption must be rejected.

Moreover, there is an undercurrent running through *Aukerman* that a patentee who delays suit for any reason is presumptively in the wrong and owes the court an explanation before being granted admission to the courthouse: “[T]his does not mean that a patentee may intentionally lie silently in wait watching damages escalate . . . .” *Aukerman*, 960 F.2d at 1033. Yet, that mode of thinking was expressly rejected in *Petrella*, which held in the face of an 18 year delay that there is “nothing untoward about waiting to see whether an infringer’s exploitation” causes harm, and that the operation of the limited look-back period is a sufficient remedy. *Petrella*, 134 S. Ct. at 1976. The application of the *Aukerman* presumptions is inconsistent with *Petrella*.

**D. The Court Should Grant En Banc Or Panel Rehearing Because The Panel’s Decision Is Inconsistent With This Court’s Precedent On Proof Of Economic Prejudice**

The Panel’s decision conflicts with numerous decisions of this Court holding

that where the patentee puts the nexus between delay and prejudice at issue, summary judgment is inappropriate. *See Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 775-76 (Fed. Cir. 1995) (reversing summary judgment on laches where defendant was indifferent to whether patentee would sue because of opinion patent was invalid); *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1293-94 (Fed. Cir. 1992) (reversing summary judgment on laches where capital expenditures had no explicitly proven nexus to the delay); *Meyers v. Brooks Shoe Inc.*, 912 F.2d 1459, 1462-63 (Fed. Cir. 1990), *overruled on other grounds by A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (reversing summary judgment on laches where conclusory averments by general counsel regarding expenditures were insufficient to support summary judgment); and *Meyers v. Asics Corp.*, 974 F.2d 1304, 1308 (Fed. Cir. 1992) (reversing summary judgment on laches where evidence showed alleged infringers were not concerned that their products infringed).

In particular, it is well established that if a defendant relies on a non-infringement or invalidity opinion in expanding its business, the nexus requirement is defeated. *See Hearing Components, Inc. v. Shure Inc.*, 600 F.3d 1357, 1375-76 (Fed. Cir. 2010), *abrogated on other grounds by Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Ecolab, Inc. v. Envirochem, Inc.*, 264 F.3d 1358, 1371-72 (Fed. Cir. 2001); *Gasser Chair*, 60 F.3d at 774-75; *Asics*, 974

F.2d at 1308. Here, the Panel made such a finding, holding that “genuine issues of material fact remain as to whether First Quality relied on its own opinion that the ’646 patent was invalid (or simply ignored the ’646 patent), rather than relying on SCA’s silence.” Op. at 20. Having found that one possible reading of the evidence is that First Quality relied on its invalidity opinion in expanding the business, it follows that there is a genuine issue of fact for trial as to whether there is a nexus between the delay and the asserted economic prejudice. The Panel’s decision is in conflict with this Court’s prior precedent and should be reversed.

#### **IV. CONCLUSION**

For the foregoing reasons, SCA respectfully requests that the Court grant its petition for rehearing en banc or panel rehearing and reverse the Panel’s affirmance of summary judgment on laches.

Respectfully submitted,

Date: October 15, 2014

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# **ADDENDUM**

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

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**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.*

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2013-1564

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Appeal from the United States District Court for the  
Western District of Kentucky in No. 10-CV-0122, Chief  
Judge Joseph H. McKinley, Jr.

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Decided: September 17, 2014

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MARTIN J. BLACK, Dechert LLP, of Philadelphia,  
Pennsylvania, argued for plaintiffs-appellants. With him  
on the brief were KEVIN M. FLANNERY and TERI-LYNN A.  
EVANS.

KENNETH P. GEORGE, Amster, Rothstein & Ebenstein,  
LLP, of New York, New York, argued for defendants-

appellees. With him on the brief were CHARLES R. MACEDO and MARK BERKOWITZ.

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Before REYNA, WALLACH, and HUGHES, *Circuit Judges*.  
HUGHES, *Circuit Judge*.

SCA owns U.S. Patent No. 6,375,646 (the '646 patent), which relates to certain adult incontinence products. After SCA sued a competitor, First Quality, for infringement of the '646 patent, the district court dismissed the case, finding that SCA's claims were barred by both laches and equitable estoppel. Because the district court properly concluded that SCA's more than six-year delay in filing suit warranted dismissal based on laches, we affirm the court's grant of summary judgment in that regard. But given SCA and First Quality's limited interactions, there remain genuine issues of material fact pertaining to equitable estoppel. Accordingly, we reverse the district court's grant of summary judgment as to equitable estoppel and remand for further proceedings consistent with this opinion.

