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SCA v. First Quality: Letting Go of Laches in Patent Law

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I. INTRODUCTION

A patent dispute over diapers has led the Supreme Court to decide that defendants may not use a laches defense to bar damages for patent infringement claims within the six-year statutory period.\(^1\)

Over the past ten October Terms, the Supreme Court has reviewed proportionally more cases from the Federal Circuit than any other circuit.\(^2\) Through these cases, the Supreme Court has had a major impact on the substance and procedure of patent law.\(^3\) Specifically, many of these cases have address the limitations placed on patent rights. The primary goal of intellectual property (IP) law is to promote innovation.\(^4\) A patentee’s right to exclude others from making, selling, and using the patented item creates dangers like

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\(^2\) Timothy B. Dyk, *Thoughts on the Relationship Between the Supreme Court and the Federal Circuit*, 16 CHI.-KENT J. INTELL. PROP. 67, 68 (2016) (“The Supreme Court reviewed 0.28% of total appeals terminated in [the Federal Circuit] and 0.26% for the D.C. Circuit. In other words, the Supreme Court was significantly more likely to review cases from our court and the D.C. Circuit than from any of the other circuits.”). In the 2016 October term alone, the Supreme Court reversed four Federal Circuit decisions on patent law with resounding votes. *See* Samsung Elecs. Co. v. Apple Inc., 137 S. Ct. 429 (2016); Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734 (2017); *ScA*, 137 S. Ct. 954 (2017); Impression Prods. v. Lexmark Int’l, Inc., 137 S. Ct. 1523 (2017).

\(^3\) *See*, e.g., Alice Corp. Pty. v. CLS Bank Int’l, 134 S. Ct. 2347, 2352 (2014) (holding that a patent that applies generic computer implementation to an abstract idea “fails to transform that abstract idea into a patent-eligible invention”); TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514, 1519 (2017) (holding that patent venue is controlled exclusively by 28 U.S.C. §1400(b), removing personal jurisdiction as a means of establishing proper venue).

\(^4\) *See* U.S. CONST. art. I, § 8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . . .”); *see also* Michael A. Carrier, *Cabining Intellectual Property Through A Property Paradigm*, 54 DUKE L.J. 1, 82 (2004) (“Providing incentives for development is the primary goal of IP . . . .”).
monopoly loss and the Tragedy of the Anticommons, which hinder downstream innovation. Thus, limitations on patent rights, such as equitable defenses, are essential to a balanced patent system. This Note discusses the Supreme Court’s decision in SCA v. First Quality, in which the Court upset that balance by removing the equitable defense of laches.

A successful laches defense bars a plaintiff from bringing suit due to the plaintiff’s unreasonable delay in bringing that suit. The same policy purpose may also be addressed by statutes of limitations. Thus, a laches defense is not traditionally available to the defendant when a statute of limitations applies to the cause of action. The central question in SCA is whether the common law defense of laches can be applied to bar a patent infringement claim for damages within the Patent Act’s six-year limitations period. The Supreme Court found that the facts and law of this case were similar to that of a recent Supreme Court copyright case and held that laches cannot be applied against patent infringement damages due to the existence of a federal patent statute of limitations.

The Court in SCA gave little consideration to the policy purposes of

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5. See Carrier, supra note 4, at 45 (explaining the danger of inventors charging prices “significantly above the marginal cost of production”); Dan L. Burk & Mark A. Lemley, Policy Levers in Patent Law, 89 Va. L. Rev. 1575, 1613 (2003) (explaining that a large number of exclusive rights contributes to a “patent thicket” where a new inventor must pay monopoly prices to multiple patentees for each of the invention’s components). The tragedy of the anticommons can cause proprietors or inventors to abandon a venture that becomes too costly because the cost of ownership is fragmented into many pieces. James Bessen & Michael J. Meurer, Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk 41 (2008) (“Heller illustrated the tragedy of the anti-commons by pointing to Moscow storefronts during the transition away from central planning. He noted that storefronts stood empty in the Moscow winter even though retail trade flourished in kiosks on the streets in front of those stores. He explained that store leases were too costly because the ownership of any one store was fragmented.”).

6. See Carrier, supra note 4, at 110 (“Courts and Congress have recognized a wide array of equitable defenses to patent rights, including inequitable conduct, prosecution laches, patent misuse, exhaustion, implied license, repair, estoppel, and prior use of business method patents.”).

7. SCA, 137 S. Ct. at 954.

8. See Dan B. Dobbs, Law of Remedies, Damages, Equity, Remedies 75 (2d ed. 1993) (“In its most orthodox form, laches is unreasonable delay by the plaintiff in prosecuting a claim or protecting a right of which the plaintiff knew or should have known, and under circumstances causing prejudice to the defendant.”).

9. See Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962, 1874–75 (2014) (“Nothing in this Court’s precedent suggests a doctrine of such sweep. Quite the contrary, we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.”).

statutes of limitations and the inequitable effects its holding could have on the patent landscape. This Note will explore the fundamental purposes underlying statutes of limitations and laches and show that the removal of laches fails to serve those purposes, opening up opportunities for the abuse of patent rights. Part II lays out the history, policy purposes, and mechanisms of statutes of limitations and laches. Part III summarizes the facts and holding of *SCA*. Part IV argues that laches should still be a valid defense against patent infringement claims, contrary to the Supreme Court’s holding. Specifically, Part IV discusses the unique characteristics of patent law, such as the rise of non-practicing entities, patent hold-up scenarios, and the high likelihood of innocent infringers, which distinguish patent law from copyright law and necessitate the defense of laches in patent infringement suits. Part V concludes.

II. LEGAL BACKGROUND

A. STATUTE OF LIMITATIONS

In order to assess whether laches should be applied to patent infringement cases, it is important to understand the elements of, and policy purposes behind, statute of limitations and laches. A statute of limitations sets a time limit for a plaintiff to bring suit against a defendant.\(^{11}\) These statutes date back to Roman law limiting actions to recover property.\(^{12}\) Currently, statutes of limitations exist in virtually every country and are ubiquitous throughout U.S. federal and state law.\(^{13}\) Although the phrasing may differ, a statute of limitations typically specifies: (1) the duration of the limitations period; and (2) the event that starts the clock for the limitations period.\(^{14}\) Some statutes may also provide for the “postponement, suspension, or extension” of the

11. See Developments in the Law: Statutes of Limitations, 63 HARV. L. REV. 1177, 1179 (1950) ("[M]ost statutes provide either that ‘all actions shall be brought within’ or ‘no action shall be brought more than’ so many years after ‘the cause thereof accrued.’") [hereinafter Developments].
12. See id. at 1177.
14. See Developments, supra note 11, at 1179; see, e.g., CAL. CIV. PROC. CODE § 340.6(a) (2009) ("An action against an attorney for a wrongful act or omission . . . shall be commenced within one year after the plaintiff discovers, or through the use of reasonable diligence should have discovered, the facts constituting the wrongful act or omission, or four years from the date of the wrongful act or omission, whichever occurs first.") (emphasis added); 18 U.S.C. § 3301(b) (2016) ("No person shall be prosecuted, tried, or punished for a securities fraud offense, unless the indictment is found or the information is instituted within 6 years after the commission of the offense.") (emphasis added).
limitations period under certain circumstances. Generally, criminal laws do not provide statutes of limitations for serious felonies such as murder or embezzlement of public funds.

