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Justices' Laches Decision Could Be Boon For Patent Owners

By **Matthew Bultman**

Law360, New York (March 21, 2017, 9:25 PM EDT) -- The U.S. Supreme Court's decision Tuesday that laches cannot be used as a defense in many patent cases could strengthen the hand of patent owners and lead to larger damages in certain instances, while forcing companies who might be targeted with infringement claims to be more wary of older patents.

The 7-1 ruling vacated the Federal Circuit's decision that laches — an equitable doctrine barring suits after unreasonable delays — prevented SCA Hygiene Products AB from suing rival First Quality Baby Products LLC for infringement of adult diaper patents.

The decision comes after the Supreme Court in 2014 largely eliminated the defense in copyright cases with Petrella v. Metro-Goldwyn-Mayer Inc. The instant case turned on whether the Petrella holding applies to patent law, and the Supreme Court held Tuesday that it did.

A number of companies had urged the U.S. Supreme Court to preserve laches as a defense in patent cases, arguing that nonpracticing entities could otherwise unreasonably sit on infringement claims to maximize damages. (AP)

Most patents provide protection for up to 20 years from the filing date, which is "a very long time frame when these assets are assertable," said Tom Duston, a partner at Marshall Gerstein & Borun LLP. "The absence of a laches defense is fairly significant for that kind of a cause of action."

The outcome is sure to be welcomed by patent owners, as it likely increases the value of some patents and allows more time to judge the value of a potential infringer's products before filing suit. Frequent targets of those suits, particularly those in the technology industry, are likely not as enthused.

Many of those companies, including Google Inc. and Intel Corp., had urged the Supreme Court to preserve laches as a defense in patent cases, arguing that nonpracticing entities could otherwise unreasonably sit on infringement claims to maximize damages.

“[Patent owners] don’t have any incentive to pick a fight until it becomes really worthwhile to them,” said Imron Aly of Schiff Hardin LLP.

Matthew Siegal, a partner at Stroock & Stroock & Lavan LLP, said the patent statute is supposed to encourage quick action from patent owners to force someone to stop infringing their patent and design around the protected technology.

“What removing laches does … it almost encourages everyone to take the easy way and not develop technology but just fall in line, let the industry develop and then sue people,” he said. “It’s something you couldn’t have done in the past but you can now do based on this decision.”

In Petrella, the justices held that since the Copyright Act sets a three-year statute of limitations during which claims must be brought, laches cannot be used to bar claims filed within that period. The Patent Act has a similar, but not identical, provision setting a six-year limit on past damages.

The majority opinion Tuesday, authored by Justice Samuel Alito, said that while the Copyright Act and Patent Act are worded differently, Petrella’s “reasoning easily fits the provision at issue here.”

"By the logic of Petrella, we infer that this provision represents a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim," the court wrote.

Much of the concern about potential abuse revolves around nonpracticing entities — pejoratively referred to as patent trolls — as opposed to pharmaceutical cases or disputes between competitors, where companies are often motivated to act quickly to keep a competing product off the market.

But there are other issues that can creep up the longer it takes for a lawsuit to be filed, including the loss of evidence, attorneys said. Wes Overson, a partner at Morrison & Foerster LLP, said companies could also be hurt if they thought they were in the clear of an infringement claim with the passage of time.

“There could be a ‘gotcha’ effect to this,” he said. “Defendants are never out of the woods within the six-year limitations period.”

While acknowledging these types of concerns, the Supreme Court said Tuesday that “we cannot overrule Congress’ judgment based on our own policy views.”

“We note, however, as we did in Petrella, that the doctrine of equitable estoppel provides protection against some of the problems that First Quality highlights, namely, unscrupulous patentees inducing potential targets of infringement suits to invest in the production of arguably infringing products,” the court wrote.

The problem with equitable estoppel, some attorneys said, is that it requires the accused infringer to have been aware of the patent and to have relied on the patent owner’s assurances or nonenforcement in choosing to continue its activities.

“That’s often not the case with defendants who suddenly face patents that have been out there for close to 20 years and now are being asserted against you in the last couple years of their life,” Duston said.

These types of situations can occur as well-recognized companies seem to more frequently release their patents to the open market. These patents, which are often at the tail end of their life, can then be bought up — and then asserted — by nonpracticing entities.

“If there had been a circumstance in the past where the company that owned that patent, developed the technology, chose not to enforce the patent, their delay would be something that a future defendant could point to,” Duston said. “It doesn’t appear that that’s the case any longer.”

How wide-ranging an impact the decision has on patent litigation remains to be seen.

In a recent **analysis** of court decisions, Skadden Arps Slate Meagher & Flom LLP attorney Edward Tulin found less than three dozen instances in the last 10 years of defendants successfully using the laches defense in patent infringement cases.

“Given what we’ve seen empirically, from the way that patent assertion entities have behaved in the past and the way that laches has typically been successfully asserted, it seems unlikely that this is going to represent a sea change in the patent infringement landscape,” Tulin said.

Josh Dalton, a partner at Morgan Lewis & Bockius LLP, said the ruling could actually streamline things in district court.

“I think it makes it easier for judges and the parties,” he said. “Now everybody knows this rarely successful defense is just off the table. And that’ll save resources on both sides.”

--Additional reporting by Ryan Davis. Editing by Philip Shea and Aaron Pelc.