## I

SCA<sup>1</sup> and First Quality<sup>2</sup> compete in the market for adult incontinence products. On October 31, 2003, SCA sent a letter to First Quality, suggesting that certain First Quality products might infringe the '646 patent. The letter stated:

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<sup>1</sup> SCA refers collectively to plaintiffs-appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc.

<sup>2</sup> First Quality refers collectively to defendants-appellees First Quality Baby Products, LLC; First Quality Hygienic, Inc.; First Quality Products, Inc.; and First Quality Retail Services, LLC.

It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites™. We believe that these products infringe claims of [the '646 patent].

We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites™ absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

J.A. 544. First Quality responded on November 21, 2003, and stated:

As you suggested, we studied [the '646 patent] . . . . In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, (“the '649 Patent”), which was filed in the United States on October 29, 1991 and is therefore prior to your client’s '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client’s '646 Patent. As you know, an invalid patent cannot be infringed.

J.A. 547. These two communications were the only instances in which either party mentioned the '646 patent. SCA and First Quality exchanged four more brief letters over the next eight months before ceasing communications, but those letters concerned a different patent and different First Quality products.

On July 7, 2004—one day after SCA sent its final communication to First Quality—SCA filed an *ex parte*



reexamination request for the '646 patent. SCA asked the United States Patent and Trademark Office (PTO) to review the patentability of the '646 patent in light of the '649 patent and European Patent Application No. 0187727 A2. About three years later, on March 27, 2007, the PTO confirmed the patentability of all 28 original claims and issued several new claims added during reexamination.

SCA never notified First Quality about the reexamination proceedings. According to SCA, it believed it was under no obligation to do so because the PTO provides public notice of all reexaminations. *See* 37 C.F.R. §§ 1.11(c), 1.570(f). First Quality, meanwhile, stated that it no longer considered the '646 patent “to be an issue” after making its invalidity allegations. *SCA Hygiene Prods. AB v. First Quality Baby Prods., LLC*, No. 10-cv-0122, 2013 WL 3776173, at \*10 (W.D. Ky. July 16, 2013) (internal quotation marks omitted).

Starting in 2006, while the '646 patent was under reexamination, First Quality began expanding its line of adult incontinence products. In 2008, after the reexamination had concluded, First Quality acquired Covidian's Tyco Healthcare Retail Group LP and, along with it, some of the products at issue in this case. It continued its expansion in 2009 at a cost of more than \$10 million.

SCA claims that it began preparing to file suit against First Quality immediately after the reexamination certificate issued in March 2007. But SCA did not file suit or otherwise contact First Quality until August 2, 2010, when it filed its complaint in this case—about six years and nine months after SCA first contacted First Quality about the '646 patent. According to SCA, it spent more than three years after the reexamination concluded implementing new business management structures, evaluating outside counsel, and examining potentially infringing products on the market.

First Quality counterclaimed for declaratory judgments of noninfringement and invalidity. After the district court's claim construction order, First Quality moved for partial summary judgment of noninfringement and for summary judgment of laches and equitable estoppel. The district court granted First Quality's motion for summary judgment as to laches and equitable estoppel and dismissed the remaining motion as moot.

SCA appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

## II

### A

Laches is an equitable defense to patent infringement that may arise only when an accused infringer proves by a preponderance of evidence that a patentee (1) unreasonably and inexcusably delayed filing an infringement suit (2) to the material prejudice of the accused infringer. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028–29, 1045 (Fed. Cir. 1992) (en banc). If these prerequisite elements are present, a court must then balance “all pertinent facts and equities,” including “the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability” before granting relief. *Id.* at 1034. When found, laches bars retrospective relief for damages accrued prior to filing suit but does not bar prospective relief. *Id.* at 1041.

