SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954 (2017)

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BACKGROUND

The Petitioners, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (referred to as SCA), produce adult incontinence products. In October 2003, SCA notified respondents (referred to as First Quality), that First Quality was producing and selling products that infringed on one of SCA''s patents. First Quality''s response asserted that its own patent for the products in question was created prior to SCA''s patent; thus, First Quality''s patent was valid. In July 2004, SCA requested the Patent and Trademark Office (PTO) to reexamine the validity of its patent, which in March 2007, the PTO confirmed as valid. Under the Patent Act, SCA could file a suit and recover for infringement in the past six years[1] – a backwards running statute of limitations. SCA filed a suit in August 2010; it was therefore brought about three years after the PTO confirmed SCA''s patent as valid, but over six years after the infringement was discovered.

This case went to the Federal Circuit, prior to the Supreme Court. Before the Federal Circuit issued a decision, the Supreme Court decided in a separate case, *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), that laches could not bar claims of damages that are brought within the three-year statute of limitations of the Copyright Act.[2] The intent of this decision was that suits brought within the three-year limitation were necessarily timely.

PROCEDURAL HISTORY

SCA initiated this suit in August 2010, against First Quality. The District Court granted summary judgement for First Quality based on equitable estoppel and laches defenses. SCA appealed to the Federal Circuit. Despite the unfolding precedent from *Petrella*, the Federal Circuit reasserted the prior precedent from *A.C. Aukerman Co.* v. *R.L. Chaides Constr. Co.*, 960 F. 2d 1020 (1992), and found that laches was a proper defense against claims of damages that occurred within the Patent Act''s six-year statute of limitation. The Federal Circuit then reheard the case *en banc* and found in

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1. 35 U.S.C. § 286.
2. 17 U.S.C. § 507(b).

favor of First Quality, citing the precedent from *Aukerman*, again. SCA applied for a writ of certiorari.

ISSUE

Should the precedent from *Petrella*, that a defense of laches is invalid against claims for damages within the three-year limitation of copyright law, be applied to claims for damages within the limitation of patent law?

DECISION

The Supreme Court remanded the case to the Federal Circuit for further proceedings, having determined that laches cannot be used as a defense against claims for damages that took place within the six-year limitation for patent infringement cases, set in § 286.

REASONING

Here, the majority wanted to apply the bar on the use of laches more broadly, applying the precedent from *Petrella*. The Court explained that the decision in *Petrella* was intended to be congruent with legislation. Congress created the Copyright Act''s statute of limitations to purposefully impose a bright-line rule with regard to timeliness, anticipating greater facilitation of implementation. Laches does not represent a credible defense, if the period set by the limitations is meant to guide the point of deployment of a lawsuit. Allowing laches would supersede congressional legislative intent. Additionally, laches is traditionally used as a defense for claims of equity, where no limitation typically applies. Laches is therefore intended to fill a gap, and the Copyright Act''s limitations allow no gap. Here, the Court decided that this logic applies equally to patents. Since the Patent Act has a statute of limitations, there is equally no gap to be filled. The only difference between invoking laches in a case of copyright and one of patent is the duration of the limitation. The subject matters are sufficiently close to adopt the precedent as a general rule.

The Court then addressed First Quality''s arguments. One argument held that the period for most statutes of limitations begins at the date at which the petitioner discovers a cause of action; it contends that § 286 set the six-year period prior to the filing of the suit, thus allowing a petitioner to bring a claim against infringement in the past six years. It is therefore not a true statute of limitations. This factor contradicts the contention that a statute of limitations gives a petitioner a certain amount of time to respond to infringement. The Court argued that because the Copyright Act''s limitations ""''run[] backwards,""''[3] as First Quality described, it is reasonable to enforce § 286 in a similar fashion. It also claimed that not all statute of limitations adopt the ""''discovery rule,""''[4] which First Quality

3. SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. at 961 (2017).
4. *Id*. at 962.

believed to be the norm. The Copyright Act''s limitation is not subject to the discovery rule, and neither should the Patent Act''s limitation.

Next, First Quality made the argument that there is a gap to fill because section § 282 of the Patent Act allows defenses where there is unenforceability.[5] First Quality asserted that because laches is a defense of unenforceability, § 282 creates an exception to § 286. However, the Court determined this to be invalid. It would be contradictory for Congress to establish § 282, allowing the imposition of laches against damage claims when it constructed § 286, which limits the period of recovery of damage claims. First Quality misinterpreted the statute''s purpose.

Lastly, the Federal Circuit and First Quality made a series of points that cases prior to the Patent Act incorporated the use of laches for claims of damages, and further, that § 282 of the Patent Act reinforced this rationale. Upon reviewing the cited cases, the Court responded that they did not sufficiently support their arguments. The cases were inconsistent or ambiguous about their adoption of laches against claims of damages. Many of these cases contained archaic factors, for instance, the fact that courts of equity and law had yet to merge posed a discrepancy. There were too few cases without intervening variables, that did allow laches, for there to be a consistent consensus at common law.

DISSENT

In his dissent, Justice Breyer made the argument that the basis for the majority''s application of the precedent set by *Petrella* was unfounded. Laches is primarily relevant where there is no statute of limitations; it is applicable if there is reason provided for the need of laches. Justice Breyer asserted that § 286 specified claims for damages with a period of six years prior to the claim; a patentee can therefore allow this period to transpire prior to the recovery of an optimal reward. For example, an infringer could ramp up production and revenue by implementing an invalid patent, thus creating an incentive for filing a claim later. Here, laches would be an appropriate defense for the unknowing infringer. The congressional language in the Patent Act suggests a need for laches, as elaborated above.

Additionally, Justice Breyer contended that because there are innate differences between copyrights and patents, the adoption of an encompassing use of laches is inappropriate. For example, copyright has an extensive history of permitting concurrent laches and limitations. Prior to the Patent Act, patent statues also allowed laches as a defense to claims of damage. In fact, the intention of the Patent Act was to codify the existing precedent. Furthermore, copyright claims require evidence, thereby demanding that the copyright holder gather pertinent evidence to substantiate his claim. The same is not true in patent law, requiring only the final product to infringe on the patent. The defendant of a patent lawsuit must consume resources to demonstrate the invalidity of the plaintiff''s patent. Finally,

5. 35 U.S.C. § 282(b).

switching patents (particularly patents a company relies on for production) carries operational expense. Delaying the transition of an invalid patent to a valid patent can therefore create incentives. Laches can be a crucial defense in these cases.

Finally, Justice Breyer addressed the majority''s rejection of the appellant''s argument regarding the historical imposition of laches in patent law. Patent infringement cases prior to 1952 consistently applied laches to bar monetary relief. Justice Breyer contended that a general law regarding laches was incorrectly adopted, when there was sufficient common law set by the cases to which the appellants referred. The paucity of cases the majority referred to is unsupported; almost all of the cases specifically held that laches can bar claims of damages. Additionally, these courts held that laches is invokable with a concurrent statute of limitations. No rationale was supplied as to why a patent law-specific rule for the use of laches, consistent with prior rulings, cannot be instated.