LEGAL UPDATES

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U.S. Supreme Court Abolishes Laches Defense for Patent Cases

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The U.S. Supreme Court decided on March 21, 2017, to eliminate the laches defense in patent infringement cases. The ruling comes on the heels of another U.S. Supreme Court case in 2014 that largely eliminated the defense of laches in copyright cases.

The defense of laches provided a shield against patent infringement claims by patent owners who waited an unreasonably long time before filing suit. Courts permitted such a defense if the patent owner knew of the infringing activities yet waited until the market further developed in an effort to collect more damages.

The Supreme Court now disagrees with the prior laches defense practice and ruled that because the Patent Act holds that patent owners can recover damages only for infringement occurring less than six years before the complaint was filed, laches cannot be interposed as a defense against damages within this six-year period.

In *SCA Hygiene Products AB et al. v. First Quality Baby Products LLC et al.*, the Supreme Court agreed with SCA that since Congress imposed a six-year limitation on damages in patent cases, that period cannot be shortened based on a laches defense. The Supreme Court specifically stated that "it would be exceedingly unusual, if not unprecedented," for Congress to include both the statute of limitations for damages and the laches defense.

Justice Stephen Breyer strongly disagreed, stating in a dissent that case law shows with "crystal clarity" that Congress intended the statute to keep laches as a defense and that the language of the statute strongly suggests that as well. Justice Breyer was concerned that without laches, patent owners could unreasonably delay filing suit until the infringer invested heavily in developing an infringing product in an effort to collect more damages. Many companies,

including Google Inc. and Intel Corp., had urged the Supreme Court to preserve laches as a defense, arguing that non-practicing entities could otherwise unreasonably sit on infringement claims to maximize damages.

There are times when patent owners may pursue infringement allegations quickly (e.g., where there is market disruption), but this decision allows patent owners to more readily wait to let the accused infringer help build the market, or to allow damages to escalate to create more litigation leverage. The resulting prejudice to accused infringers in not having infringement claims more timely resolved includes economic prejudice by investing in the accused technology, and evidentiary prejudice, especially in an electronic age where at least some documents are destroyed automatically due to electronic destruction company guidelines.

The related defense of equitable estoppel likely survives, as suggested by dicta from the Supreme Court's *SCA* opinion: "We note, however … 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." Thus, although more difficult to establish than laches, the equitable estoppel defense remains active in patent cases.

What This Means to You

This ruling could strengthen patent cases and possibly lead to larger damages in certain situations. Patent owners now have less risk in allowing damages to accrue and waiting to sue for patent infringement. Defendants have one fewer defense that can be employed to defeat damage claims. The larger impact is likely to be felt in litigation with non-practicing entities, which can notoriously involve very old (or expired) patents and large claims of past purported damages.

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