Delays exceeding six years give rise to a presumption that the delay is unreasonable, inexcusable, and prejudicial. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1337 (Fed. Cir. 1998). Under this presumption, the burden of evidentiary production shifts from the accused infringer to the patentee. *Id.*; see also Fed. R. Evid. 301; *Aukerman*, 960 F.2d at 1035–36. Both of these presumptions disappear if the patentee can identify evidence sufficient for a reasonable jury to conclude either that the delay was

excusable or not unreasonable, or that it was not materially prejudicial. *See Wanlass*, 148 F.3d at 1337. If the patentee meets this burden of production, the accused infringer must prove both elements of laches by a preponderance of evidence. *Aukerman*, 960 F.2d at 1045.

## B

Equitable estoppel may only arise when an accused infringer shows by a preponderance of evidence that (1) a patentee, acting on the basis of accurate facts, communicated something in a misleading way, by words, conduct, or omission, to an alleged infringer, (2) on which the accused infringer relied, (3) such that he would be materially prejudiced if the patentee is allowed to assert a claim that is inconsistent with his earlier communication. *See id.* at 1041, 1046. But “even where the three elements of equitable estoppel are established, [a court must] take into consideration any other evidence and facts respecting the equities of the parties in exercising its discretion and deciding whether to allow the defense.” *Id.* at 1043. When found, equitable estoppel acts as a complete bar to a patentee’s infringement claim. *Id.* at 1041.

Although an equitable estoppel defense may appear similar to a laches defense when a patentee has delayed filing suit, the two defenses are distinct. For example, unlike laches, equitable estoppel requires that a “plaintiff’s inaction . . . be combined with other facts respecting the relationship or contacts between the parties to give rise to the necessary inference that the claim against the defendant is abandoned.” *Id.* at 1042. Moreover, equitable estoppel requires that the defendant rely, to its detriment, on the patentee’s abandonment. *See id.* at 1042–43. *See also Meyers v. Asics Corp.*, 974 F.2d 1304, 1308 & n.1 (Fed. Cir. 1992). And a court may not presume that the underlying elements of equitable estoppel are present, regardless of how much time has passed. *Aukerman*, 960 F.2d at 1043.

## C

The conclusion as to whether laches or equitable estoppel has been established is “committed to the sound discretion of the trial judge.” *Id.* at 1028. Accordingly, we review conclusions about laches and equitable estoppel for abuse of discretion. *Id.*

But “[l]aches is not *established* by undue delay and prejudice. Those factors merely lay the foundation for the trial court’s exercise of discretion.” *Id.* at 1036. These two foundational inquiries are questions of fact. *See id.* at 1035 (referring to them as “the underlying factual elements” of laches); *id.* at 1038 (referring to “either factual element of a laches defense”); *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1292 (Fed. Cir. 1992) (“[Laches] ultimately turn[s] on underlying factual determinations.”). Similarly, the prerequisites of equitable estoppel are “factual elements . . . on which the discretionary power of the court rests.” *Aukerman*, 960 F.2d at 1043.

Because the underlying elements of laches and equitable estoppel are questions of fact, we review ultimate findings as to those elements for clear error. *See Fed. R. Civ. P.* 52(a)(6); *Knowles v. Mirzayance*, 556 U.S. 111, 126 (2009); *Sea Byte, Inc. v. Hudson Marine Mgmt. Servs., Inc.*, 565 F.3d 1293, 1304 (11th Cir. 2009). After a grant of summary judgment, however, we review the underlying factual elements *de novo*<sup>3</sup> to determine whether any

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<sup>3</sup> We review this aspect of a court’s summary judgment award under regional circuit law. *Sedarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1362 (Fed. Cir. 2008). In this case, the Sixth Circuit’s *de novo* standard applies. *See Mazur v. Young*, 507 F.3d 1013, 1016 (6th Cir. 2007).

genuine issues of material fact remain. Fed. R. Civ. P. 56(a); *see also Wanlass*, 148 F.3d at 1337.

When a trial court mistakenly concludes that the factual elements of laches or equitable estoppel have been established and grants relief, such error constitutes an abuse of discretion in the ultimate judgment. *See Aukerman*, 960 F.2d at 1039; *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d 1017, 1022 (Fed. Cir. 1986) (“An abuse of discretion occurs when . . . the decision is based on an erroneous conclusion of law . . . [or] the court’s findings are clearly erroneous.”). But if such error is absent, a trial court’s grant of laches or equitable estoppel can be overturned only if it represents unreasonable judgment in weighing all pertinent facts and equities. *See Aukerman*, 960 F.2d at 1039, 1043; *cf. Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006) (describing a similar fact/equity hybrid standard of review for inequitable conduct).