The statute of limitations provision of the Patent Act contains wording that differs from traditional statutes of limitations: “[e]xcept as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action . . . .” The Court in SCA compared § 286 with the Copyright Act statute of limitations: “[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.” Although the Court found the two statutes comparable, a closer look shows that the Court’s interpretation may be inconsistent with the statutes’ policy purposes.

Statutes of limitations serve several policy purposes. First, they give defendants “reasonable repose” in the form of protection from stale claims. In addition to a defendant’s interest to live with peace of mind, “reasonable repose” recognizes a defendant’s interest in a status quo that has developed over time. For example, under the doctrine of adverse possession, the injury to a property owner plaintiff is balanced against the injury to a defendant if the defendant had to surrender a property that was adversely-possessed for over twenty years. Second, statutes of limitations encourage parties to diligently pursue their claims. A timely suit promotes justice and efficiency in the courts, because with the passage of time, evidence may be lost, memories may fade, and witnesses may disappear.

B. LACHES

The defense of laches is an equitable defense that can bar a plaintiff’s claim due to the plaintiff’s unreasonable delay in bringing the claim. Originally, statutes of limitations only barred suits at law. Laches was introduced in courts of equity and became known as a “gap-filling” doctrine to supplement

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15. See Developments, supra note 11, at 1179.
20. See id. at 460, 464.
21. See id. at 457.
22. See id. at 456 (quoting Wood v. Elling Corp., 20 Cal. 3d 353, 362 (1977)).
23. DOBBS, supra note 8, at 75.
24. See Developments, supra note 11, at 1184.
the law by providing relief in inequitable scenarios in which there was unreasonable delay but statutes of limitations were not applicable.\textsuperscript{25} Thus, laches is very similar to statutes of limitations.

The Court has articulated that the defense of laches has two requirements: “(1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense.”\textsuperscript{26} In determining whether plaintiff lacked diligence in filing suit, courts must determine whether the delay was unreasonable and inexcusable.\textsuperscript{27} The defendant must also suffer material prejudice, which may be evidentiary prejudice or economic prejudice.\textsuperscript{28}

Courts continued to apply the doctrine of laches after the merger of courts of law and equity under the Federal Rules of Civil Procedure in 1938.\textsuperscript{29} This led to disputes of whether laches should apply when there exists a statute of limitations for the same claim. In Petrella, the Supreme Court ruled on the issue of applying laches to a copyright claim brought within the three-year limitations period set forth in the Copyright Act.\textsuperscript{30} The Court held that the Copyright Act’s express statute of limitations sufficiently takes into account a plaintiff’s delay by only granting retrospective relief within a three-year period; laches can therefore only be invoked in extraordinary circumstances.\textsuperscript{31} In SCA, the central question was again whether the defense of laches can be applied to

\begin{itemize}
\item \textsuperscript{25} See SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 961 (2017) (“As Petrella recounted, the ‘principal application’ of laches ‘was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation.’”).
\item \textsuperscript{26} Costello v. United States, 365 U.S. 265, 282 (1961).
\item \textsuperscript{28} See id. (“Economic prejudice occurs when the defendant will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit . . . . Evidentiary prejudice may be established by demonstrating an inability to present a full and fair defense on the merits due to a loss of records, the death of a witness, or the unreliability of memories of long past events . . . .”) (internal quotations omitted).
\item \textsuperscript{29} See Fed. R. Civ. P. 2; see also Elizabeth T. Kim, To Bar or Not to Bar? The Application of an Equitable Doctrine Against A Statutorily Mandated Filing Period, 43 U.C. DAVIS L. REV. 1709, 1713, 1722 (2010) (citing Chirco v. Crosswinds Cmty’s., Inc., 474 F.3d 227 (6th Cir. 2007) (the court affirmed the use of laches as an exception “to the general rule of deference to statutory limitations”)).
\item \textsuperscript{31} See id. at 1977 (“In extraordinary circumstances, however, the consequences of a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable.”).
\end{itemize}
bar the “quintessential legal remedy” of damages, this time in light of the Patent Act’s express time-based limitation.\(^{32}\)

Federal appellate courts have considered the laches defense in the patent context. Prior to the merger of law and equity, some circuit courts held that laches was applicable to bar damages in patent infringement cases.\(^{33}\) After the merger, some circuits continued to apply laches to bar patent infringement damages and injunctive relief.\(^{34}\)

In 1992, the Federal Circuit decided *Aukerman v. Chaides Construction*, which established that laches is a cognizable defense for defendants seeking damages in patent infringement cases.\(^{35}\) Additionally, the court held that “[a] presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of the alleged infringer’s activity.”\(^{36}\) Furthermore, the Federal Circuit in *Aukerman* laid out the elements for laches in the patent context as: (1) unreasonable and inexcusable delay by the patentee; and (2) material prejudice suffered by the alleged infringer.\(^{37}\)

Although *SCA* overturned *Aukerman*, there are good reasons why laches should be available even where a statute of limitations applies to the same remedy. Despite their similar policy rationales, and the historical role of laches as a gap filler where statutes of limitations did not apply, the two legal tools have distinct roles. Laches should be a more flexible doctrine that can be called upon when a statute of limitations fails to afford defendants with reasonable repose or leads to inequitable results.

\(^{32}\) See *SCA*, 137 S. Ct. at 960.

\(^{33}\) See, e.g., Wolf, Sayer & Heller v. U.S. Slicing Mach. Co., 261 F. 195, 197–98 (7th Cir. 1919) (“The evidence, we think, discloses such laches as to prevent appellee from collecting damages for past infringements . . . .”), abrogated by *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod.*, LLC, 137 S. Ct. 954 (2017); *A.R. Mosler & Co. v. Lurie*, 209 F. 364, 371 (2d Cir. 1913) (“Where owners have remained thus supine for many years . . . it seems to us inequitable that they should come at this late day and insist on being granted an accounting for damages and profits . . . .”), abrogated by *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod.*, LLC, 137 S. Ct. 954 (2017).


\(^{35}\) See *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992) (“Where the defense of laches is established, the patentee’s claim for damages prior to suit may be barred.”), abrogated by *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod.*, LLC, 137 S. Ct. 954 (2017).

\(^{36}\) *Id.* at 1028.

\(^{37}\) See *id.*
III. SCA V. FIRST QUALITY CASE SUMMARY

A. FACTS AND PROCEDURAL HISTORY

Both SCA and First Quality sell diapers. In 2010, SCA filed a suit against First Quality for infringement of SCA’s U.S. Patent No. 6,375,646 (the ’646 Patent) and its corresponding Reexamination Certificate. The ’646 Patent was directed to “absorbent pants-type diapers.”

Nearly seven years prior to this lawsuit, SCA sent a notice letter to First Quality alleging that First Quality was infringing on SCA’s ’646 Patent. In response, First Quality stated that the ’646 Patent was invalid in view of another earlier filed patent. Five months later, SCA sent another letter to First Quality alleging that First Quality was infringing on another SCA patent, U.S. Patent No. 6,726,670 (“the ’670 Patent”). In response, First Quality denied infringement. 38

In July 2004, SCA initiated an ex parte reexamination at the U.S. Patent Office. In March 2007, the Patent Office issued a reexamination certificate to SCA and confirmed the validity of all of the ’646 Patent’s claims. Throughout this process, SCA never notified First Quality of the reexamination or SCA’s intention to file suit against First Quality. 39

Over three years later, in August 2010, SCA sued First Quality in the U.S. District Court for the Western District of Kentucky. First Quality filed a motion for summary judgment on the doctrines of laches and equitable estoppel. The district court granted summary judgment to First Quality on both of those grounds. 40

First, the district court relied on Aukerman and a series of Federal Circuit cases stemming from Aukerman to establish that laches could bar damages in a patent infringement suit. Further relying on Federal Circuit case law, the district court reasoned that a rebuttable presumption of laches had been established since “a delay of more than six years after the omitted inventor knew or should have known of the issuance of the patent” had elapsed. 41

Next, the district court found that SCA failed to rebut both elements of

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38. SCA, 137 S. Ct. at 959.
39. See id.; SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, No. 1:10CV-00122-JHM, 2013 WL 3776173, at *2 (W.D. Ky. July 16, 2013) (“It is undisputed that SCA did not notify First Quality as to the existence of the reexamination proceeding, nor did SCA ever advise First Quality that SCA intended to file suit against First Quality once the reexamination was complete.”).
40. SCA, 137 S. Ct. at 956.
laches, i.e., unreasonable delay and material prejudice. 42 SCA unreasonably delayed to sue First Quality because SCA completed its patent infringement analysis in October 2003, had tracked First Quality’s activity since 2003, and had an entire department dedicated towards competitive intelligence. 43 Additionally, SCA did not respond and appeared to have backed down when First Quality denied infringement in 2003. First Quality suffered material prejudice as a result of SCA’s delay because it made significant investments that it would not have made if it were involved in, or aware of the potential for, litigation. 44 First Quality invested over $10 million in expanding new underwear lines and acquired the Tyco Healthcare Retail Group, which included some of the product lines at issue in the SCA litigation. 45

Additionally, the district court found that the defense of equitable estoppel was also applicable to serve as an absolute bar to SCA’s patent infringement claims. 46 Unlike laches, the analysis of equitable estoppel focuses on whether the defendant reasonably relied on the plaintiff’s misleading conduct to the defendant’s detriment. 47

On appeal, the Federal Circuit affirmed the district court’s grant of summary judgement regarding laches and reversed regarding equitable estoppel. In reversing the latter, the Federal Circuit stated that there remained genuine issues of material fact because of the relatively sparse interaction between SCA and First Quality. In its decision, the Federal Circuit relied on Aukerman to establish the applicability of laches as a bar to patent infringement damages. 48

The Federal Circuit then reheard the case en banc in light of the copyright infringement case, Petrella. 49 In Petrella, the Supreme Court held that the defense of laches could not be used to bar a copyright infringement claim

42. See id. at *4-*7.
43. See id. at *5.
44. See id. at *7.
45. See id.
46. See id. at *8.
47. See A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1042-43 (Fed. Cir. 1992) (listing the three elements of equitable estoppel: statements of conduct of the patentee, reliance by the accused infringer, and material prejudice suffered by the accused infringer if the patentee were permitted to proceed).
within the Copyright Act’s statute of limitations, because the statute already takes into account delay of filing suit. The Federal Circuit distinguished patent cases from *Petrella* by highlighting two relevant portions of the Patent Act that the court interpreted to allow for the application of laches. First, the Federal Circuit pointed to the beginning of § 286, which states “[e]xcept as otherwise provided by law,” as providing exceptions to the six-year time limitation rule. Then, the Federal Circuit interpreted § 282(b)(1) to mean that Congress codified the defense of laches against patent infringement damages. Section 282(b)(1) reads: “[t]he 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.”

The Federal Circuit held that the language of § 282 and its legislative history characterize § 282 as “general” and “broadly sets out defenses available in a patent infringement or validity suit.” Furthermore, the Federal Circuit relied on commentary by P.J. Federico, “a principal draftsman of the 1952 recodification,” who explicitly stated that § 282 includes laches. Thus, under the combination of § 286 and § 282(b)(1), the Federal Circuit affirmed en banc that the laches defense could be used to bar patent infringement damages.

**B. SUPREME COURT OPINION**

In March 2017, the Supreme Court ruled in favor of SCA and established that the defense of laches could not be invoked to bar damages within the six-year limitations period set forth in § 286. The Court relied heavily on *Petrella*, which held that laches cannot preclude a copyright infringement claim for damages within the Copyright Act’s 3-year limitations period.

Borrowing from *Petrella*, the Court based its decision on separation-of-powers and the traditional role of laches. First, the Court categorized § 286 as a statute of limitations enacted by Congress that “-speaks directly to the issue of timeliness and provides a rule for determining whether a claim is timely

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50. See 17 U.S.C. § 504(b) (2012)
52. See *SCA*, 807 F.3d at 1315.
55. *SCA*, 807 F.3d at 1321–22.
56. Id. at 1322–23.
58. See id. at 959.
enough to permit relief.” Therefore, the judiciary may not act contrary to Congressional intent by upholding a defense of laches within the statutory period. Second, the Court emphasized that the traditional purpose of laches to fill gaps in the legislation is not applicable in this case. The Court’s analysis rests upon its conclusion that § 286 embodies a statute of limitations, and where there is a statute of limitations, “there is no gap to fill.” Analogizing this case to Petrella, the Court overruled Aukerman in part, rejecting the Federal Circuit’s holding that laches is available as a defense to a patent infringement claim for damages within the statutory time period.

1. The Supreme Court Rejects First Quality’s Argument

The respondent, First Quality, attempted to distinguish this case from Petrella by distinguishing between the language of the Copyright Act and the language of the Patent Act. First Quality contended that § 286 is not a true statute of limitations since a true statute of limitations “runs forward from the date a cause of action accrues.” For example, the statute of limitations in the Copyright Act requires a plaintiff to file a copyright infringement suit “within three years after the claim accrued.” By contrast, the limitations period in § 286 “runs backward from the time of the suit.”