### III

We first turn to the issue of laches. As a preliminary matter, SCA argues that *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), “compels a finding that [*Aukerman*] is no longer good law.” Notice of Supplemental Authority at 2, *SCA Hygiene Prods. AB v. First Quality Baby Prods.*, No. 2013-1564 (Fed. Cir. May 27, 2014), ECF No. 51. In particular, SCA points out that the Supreme Court has never “approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations.” *Petrella*, 134 S. Ct. at 1974.

But *Petrella* notably left *Aukerman* intact. *See id.* at 1974 n.15 (“We have not had occasion to review the Federal Circuit’s position.”). Because *Aukerman* may only be overruled by the Supreme Court or an en banc panel of this court, *Aukerman* remains controlling precedent. *See,*

*e.g.*, *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1366 (Fed. Cir. 2002).

A

SCA argues that the reexamination proceedings preclude application of the laches presumptions in this case because the reexamination period should be excluded from the total delay. The district court rejected that theory. In its view, because SCA filed suit more than six years after first learning of First Quality's allegedly infringing activities, the laches presumptions applied. We agree.

Whether SCA's delay was excusable relates to the question of whether it can rebut the presumption of unreasonable and inexcusable delay, not whether the presumption applies in the first place.<sup>4</sup> Because more than six years elapsed between the time SCA first learned of First Quality's allegedly infringing activities and the time SCA filed infringement claims directed to those activities, the district court properly found that the laches presumptions applied.

Accordingly, summary judgment was appropriate only if no reasonable jury could have concluded that SCA's delay was reasonable, excusable, or materially prejudicial. *See, e.g.*, *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1463

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<sup>4</sup> A number of cases suggest that a reasonable excuse may "toll" certain portions of the delay period for purposes of laches. But these cases are better understood as analyzing whether the purported justifications excuse the delay period. *See, e.g.*, *Sedarevic*, 532 F.3d at 1359; *Meyers v. Brooks Shoe Inc.*, 912 F.2d 1459, 1462 (Fed. Cir. 1990), *overruled on other grounds by Aukerman*, 960 F.2d at 1038–39; *Hottel Corp. v. Seaman Corp.*, 833 F.2d 1570, 1572–73 (Fed. Cir. 1987), *overruled on other grounds by Aukerman*, 960 F.2d at 1038–39.

(Fed. Cir. 1998). We review this question under the Sixth Circuit’s de novo standard. *See Mazur v. Young*, 507 F.3d 1013, 1016 (6th Cir. 2007). If no genuine issues of material fact remain, we must also review the district court’s ultimate decision to grant or deny summary judgment for abuse of discretion. *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 773 (Fed. Cir. 1995); *Aukerman*, 960 F.2d at 1039.

## 1

Reasonable explanations for delay include attempts to enforce the patent, such as filing suit against another infringer or participating in post-grant PTO proceedings. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 876–78 (Fed. Cir. 1991). SCA asserts that the ’646 patent reexamination proceedings provide a reasonable excuse for its delay in filing suit against First Quality.

The district court disagreed. It concluded that “SCA’s stated reasons for delay in filing suit are legally insufficient to overcome the presumption of unreasonable delay.” *SCA Hygiene*, 2013 WL 3776173, at \*6. First, the court reasoned that, “[u]nder the facts of this case, notice by SCA of an intent to sue after the reexamination was required.” *Id.* at \*5. Second, the court “reject[ed] SCA’s argument that it needed more than three years . . . to bring infringement claims against First Quality” following the reexamination. *Id.* Although we disagree that SCA was required to provide explicit notice of the reexamination proceedings to First Quality on the facts of this case, we nevertheless agree that SCA failed to rebut the presumption of unreasonable delay.

A patentee is not required in all cases to provide notice of related proceedings involving the asserted patent to show its delay was not unreasonable. *Aukerman*, 960 F.2d at 1039. For example, “[i]f a defendant is . . . aware of the [proceedings] from other sources, it would place

form over substance to require a specific notice.” *Id.* Here, the PTO provided public notice of the reexamination proceedings on August 24, 2004. First Quality could have learned of those proceedings based on SCA’s initial notice of the ’646 patent, coupled with the PTO’s subsequent notice of the reexamination. Under such circumstances, SCA was not required to provide notice of the reexamination to First Quality.