The Court rejected this argument. In Petrella, the Court described the Copyright Act’s statute of limitations in terms almost identical to the statutory period in SCA. Specifically, the Court characterized the Copyright Act as allowing plaintiffs to “gain retrospective relief running only three years back from the date the complaint was filed.” Despite the differences in statutory language, the Court described both the patent and copyright limitations as creating a “look-back period.” Thus, the Court rejected First Quality’s argument and concluded that the rule it established in Petrella is fully applicable to patent infringement cases.

2. The Supreme Court Rejects Federal Circuit’s Argument

The Federal Circuit’s reasoning can be summarized into one statutory argument: § 286’s disclaimer “[e]xcept as otherwise provided by law” points to

59. Id. at 960.
60. Id. at 961, 967.
61. See id. at 957.
62. Id. at 957.
65. Id. at 961 (citing Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962 (2014)).
66. Id. at 962.
§ 282(b), which codifies the defense of laches for patent infringement cases.67

The Court rejected this argument because it did not find any exact wording or phrase in the federal statute pointing out laches as a defense; the § 282 language, “[n]oninfringement, absence of liability for infringement or unenforceability,” is too vague to describe laches. Furthermore, the Court rejected the notion that Congress codified laches as a defense because “it would be exceedingly unusual, if not unprecedented” for Congress to intend to include both a statute of limitations provision and a laches defense for damages.68

3. Justice Breyer’s Dissent

Justice Breyer dissented alone, opining that laches should be available to bar damages under patent law even within the limitations period. Writing almost as many pages as the majority,69 Justice Breyer supported his stance with a comprehensive set of reasons. First, he identified an inequitable gap in the law left by § 286, which should be plugged by the gap-filling doctrine of laches.70 Second, he dove into the prior federal case law to show that Congress intended to keep laches a defense.71 Third, he argued that SCA cannot take on the same reasoning and holding in Petrella due to differences between copyright and patent law.72 The analysis below will return to Justice Breyer’s opinion to conclude that the Court took the wrong approach in Petrella and a worse approach in SCA.

67. The Federal Circuit found the codification of a laches defense in 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.”

68. SCA, 137 S. Ct. at 963.

69. Counting the facts and procedural history of the case, the majority wrote nine pages while Justice Breyer wrote seven pages. See id. at 954.

70. See id. at 968 (“[A] patentee might wait for a decade or more while the infringer (who perhaps does not know or believe he is an infringer) invests heavily in the development of the infringing product . . . Laches works to fill the gap by barring recovery when the patentee unreasonably and prejudicially delays suit.”).

71. See id. at 971. Justice Breyer specifically highlighted six cases that “the majority conceals that it is unable to distinguish,” including: Wolf, Sayer & Heller v. U.S. Slicing Mach. Co., 261 F. 195 (7th Cir. 1919); A.R. Mosler & Co. v. Lorie, 209 F. 364 (2d Cir. 1913); Universal Coin Lock Co. v. Am. Sanitary Lock Co., 104 F. 2d 781 (7th Cir. 1939); Banker v. Ford Motor Co., 69 F.2d 665 (3d Cir. 1934), Brennan v. Hawley Prod. Co., 182 F.2d 945 (7th Cir. 1950); and Lukens Steel Co. v. Am. Locomotive Co., 197 F.2d 939 (2d Cir. 1952).

72. See id. at 971–73. For example, copyright does not have 150 years of case precedent holding that laches and statute of limitations can coexist. In addition, copyright does not have “lock-in” problems which can considerably incentivize delaying suits.
IV. DISCUSSION: LACHES ARE STILL NECESSARY

The Supreme Court reasoned that since § 286 is similar to § 507(b) in the Copyright Act, § 286 is a statute of limitations. Laches is a gap-filling doctrine that does not apply where there exists a statute of limitations (and thus no gaps). Therefore, the doctrine of laches may not be applied to bar legal remedies for patent cases brought within the statutory six-year limitations period. First Quality and Justice Breyer objected to this line of reasoning on the grounds that § 286 is not a true statute of limitations (unlike § 507(b)) and that inequitable scenarios may arise within the six-year statutory period that require laches as a defense.

The majority was right about the similarities between the copyright and patent provisions, but wrong about the implications for laches. As the following sections will explore, § 286 is practically similar to § 507(b)’s statute of limitations in light of the “separate-accrual rule.” However, both statutes leave gaps in the law that can lead to inequitable scenarios, which have greater impact in the patent, versus copyright, context. These gaps call for the application of laches to avoid the very unfairness that laches was developed to prevent.

In this Part, Section A analyzes differences and similarities between § 286 and § 507(b). Section B addresses the question of whether these statutes adequately fulfill the traditional purposes of statutes of limitations or leave gaps that can only be filled by laches. Section C discusses the future of SCA and other patent infringement cases. Finally, Section D offers suggestions to amend the Patent Act to cure the current inequitable effects of § 286.

A. SECTION 286 AND § 507(b) ARE EFFECTIVELY EQUIVALENT

At first glance, the Patent Act’s § 286 seems different from the Copyright Act’s § 507(b) since § 286 defines the statutory period by counting backward while § 507(b) defines the statutory period by counting forward. However, the Supreme Court concluded that “[a]lthough the relevant statutory provisions in Petrella and this case are worded differently, Petrella’s reasoning easily fits the provision at issue here.” While the Court was right to conclude that the two provisions are more alike as a practical matter than their language suggests, it failed to fully explain why this is the case. The key to understanding the fundamental similarity is the separate-accrual rule, discussed below.

73. See id. at 960 (explaining the similarities between Petrella, § 507(b), and § 286).
75. See id. at 957.
76. Id. at 961.
1. Counting Forward vs. Counting Backward

A statute of limitations can be recognized by elements contained in the wording and the purposes it accomplishes. The Supreme Court has stated, “[s]tatutes of limitations establish the period of time within which a claimant must bring an action. As a general matter, a statute of limitations begins to run when the cause of action ‘accrues’—that is, when ‘the plaintiff can file suit and obtain relief.’”\(^{77}\) Thus, a statute of limitations should describe: (1) the period of time within which a claimant must bring suit (the limitations period); and (2) the event that begins the clock for the limitations period (usually the point in time when the plaintiff is able to file suit). It follows from the second element that statutes of limitations traditionally count forward from a specific start point to establish a window of time to file suit.

While § 507(b) contains both elements, § 286 only contains the first element. Section 507(b) states, “[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.”\(^{78}\) In copyright law, the limitations period is three years, which begins to run when a copyright claim accrues. By contrast, § 286 states, “Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action . . . .”\(^{79}\) In patent law, the limitations period is six years, which does not begin to run at any point. Instead, § 286 counts backward from the date of filing to determine whether the infringement event falls within the limitations period.

First Quality and Justice Breyer clearly articulated this difference in statutory language in order to distinguish \textit{SCA} from \textit{Petrella}, and the \textit{SCA} majority failed to give a satisfactory reply. The majority responded by saying that “\textit{Petrella} described the Copyright Act’s statute of limitations in identical terms . . . ‘running only three years back.’”\(^{80}\) Additionally, the majority stated that the discovery rule (i.e., the limitations period begins at the accrual of the claim) “is not a universal feature of statutes of limitations.”\(^{81}\) These responses do not address the substantive similarities between § 507(b) and § 286. The separate-accrual rule, however, offers a persuasive rebuttal to Justice Breyer and First Quality’s arguments.

\(^{80}\) \textit{SCA}, 137 S. Ct. at 961. However, just because the statute in \textit{Petrella} was described as “running . . . back” does not make § 507(b) a count backwards statute.
\(^{81}\) \textit{Id.} at 962.
The separate-accrual rule states that “when a defendant commits successive violations, the statute of limitations runs separately from each violation.” While both First Quality and SCA discussed the separate-accrual rule in their briefs, the Supreme Court did not address it at all. The rule, however, may provide the strongest argument in support of the Court’s decision. In the case of a traditional count-forward statute of limitations, such as in copyright law, this rule effectively extends the limitations period indefinitely if the defendant continues to commit violations. Thus, the separate-accrual rule makes a count-forward statute of limitations have the same practical effect as a count-backward statute of limitations.

For example, consider the following hypothetical scenarios using the facts of SCA. The first applies a count-forward statute of limitations without the separate-accrual rule, and the second does the same with the separate-accrual rule.

By counting backwards, § 286 did not bar SCA from bringing suit since SCA was still selling the infringing diapers six years prior to the suit. However, if § 286 were a traditional count-forward statute of limitations and the separate-accrual rule did not apply, SCA would be completely barred from suing First Quality.

In order to arrive at this conclusion, it is important to determine the traditional elements of a statute of limitations: the limitations period and the event that would trigger the limitations period. The limitations period in § 286 is six years. The text of § 286 does not mention any beginning point of those six years since it describes a count-backward statute of limitations. For the sake of comparison, the beginning date of the six-year limitations period is assumed to be when SCA fully discovered its cause of action against First Quality. Since SCA finished its patent infringement analysis in October 2003, October 31, 2003 is assumed to be the beginning of the limitations period. Under this assumption, because SCA filed suit on August 2, 2010, SCA filed suit six years, nine months, and two days after the statute of limitations began. Thus, the six-year statute of limitations had run, and SCA would be

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83. See id. at 1964.
84. See Heimeshoff v. Hartford Life & Accident Ins. Co., 134 S. Ct. 604, 610 (2013) (“Recognizing that Congress generally sets statutory limitations periods to begin when their associated causes of action accrue, this Court has often construed statutes of limitations to commence when the plaintiff is permitted to file suit.”).
barred from all relief as a matter of law regarding the infringement of its ’646 patent.

However, under the separate-accrual rule, SCA would not be time-barred by a traditional count-forward statute of limitations. First Quality created additional causes of action with each subsequent production or sale of an infringing diaper. These additional causes of action would have begun new count-forward limitations periods.

It then follows that both a count-forward statute of limitations (with separate accrual) and a count-backward statute of limitations should not bar SCA from bringing suit against First Quality. The practical effect of barring suits in both types of limitations periods is the same. Therefore, the difference between § 507(b)’s and § 286’s statutory language is not a viable argument to distinguish the two, because copyright law is a count-forward statute of limitations that deploys a separate-accrual rule. Figure 1 provides a visualization of the mechanisms of count-forward and count-backward statute of limitations and how, in practical effect, both rules provide the same limitations periods.
Regardless of whether a statute uses a running forward limitations period, (a), or a running backward limitations period, (b), the result of whether or not a claimant may bring suit is the same.

The separate-accrual rule, applied in copyright law and mirrored by a count-backward statute of limitations in patent law, is peculiar in the way that it separates infringement violations. Each successive action, infringing upon
the same patent by the same infringer and potentially through the development of the same product, is counted as a separate cause of action meriting a new limitations period. This is markedly different from traditional count-forward statutes of limitations without separate-accrual, such as those in the real property context. Under the traditional rules, a patent holder would only have six years to file suit from the moment the patent holder learned of infringement.

Some statutes of limitations, like those for the doctrine of adverse possession, do not include a separate-accrual rule. In fact, the doctrine of adverse possession shows that the separate-accrual rule is not required in a well-functioning property system. A person may gain title to a property through adverse possession when that person has trespassed upon the property for a set amount of time (the statutory period), among other requirements. The policy purposes behind adverse possession include, among others, keeping stale claims out of court, protecting individuals who believe that they rightfully own the land they are using, and promoting the efficient use of land. The separate-accrual rule does not apply; each successive instance of trespass does not trigger the start of a new statutory period for the purposes of establishing adverse possession (e.g., when the adverse possessor leaves for and returns from work). Otherwise, it would be impossible to fulfill the statutory period requirement for adverse possession and the doctrine would be moot.

With the separate-accrual rule, § 507(b)’s count-forward statute of limitations is effectively equivalent to § 286’s count-backward statute of limitations. However, as discussed below, both statutes may fail to support fundamental statute of limitation policy purposes. Therefore, instead of supporting the Supreme Court’s holding in SCA, the similarity between § 286

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86. See Ward v. Cochran, 150 U.S. 597, 607 (1893) (“If the adverse occupant has maintained an exclusive adverse possession for the full extent of the statutory limit, the statute then vests him with the right of property, which carries with it the right of possession, and therefore the title becomes complete in him.”) (citing Horbach v. Miller, 4 Neb. 31 (1875)).

87. See Piatt v. Vattier, 34 U.S. 405, 416 (1835) (“The courts of equity... will not entertain stale demands... has always refused its aid to stale demands, where the party has slept upon his rights, or acquiesced for a great length of time.”).

88. This is similar to granting reasonable repose. See Melver v. Ragan, 15 U.S. 25, 29 (1817) (“The statute of limitations is intended, not for the punishment of those who neglect to assert their rights by suit, but for the protection of those who have remained in possession under colour of a title believed to be good.”).

89. See, e.g., Chaplin v. Sanders, 676 P.2d 431, 435 (Wash. 1984) (“The doctrine of adverse possession was formulated at law for the purpose of, among others, assuring maximum utilization of land...”).
and § 507(b) indicates that both statutes allow for unequitable scenarios (gaps), and strongly suggests that laches still have a role in the IP system.

B. UNFAIR GAPS IN THE LAW STILL REMAIN AND REQUIRE THE APPLICATION OF LACHES IN PATENT LAW

Because of the functional similarities between § 286 and § 507(b), both the count-backward statute of limitations and the count-forward statute of limitations with the separate-accrual rule fail to provide reasonable repose to defendants and fail to discourage plaintiffs from delaying their suits. Although the Court rejected these policy arguments in Petrella,90 it also overlooked key concerns.91 Decisions like Petrella and SCA perpetuate a particular type of “notice externality,” whereby IP owners are incentivized to obfuscate the scope of their rights.92 These deficiencies in § 507(b) and § 286 are particularly inequitable in the case of the innocent infringer, who is not placed on notice of his or her infringement. Furthermore, differences between copyright law and patent law show that it is most critical for laches to intervene on behalf of innocent patent infringers.