But even though SCA’s delay during reexamination may have been excusable when viewed in isolation, we must examine whether SCA’s delay, viewed as a whole, was excusable. The district court found that “SCA admitted that it has continuously tracked First Quality’s activity since 2003 and has an entire department dedicated solely to competitive intelligence.” *SCA Hygiene*, 2013 WL 3776173, at \*5. SCA then continued to evaluate First Quality’s products during the reexamination period. SCA was also represented by U.S. patent counsel when it sent letters to First Quality in 2003 and 2004 and during the reexamination proceedings between 2004 and 2007. *Id.* No evidence suggests that SCA was unable to find counsel or reinitiate contact with First Quality shortly after the reexamination ended. Moreover, “personal lack of familiarity with the patent system . . . does not excuse . . . failure to file suit.” *Sedarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1360 (Fed. Cir. 2008).

Given the circumstances, SCA should have been prepared to reassert its rights against First Quality shortly after the ’646 patent emerged from reexamination. *See Wanlass*, 148 F.3d at 1338 (“The availability of delay based on constructive knowledge of the alleged infringer’s activities imposes on patentees the duty to police their rights.”); 6A Donald S. Chisum, *Chisum on Patents* § 19.05[2][a][iii] (2013) (“Many decisions in finding delay excused emphasize that the patent owner promptly filed suit after the excuse (such as other litigation) ceased.”).



But SCA remained silent for more than three years after the patent came out of reexamination.

Accordingly, SCA has failed to raise a genuine issue of material fact regarding the reasonability of its delay. Viewing all of the facts in the light most favorable to SCA, no reasonable fact-finder could conclude that SCA's delay, viewed as a whole, was reasonable.

## 2

There are two categories of prejudice in laches—evidentiary and economic. *Aukerman*, 960 F.2d at 1033. Evidentiary prejudice results when the patentee's delay hinders an accused infringer from defending against the patent suit. This may include, for example, the death of a critical witness, the dimming of memories, or the loss of documents. *Id.* “Economic prejudice may arise where a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit.”<sup>5</sup> *Id.*

Economic prejudice cannot be attributed to losses merely associated with a finding of liability for infringement. *Id.* Rather, “[t]he courts must look for a *change* in the economic position of the alleged infringer during the period of delay.” *Id.* For example, “[m]aking heavy capital investment and increasing production can constitute [economic] prejudice.” *Adelberg Labs., Inc. v. Miles, Inc.*, 921 F.2d 1267, 1272 (Fed. Cir. 1990). But there must be a demonstrable nexus between the alleged economic prejudice and the patentee's delay. *See, e.g., Hem-*

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<sup>5</sup> Because the district court was silent as to evidentiary prejudice and because the parties do not contest that issue here, we must assume there is no genuine factual dispute that First Quality did not suffer evidentiary prejudice. We therefore limit our discussion to economic prejudice.

*street*, 972 F.2d at 1293–94 (“It is not enough that the alleged infringer changed his position—i.e., invested in production of the allegedly infringing device. The change must be because of and as a result of the delay, not simply a business decision to capitalize on a market opportunity.”).

This nexus requirement does not, however, require reliance on the patentee’s delay. *Asics*, 974 F.2d at 1308 n.1. “[T]he question is whether . . . prejudice *resulted from* [the] delay,” *id.* at 1308, and “there is a difference between prejudice that *results from* delay and prejudice that is due to *reliance upon* delay,” *id.* at 1308 n.1. Economic prejudice *results from* a patentee’s delay if the financial losses at issue “likely would have been prevented by earlier suit.” *Aukerman*, 960 F.2d at 1033; *accord State Contracting & Eng’g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057, 1066 (Fed. Cir. 2003); *Gasser Chair*, 60 F.3d at 775; *Asics*, 974 F.2d at 1307–08.

Here, the district court concluded that SCA failed to rebut the presumption that First Quality suffered economic harm, and we agree. First Quality made a number of capital expenditures to expand its relevant product lines and to increase its production capacity. The record evidence suggests that First Quality would have restructured its activities to minimize infringement liability if SCA had brought suit earlier.

SCA challenges this evidence by asserting that “[t]he District Court committed reversible error when it credited the self-serving, uncorroborated testimony of First Quality’s witness, who was an in-house lawyer and not even a business person.” Appellants’ Br. 32. SCA is correct, of course, that the district court was not permitted to assess the credibility of First Quality’s witnesses on summary judgment. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). But SCA may not rely solely on pleadings and speculation to create a genuine issue of material

fact; it must identify particular evidence that creates such a dispute. See Fed. R. Civ. P. 56(c)(1); *Matsushita Elec. Indus. v. Zenith Radio Corp.*, 475 U.S. 574, 587–88 (1986); *Shreve v. Franklin Cnty.*, 743 F.3d 126, 132 (6th Cir. 2014).

SCA has not identified sufficient evidence relevant to this issue. SCA notes that First Quality considered its protective underwear business to be important and that its initiatives in that market were highly successful. SCA also relies heavily on a statement by First Quality’s President, Mr. Damaghi, that “after sending [the November 21, 2003] letter this matter was never thought of again.” J.A. 1171–72. Thus, SCA contends that “First Quality was motivated by a huge market opportunity and would have continued to grow its protective underwear business regardless of when SCA filed suit.” Appellants’ Br. 35–36.

But Mr. Damaghi’s statement that “this matter was never thought of again” does not suggest that First Quality planned to ignore the issue whether or not SCA filed suit. See *SCA Hygiene*, 2013 WL 3776173, at \*10 (“[W]e never heard back from [SCA], and as a result we did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on.” (internal quotation marks omitted)). Moreover, there is no dispute that First Quality considered its protective underwear business to be important and that its initiatives in that market were highly successful. To suggest, based on this evidence alone, that First Quality would have continued its allegedly infringing activities regardless of when or whether SCA filed suit is pure speculation.

SCA has not identified any evidence that raises a genuine issue of material fact regarding First Quality’s presumed economic prejudice.

## B

SCA further contends that, even if it failed to rebut the laches presumptions, “it was an abuse of discretion for the District Court to refuse to consider the equities fully.” Appellants’ Br. 52. We agree that the district court should have evaluated the equities. The court seemed to treat laches as though relief was automatic so long as First Quality established the factual prerequisites of the defense. *See SCA Hygiene*, 2013 WL 3776173, at \*3 (“If these factors are proven, laches bars the recovery of patent damages for any time period before the suit was filed.” (internal quotation marks omitted)). Our law makes clear, however, that courts should grant relief for laches only after balancing “all pertinent facts and equities,” including “the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant’s conduct or culpability.” *Aukerman*, 960 F.2d at 1034; *see also Gasser Chair*, 60 F.3d at 773, 775–76.

SCA points to (1) its alleged good faith in seeking reexamination of the ’646 patent, (2) the PTO’s public notice of the reexamination proceedings, and (3) the fact that the PTO granted new claims during reexamination. None of these factors, however, suggest that the district court’s decision to grant summary judgment of laches constituted an abuse of discretion. The district court’s failure to explicitly balance the equities in its decision was therefore harmless error. *See, e.g., Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1371 (Fed. Cir. 2004).

## C

SCA argues for the first time on appeal that the district court erred by applying laches to the new claims issued during reexamination and to SCA’s allegations against products introduced after 2008. As a general rule, “a federal appellate court does not consider an issue not passed upon below.” *Singleton v. Wulff*, 428 U.S. 106, 120

(1976); *see also Golden Bridge Tech., Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1322–23 (Fed. Cir. 2008). Because SCA did not raise these issues in the district court and the district court did not rule on them, we do not consider them on appeal.

#### IV

We next turn to the issue of equitable estoppel and review de novo whether genuine issues of material fact remain as to the prerequisite elements. *See* Fed. R. Civ. P. 56(a); *Celotex*, 477 U.S. at 322; *Mazur*, 507 F.3d at 1016. Because there are no evidentiary burden-shifting presumptions in equitable estoppel, *see Aukerman*, 960 F.2d at 1028, 1043, First Quality possessed the burden of production.