1. Section 286 Is Inconsistent with the Purposes of Statutes of Limitations

The Supreme Court stated that “[s]tatutes of limitations are designed to promote justice by encouraging plaintiffs to pursue claims diligently and begin to run when a claim accrues.”93 However, a closer look into both of these policy rationales shows how § 286, and to a lesser extent § 507(b), fails to adequately serve fundamental statute of limitations rationales in the intellectual property context.

The language of § 286 provides no bar against a patentee who waits ten, fifteen, or twenty years to sue for patent infringement. A patentee may wait for an innocent infringer to build an empire based off of the infringing patent

90. See, e.g., Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962, 1965–66 (2014) (“MGM insists that the laches defense must be available to prevent a copyright owner from sitting still, doing nothing, waiting to see what the outcome of an alleged infringer’s investment will be. It is hardly incumbent on copyright owners, however, to challenge each and every actionable infringement. And there is nothing untoward about waiting to see whether an infringer’s exploitation undercuts the value of the copyrighted work, has no effect on that work, or even complements it.”).

91. See Ochoa & Wistrich, supra note 13, at 457 (quoting Jolly v. Eli Lilly & Co., 44 Cal. 3d 1103, 1112 (1988)).

92. Peter S. Menell & Michael J. Meurer, Notice Failure and Notice Externalities, 5 J. LEGAL ANALYSIS 1 (2013) (“The incentives of those claiming intellectual property diverge from the social interest. Inventors and creators can sometimes benefit from obfuscating the scope of rights and keeping others in the dark about their intellectual property.”).

and then sue to collect damages incurred within the perpetually-extending limitations period. In the high-tech era of multi-component products, like smartphones, it is highly plausible that an enterprising inventor would not be aware of every patentee that may have a claim to its product. Additionally, a tricky patentee may “slumber until evidence has been lost, memories have faded, and witnesses have disappeared” before initiating a suit. Thus, the defendant would be at a severe disadvantage when alleging patent invalidity and at risk to lose a much greater amount in damages solely due to the passage of time.

While § 286 would limit infringement damages to the most recent six years, it does not protect the enterprising inventor from overcommitting time and money into the product over the course of twenty years. Infringement damages are likely to be higher in the later stages of an infringing product’s life than in its developmental stages. Thus, § 286 fails to encourage “plaintiffs to pursue claims diligently,” because plaintiffs have a financial incentive to wait and sue when a business becomes profitable.

Since a patentee may bring suit many years after learning of infringement, § 286 also fails to provide potential infringers with “reasonable repose” that they will not be sued. Innovators are not guaranteed that six years after a release of their product they are free from patent infringement suits. Instead, innovators are forced to live in constant fear of litigation.

Section 286 thus fails to serve the two quintessential purposes of statutes of limitations. While § 286 acts as a limitation on damages reaching back to a maximum of six years prior to the suit, it neither provides reasonable repose nor adequate incentive to pursue timely suits. While plaintiffs may not get more than six-years’ worth of damages at one time, they can wait and choose which six years to collect on damages. In some cases, choosing a later six-year time frame would result in a much greater amount of damages, and thus much greater bargaining power for the plaintiff. Justice Breyer states in his dissent, “[t]he possibility of this [delayed suit] reveals a ‘gap.’ Laches works to fill the

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94. In a case study, researchers found that thousands of patents and patent applications were essential to the 3G technology in cellular phones. Furthermore, these patents were assigned to over forty different companies. Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 Tex. L. Rev. 1991, 2025–26 (2007) (“For [one important piece of the 3G technology], based on reporting at ETSI, they identified 6,872 essential patents and patent applications at the beginning of 2004 . . . . The relevant patents are assigned to forty-one different companies . . . .”).


96. *Id.* at 457 (quoting *Jolly v. Eli Lilly & Co.*, 44 Cal. 3d 1103, 1112 (1988)).
gap by barring recovery when the patentee unreasonably and prejudicially delays suit.\footnote{97}

While § 286 leaves open such gaps and fails to address important public policy issues, the following Section will show how these deficiencies are not limited to statute of limitations policy rationales. The deficiencies in § 286 also contribute to pressing problems specific to the patent context.

2. Section 286 Contributes to the Non-Practicing Entity Problem in Patent Law

Non-practicing entities (NPEs) pose problems in current patent law. Their business model of amassing patents in order to sue innovators for infringement damages or licenses runs counter to the fundamental goal of intellectual property rights.\footnote{98} There is the potential for abusive behavior where NPEs use the threat of injunction, significant damages, or the cost of litigation to extort settlement fees or exorbitant licensing fees from defendant companies.\footnote{99} There is increased danger for abusive behavior in the patent system under § 286, as a patentee may wait and choose to sue in the defendant’s most profitable six years.

The removal of laches as a defense contributes to the market problem of notice failure and notice externalities by further incentivizing NPEs to obscure their patents and delay filing suit. A notice externality arises when the property owner receives less return for providing notice than not providing notice. A patent owner may benefit more from withholding notice when costs of providing notice are high or when a third party infringes on the patent.\footnote{100}

In particular, NPEs would benefit in a patent hold-out scenario, where their patents take on enormous value if the claimed technology becomes essential to a company’s large project.\footnote{101} The possibility of high returns in hold-out scenarios encourages NPEs to hoard patents and withhold notice to

\footnote{97. SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 968 (2017).}
\footnote{98. See supra note 4.}
\footnote{99. See eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 396 (2006) (“For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.”).}
\footnote{100. See Menell & Meurer, supra note 92, at 8 (“A notice externality arises when the private returns to providing notice information are less than the social value. This can happen because providing notice can be costly, but also because resource owners sometimes benefit when a third-party trespasses on or infringes her rights.”).}
\footnote{101. See id. at 15 (“The classic pipeline assembly problem illustrates the hold-out problem that can arise when single parcels having relatively low value on their own take on enormous leverage when they become essential to a large project.”).}
potential defendants. Without notice, defendants then carry the heavy burden of identifying which claims, among millions, their products may be infringing. Therefore, by removing the defense of laches for unreasonable delays in bringing infringement suits, *SCA* provides greater notice externalities and leaves innovators more vulnerable to wasteful NPE suits.

3. *Innocent Infringers*

As discussed above, the § 286 and § 507(b) deficiencies produce particularly harsh results for the innocent infringer who had no notice of the infringement. In his *SCA* dissent, Justice Breyer highlights six cases where a circuit court granted the defense of laches to bar patent infringement damages that the majority conceded were indistinguishable from *SCA*. Of these six cases, two of the cases involved defendants who were oblivious to their infringing actions for many years while the patent owner had or should have had knowledge of infringement and later sued for infringement.

In *Mosler v. Lurie*, the defendants were not aware of infringement for more than eight years. The patent right in *Mosler* was transferred several times to owners that did not practice the patented technology. They made no efforts to ascertain whether the patent was being infringed. Thus, they were unaware of open and notorious infringement and did nothing to warn the defendant for over eight years. The court noted that if the defendants had notice of

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102. *See id.* at 14 (“Many of the rights will prove valueless, but even a small possibility of extracting substantial value from independent developers who commercialize similar technologies can justify the up-front claiming investment.”).

103. *See id.* at 14 (“Nonpracticing entities in the patent world benefit from the difficulty that the developers face in searching the millions of patents and patent claims.”); *See* Malcolm Gladwell, *In the Air: Who Says Big Ideas Are Rare?*, NEW YORKER (May 12, 2008), https://www.newyorker.com/magazine/2008/05/12/in-the-air [https://perma.cc/64XE-29KC] (reporting that large NPE, Intellectual Ventures, files 500 patents a year).


infringement, they likely would have avoided infringement with minor adjustments to their product.107

In *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, the defendants used the infringing product, coin-controlled locks, for 12 years in public toilet rooms before receiving notice of infringement.108 Plaintiffs testified that they had seen several of the infringing locks over the years, but still failed to take any action against defendants.109 Even after that time period and before bringing suit, the plaintiffs’ only contact with the defendant was one conversation.110

In both *Mosler* and *Universal Coin Lock*, the court affirmed the ruling of laches for the defendants. Modern defendants may be similarly unaware of infringement because of the sheer number of patents amassed by NPEs and because NPEs’ intentional failure to give notice. The problems illustrated by these older cases, combined with the contemporary rise of NPEs, demonstrate the policy gaps left by patent law’s statutory statute of limitations—a gap that the Court should have recognized justifies allowing for laches.

4. Copyright vs. Patent Cases

As discussed above, the policy problems regarding reasonable repose and incentivizing timely suits are present in both copyright and patent law due to the similarities of the statutes of limitations. *Petrella* failed to recognize these issues when it barred the use of laches in the copyright context. Further, due to key differences between copyright and patent cases, the decision to extend *Petrella* in *SCA* has worsened the policy concerns. Thus, while there is a place for laches in both copyright and patent law, the need is greater in the patent context.

First, innocent infringers are more likely to exist under patent law than under copyright law. Plaintiffs claiming copyright infringement must prove that the defendant had access to and copied the copyrighted material. Thus, independent creation of a copyrighted work is a complete defense under copyright law.111 However, such a defense does not exist under patent law.

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107. See id. at 371.
108. See *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781, 783 (7th Cir. 1939) (“It is undisputed that from 1922 up to June 10, 1936, except for the conversation between Woodward and Morris in 1934, plaintiff took no action against the defendants. This was 14 years after the defendants, generally and openly, in public toilet rooms in the city in which the officers of the plaintiff lived, had begun the use of guard flanges on their locks.”), abrogated by *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 137 S. Ct. 954 (2017).
109. See id. at 782.
110. See id. at 783.
111. Copyright plaintiffs must demonstrate that the accused infringer had access to the
Innocent inventors that happen to arrive at the same invention without any knowledge of the patent owner’s invention are still liable for infringement. Since the purpose of patent law is to “promote the Progress of Science and useful Arts,” innocent patent infringers should have the opportunity to alter their design and reconsider hefty investments before wasting resources in litigation.

One counter argument is that § 287’s requirement of marking a patented product provides sufficient notice to the public. However, the marking requirement does not apply to methods or processes if there is no physical product, like in software. Furthermore, the marking requirement does not mitigate unfairly delayed suits against innocent infringers who fail to find existing patents in the prior art. Finally, innovators may not determine that they are infringing immediately following the identification of a relevant patent because the infringement analysis can be a lengthy and technically complex process.

Second, patents can cause unfair “lock-in” scenarios in ways that copyrights cannot. Companies may choose between similar competing technologies for their product line. As companies continue to build on that technology, it becomes more tightly integrated with the end product, making it difficult for the company to switch to alternatives. This lock-in problem is particularly strong when the technology has been incorporated into an industry standard, which many industry participants have invested time and money to conform to. The patent holder of that technology has massive bargaining power to “extract supracompetitive royalties” from the industry players.

work in question and actually copied the work. Thus, independent creation is a complete defense in copyright. See MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.11[D][1] (Matthew Bender, rev. ed. 2018).


114. 35 U.S.C. § 287 (2012) (“Patentees . . . may give notice to the public that the same is patented, either by fixing thereon the word ‘patent’ or the abbreviation ‘pat.,’ together with the number of the patent . . . .”).

115. See Brief for Respondents, supra note 112 at 46 (“[D]etermining whether a patent is infringed requires a complex ‘technical evaluation’ and ‘prolonged analysis’ of the patent specification, claims, and art - unlike copyright infringement.”).

116. Broadcom Corp. v. Qualcomm Inc., 501 F.3d 297, 310 (3d Cir. 2007) (“When this occurs, the patent holder is in a position to ‘hold up’ industry participants from implementing the standard. Industry participants who have invested significant resources developing products and technologies that conform to the standard will find it prohibitively expensive to
Laches would deter such behavior, because it would prevent patentees from deliberately waiting for an industry to grow in order to acquire unfair bargaining power.

Third, § 286’s longer limitations period (six years compared to three years in § 507(b)) gives plaintiffs significantly more time to bring suit after a single infringement event. The longer limitations period also allows plaintiffs to fully assess whether bringing an infringement litigation would be worth the candle. This allows plaintiffs to lie in wait, after they have finished their assessment and decided to pursue litigation, so that their potential damages can increase. Thus, a plaintiff’s need to assess the worthiness of litigation is not an appropriate justification to deny the applications of laches in the patent law context.

The Court in Petrella stated that it is “hardly incumbent on copyright owners . . . to challenge each and every actionable infringement.” Since litigation is expensive and the infringement harm may not be great, it may not be economical to pursue every instance of litigation. The Court rejected the application of laches within the copyright statutory period because copyright owners should be allowed to wait and see whether litigation is worth pursuing, especially since § 507(b) only provides a three-year limitations period.

However, this argument that claimants must wait and see is much weaker when applied to the patent realm, especially in light of unscrupulous patentees such as NPEs. Section 286 gives a limitations period for patentees that is double the limitations period given to copyright owners. In the fast-paced industry of electronics and software, six years should be more than enough time for a patent holder to determine whether an infringing company has significantly butted into the patent holder’s market share so as to merit a lawsuit. Thus, laches in patent law should not be barred based upon the argument that the patentee must wait for the entire six-year period to elapse. The fact that § 286 provides a longer period than § 507(b) weakens the SCA Court’s argument that Petrella precludes the defense of laches within patent law’s statutory period.