#### A

The first element of equitable estoppel requires SCA to have made a misleading communication, either affirmatively or by omission, to First Quality. The district court ruled that “SCA unquestionably misled First Quality though [sic] its 2003 letter and subsequent inaction.” *SCA Hygiene*, 2013 WL 3776173, at \*9. The court focused on SCA’s failure to respond to First Quality’s letter addressing the ’646 patent and on SCA’s decision to write First Quality regarding different products and a different patent. In the court’s view, “[w]hether this letter ‘is viewed as a tacit withdrawal of the [’646 patent] or as misleading silence with respect to the [’646 patent], the result is the same, for it was reasonable for [First Quality] to infer that [SCA] was not continuing the accusation of infringement as to the [’646 patent].” *Id.* (alterations in original) (quoting *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1311 (Fed. Cir. 2010)). We disagree.

“[S]ilence alone will not create an estoppel unless there was a clear duty to speak or somehow the patentee’s continued silence reenforces the defendant’s inference

from the plaintiff's known acquiescence that the defendant will be unmolested." *Aukerman*, 960 F.2d at 1043–44 (citations omitted); *see also Asics*, 974 F.2d at 1308–09. Although the most common example of equitable estoppel is a patentee who objects to allegedly infringing activities and then remains silent for a number of years, that silence must be "coupled with *other* factors, [such that the] patentee's 'misleading conduct' is essentially misleading inaction." *Aukerman*, 960 F.2d at 1042 (emphasis added); *see also Hemstreet*, 972 F.2d at 1295; *Asics*, 974 F.2d at 1308–09.

For example, in *Scholle Corp. v. Blackhawk Molding Co.*, 133 F.3d 1469 (Fed. Cir. 1998), the parties had been engaged in patent litigation over an older product. The accused infringer later informed the patentee that it planned to begin marketing a design-around product and stated that it "would consider the new product non-infringing unless [the patentee] advised . . . otherwise." *Id.* at 1470. The accused infringer sent samples of the new product to the patentee and sought its opinion, but the patentee never responded. During the three years that followed, the parties discussed the asserted patent at numerous meetings between high-level officials. *Id.* at 1470–71. A possible merger was even discussed. *Id.* at 1471. But, throughout that time, the patentee never suggested that it thought the accused infringer's new product line infringed. *Id.* The patentee only offered opinions about the older product line. Under those circumstances, we held that the parties' course of dealings was such that the patentee's silence amounted to misleading inaction. *Id.* at 1472.

Similarly, in *Aspex*—an opinion on which the district court relied heavily—the parties had been embroiled in a related patent litigation in the past. 605 F.3d at 1308. The accused infringer later began marketing a redesigned product similar to those that had been litigated, and the patentee threatened "to fully and vigorously enforce [its]

rights” under four related patents. *Id.* (internal quotation marks omitted). In response, the accused infringer requested specific infringement contentions, but the patentee complied regarding only two of the patents. It made no reference to the other two. After three years of silence, the patentee renewed its objections with respect to one of the two patents for which it declined to provide specific infringement contentions. Under those circumstances, this court stated that “[w]hether this sequence is fairly viewed as a tacit withdrawal of the . . . patent, or as misleading silence with respect to the . . . patent, the result is the same, for it was reasonable . . . to infer that [the patentee] was not continuing the accusation of infringement.” *Id.* at 1311.

Compared to *Scholle* and *Aspex*, the interaction between SCA and First Quality reflected in the record is meager. SCA and First Quality exchanged only six terse letters over a course of eight months. And only two of those letters, sent within one month of one another, referenced the '646 patent or the accused products. Unlike in *Aspex* and *Scholle*, First Quality never solicited further comment from SCA. Thus, a reasonable juror may be less likely to infer that SCA's subsequent silence misled First Quality. Moreover, the record does not suggest that the parties engaged in serious discussions involving the accused products or any related patent, let alone the '646 patent. Nor does the record suggest that SCA and First Quality had been adversaries in prior related litigations or that they held any other close relationship.

Nevertheless, First Quality maintains that SCA's silence was tantamount to an admission that the '646 patent was invalid. But “a mere verbal charge of infringement, if made, followed by silence [i]s not sufficient affirmative conduct to induce a belief that [the patentee] ha[s] abandoned an infringement claim.” *Meyers v. Brooks Shoe, Inc.*, 912 F.2d 1459, 1462 (Fed. Cir. 1990),

*overruled on other grounds by Aukerman*, 960 F.2d at 1038–39. Here, SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence. Thus, record evidence supports a version of events that differs from First Quality's. A reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action.

To justify summary judgment of equitable estoppel, any inference that a patentee made a misleading communication by omission or acquiescence “must be the *only* possible inference from the evidence.” *Aukerman*, 960 F.2d at 1044. That is not the case here. Accordingly, genuine issues of material fact remain as to whether SCA made a misleading communication to First Quality.

## B

Equitable estoppel also requires that material prejudice to the accused infringer be caused by his reliance on the patentee's misleading communication. *Id.* at 1028, 1041–42. In this case, the district court found that no genuine issue of material fact remained with regard to First Quality's reliance. In its view, the testimonies of Messrs. Oppenheim and Damaghi conclusively established First Quality's reliance.

There is a difference between prejudice that *results from* a patentee's alleged misrepresentation and prejudice caused by *reliance upon* it. *Asics*, 974 F.2d at 1308 n.1. Although the former is sufficient to show a nexus for laches, the latter is required to show reliance for equitable estoppel. *Id.* As *Aukerman* explained, “[t]he accused infringer must show that, in fact, it substantially relied on the misleading conduct of the patentee in connection with taking some action.” 960 F.2d at 1042–43.



In this case, Mr. Damaghi testified that “after sending [the November 21, 2003] letter this matter was never thought of again.” J.A. 1171–72. Although this testimony demonstrates that First Quality disregarded SCA’s allegations involving the ’646 patent, it does not necessarily establish that First Quality made capital investments and expanded its business in connection with SCA’s subsequent silence. Mr. Damaghi’s testimony acknowledges the possibility that some issues regarding the ’646 patent may not have been fully resolved. *See SCA Hygiene*, 2013 WL 3776173, at \*10 (“[W]e did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on.” (internal quotation marks omitted)). And even the most rudimentary due diligence by First Quality would have revealed that SCA had filed a reexamination request for the ’646 patent. Thus, a reasonable juror could conclude that First Quality’s reliance, to the extent it can be established, was not reasonable.

Mr. Oppenheim’s testimony also fails to establish First Quality’s reliance. As in-house counsel, he testified that First Quality would not have made certain capital investments had it been involved in an earlier lawsuit over those products. Although that may show a nexus for purposes of laches, it does not necessarily establish that First Quality expanded its business after considering the implications of SCA’s silence.

Accordingly, genuine issues of material fact remain as to whether First Quality relied on its own opinion that the ’646 patent was invalid (or simply ignored the ’646 patent), rather than relying on SCA’s silence. *See Gasser Chair*, 60 F.3d at 776 (reversing a judgment of equitable estoppel because the accused infringer “believed the patent was invalid” and “paid little attention to [the patentee’s] complaints”); *Hemstreet*, 972 F.2d at 1294–95 (reversing a judgment of equitable estoppel because of a complete absence of evidence that the accused infringer’s

actions “were in reliance upon supposed actions of [the patentee], rather than a business judgment of its own”).<sup>6</sup>

V

We have considered the parties’ remaining arguments and find them unpersuasive. Accordingly, we affirm the district court’s grant of summary judgment as to laches, reverse its grant of summary judgment as to equitable estoppel, and remand for further proceedings consistent with this opinion.

**AFFIRMED-IN-PART, REVERSED-IN-PART, AND  
REMANDED**

No costs.

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<sup>6</sup> Having decided that issues of material fact remain as to the other elements of the equitable estoppel defense, we do not address whether First Quality suffered material prejudice. The district court may consider this element further on remand.

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

*SCA Hygiene Products v. First Quality Baby Products*, No. 2013-1564

**CERTIFICATE OF FILING AND SERVICE**

I, John C. Kruesi, Jr., 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 DECHERT LLP, Attorneys for Plaintiffs-Appellants to print this document. I am an employee of Counsel Press.

On **October 15, 2014**, Counsel for Appellants has authorized me to electronically file the foregoing **Combined Petition For Panel Rehearing And Rehearing En Banc Of Plaintiffs-Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc.** with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to any of the following counsel registered as CM/ECF users:

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Paper copies will also be mailed to the above counsel at the time paper copies are sent to the Court.

Sixteen paper copies will be filed with the Court within the time provided in the Court's rules.

October 15, 2014

/s/ John C. Kruesi, Jr.  
John C. Kruesi, Jr.  
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