5. Equitable Estoppel

In SCA, the Court attempted to quell policy arguments of “unscrupulous patentees inducing potential targets of infringement suits to invest in the production of arguably infringing products” by pointing to protection under
the doctrine of equitable estoppel.\textsuperscript{117} Equitable estoppel is a common law equitable defense that requires the defendant to show: (1) plaintiff patentee’s misleading conduct; (2) the defendant relied on that conduct; and (3) the defendant was materially prejudiced as a result.\textsuperscript{118} In \textit{SCA}, the defendant, First Quality, could have pointed to prior communications from SCA (or lack thereof) to show misleading conduct.\textsuperscript{119}

However, defendants are not able to rely on equitable estoppel in all unfairly delayed suits. Unlike laches, the defense of equitable estoppel does not require the plaintiff's unreasonable delay. Instead, equitable estoppel focuses on plaintiffs' misleading conduct and whether defendants relied on that conduct to their detriment.\textsuperscript{120} Thus, equitable estoppel is not available where the patent holder silently lies in wait without giving any notice to the innocent infringer because there is no misleading conduct.

\textit{SCA} and \textit{Petrella} are not good examples of unscrupulous plaintiffs who failed to put innocent infringers on notice. Cases like \textit{Mosler} and \textit{Universal Coin Lock} are much better examples. In both of those cases, the patent owner waited over eight years and twelve years, respectively, before notifying the defendant of infringement.\textsuperscript{121} In \textit{Mosler}, the plaintiff was unaware of the infringement because the plaintiff failed to do any research even though the infringement was open and notorious. In \textit{Universal Coin Lock}, it was unclear why the patentee failed to notify the infringer until after 12 years of open and notorious infringement.\textsuperscript{122}

\begin{itemize}
\item \textsuperscript{117} SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 967 (2017) ("We note, however, as we did in \textit{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.").
\item \textsuperscript{118} See A.C. Aukerman Co. v. R.L. Chaides Const. Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (setting forth the elements of the equitable estoppel defense against a patent infringement claim: misleading conduct of the patentee, reliance by the accused infringer, and material prejudice suffered by the accused infringer), \textit{abrogated by} SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 137 S. Ct. 954 (2017).
\item \textsuperscript{119} After First Quality responded to and rebutted SCA’s notice of infringement letter, SCA failed to notify First Quality of their reexamination proceedings of the relevant patent and failed to notify First Quality of their intentions to pursue a lawsuit. See SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, No. 1:10CV-00122-JHM, 2013 WL 3776173, at *2 (W.D. Ky. July 16, 2013).
\item \textsuperscript{120} See id. at *8.
\item \textsuperscript{121} See A.R. Mosler & Co. v. Lurie, 209 F. 364, 369–70 (2d Cir. 1913); Universal Coin Lock Co. v. Am. Sanitary Lock Co., 104 F.2d 781, 783 (7th Cir. 1939).
\item \textsuperscript{122} The patent infringer used infringing bathroom locks in public places throughout public bathrooms of hotels, railway stations, and department stores. See \textit{Universal Coin Lock}, 104 F.2d at 782.
\end{itemize}
While Mosler and Universal Coin Lock may have been cases of negligent idleness, modern patent holders have strong motives to intentionally stay silent. With the prospect of patent hold-up scenarios, NPEs may be heavily incentivized to remain silent as an infringing but growing technology becomes established in an industry. When the NPEs do finally sue, equitable estoppel will not protect innocent infringer defendants.

C. THE FUTURE OF SCA v. FIRST QUALITY AND OTHER PATENT INFRINGEMENT CASES

It is likely that First Quality will seek to limit damages or dismiss all damages through an equitable estoppel defense. Since the Federal Circuit reversed the district court’s grant of summary judgment on equitable estoppel due to an existing genuine issue of material fact, the parties will likely litigate the applicability of equitable estoppel in the district court.

Notably, the Supreme Court limited its holding to the remedy of damages when it stated, “[l]aches cannot be interposed as a defense against damages where the infringement occurred within the period prescribed by § 286.”\(^{123}\) Although the Court was silent on the application of laches to injunction, it is possible that the Court may be more comfortable applying laches to bar injunctions in light of their heavy repercussions. In eBay, Justice Kennedy warned that the threat of injunction allows NPEs to charge extremely high licensing fees in patent hold-up scenarios.\(^{124}\) However, the eBay decision also instated a four-factor test to determine whether or not a court should grant a permanent injunction.\(^{125}\) Instead of also applying laches in injunction cases, the Court may instead determine that the four-factor eBay test (especially the balance of hardship and public interest factors) adequately addresses policy arguments supporting the application of laches. If that is the case, then laches can only be available for patent claims if Congress amends § 286.


\(^{124}\) See eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 396 (2006) (“For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.”).

\(^{125}\) See id. at 391 (“A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”).
D. A CALL TO CONGRESSIONAL ACTION

Post-SC/A, it is up to Congress to amend the Patent Act to address current policy concerns. The problem of unscrupulous patent holders asserting delayed claims against innocent infringers can be solved by explicitly codifying the defense of laches. Alternatively, this problem can be cured by revising § 286 to be a count-forward statute of limitations in which the separate-accrual rule does not apply.\textsuperscript{126} The statute could also be amended to provide treble damages and attorneys’ fees to punish the repeat infringer defendant if the defendant continues to infringe the patent after a finding of infringement in the first suit. These amendments address the problem of plaintiffs having an unfairly long time to file suit without ever notifying innocent infringers, and yet also give patentees fair compensation for infringing actions.

Although less pressing, similar action should be taken in the copyright context. Both the separate-accrual rule in copyright law and its functionally equivalent count-backward statute of limitations in patent law are contrary to the purposes of statutes of limitations—reasonable repose, avoiding stale claims, and promoting the progress of science and useful arts. Thus, Congress should amend both § 286 and § 507(b).

V. CONCLUSION

The Supreme Court has held that laches may not be applied within the six-year limitations period set forth in 35 U.S.C. § 286. The Court relied heavily on its decision for copyright law in \textit{Petrella} and accurately compared the similarities between statute of limitations provisions in patent and copyright law. However, § 286’s count-backward statute of limitations allows patent holders to file suit long after first learning of infringement. This possibility runs counter to the fundamental statute of limitations policy rationales of providing reasonable repose and encouraging timely lawsuits. The danger of unscrupulous wait-and-see tactics also arises in copyright, but it raises greater concern in the patent context due to NPEs. The Court’s reliance on \textit{Petrella} may therefore be misplaced in light of key differences between patent and copyright law. Further, although the defense of equitable estoppel may be available to the defendants of SC/A, sneaky NPEs may get around the defense by failing to notify innocent infringers.

Therefore, Congress should consider amending § 282 to codify the defense of laches or amending § 286 to become a count-forward statute of limitations.

\textsuperscript{126} As discussed above in Section IV.A, the application of the separate-accrual rule to the traditional count-forward statute of limitations makes it functionally similar to § 286’s count-backward statute of limitations.
without a separate-accrual rule. For the same reasons, Congress should consider amending § 507(b) as well. These changes would address both the policy rationales behind statutes of limitations and the fundamental purpose of IP law—to promote innovation.