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Fed. Circ. Fight Looming On Patent Impact Of 'Raging Bull'

By **Ryan Davis**

Law360, New York (September 24, 2014, 7:18 PM ET) -- A Federal Circuit panel declined last week to address whether the U.S. Supreme Court's "Raging Bull" decision limiting laches as a defense in copyright cases applies equally to patent cases, but attorneys say the court now has an ideal opportunity to grapple with the issue en banc.

The panel ruled Sept. 17 that SCA Personal Care Inc. waited too long to file a patent suit against First Quality Baby Products LLC over adult diapers, so the case warranted dismissal based on laches, the equitable doctrine barring suits after unreasonable delays.

The court cited a 1992 en banc Federal Circuit decision that laches is available as a defense in patent cases and sidestepped SCA's argument that the court should reconsider that holding based on the Supreme Court's May decision in Petrella v. Metro-Goldwyn-Mayer Inc., a copyright case over the 1980 boxing film.

There, the justices held that laches couldn't be used to bar the plaintiff's copyright claims even after a nearly two-decade delay, creating an apparent conflict between copyright law and patent law on the issue.

In the SCA case, the panel held that the 1992 decision remains controlling precedent and pointed out that it "may only be overruled by the Supreme Court or an en banc panel of this court." Attorneys say this may signal to the full court that it should weigh in to sort out Petrella's impact on patent law.

"The way the panel addressed it really does tee it up for en banc review," said Martin Saad of Venable LLP. "It gives the Federal Circuit a chance to address this issue before there is a cert petition to the Supreme Court."

The panel was not saying that laches in patent law shouldn't be revisited in light of Petrella, just that it was a task for the entire court, which is "wholly appropriate," said Monte Cooper of Orrick Herrington & Sutcliffe LLP.

"The three judges weren't about to say that even though the Supreme Court made a landmark decision on copyright law, it was so clear that it applies to patent law that they had the power to overturn an earlier en banc decision, without a statement by the Supreme Court to that effect," he said.

The Petrella decision left wide open the question of whether it impacts patent law, since the justices

said in a footnote that "we have not had occasion to review the Federal Circuit's position" on laches in patent cases.

The SCA case "presents an obvious opportunity" for the Federal Circuit to resolve the uncertainty, Cooper said. Until the court weighs in on the issue, either in this case or another one, it will remain unsettled.

"There's no question that Petrella invites further review from the Federal Circuit," Cooper said. "Every laches case from now on will preserve that issue."

The laches issues in copyright law and patent law are similar but not identical. The Copyright Act includes a three-year statute of limitations for filing suits, which resets with every new act of infringement. In patent law, there is no statute of limitations, but damages are available only going back six years.

The Supreme Court ruling revived a suit by the daughter of "Raging Bull" author Frank Petrella against MGM, holding that laches could not be used to bar suits filed within the statute of limitations, no matter how long the delay.

It reversed a lower court's decision that the suit was barred by laches because Petrella filed it 18 years after learning she had the rights to a script by her father on which the film was purportedly based, even though alleged infringements, like sales of new DVDs, took place in the Copyright Act's three-year window.

"This court has never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period," the justices wrote.

The en banc Federal Circuit addressed the related issue in patent law in the 1992 case of A.C. Aukerman Co. v. R.L. Chaides Construction Co. It held that when there is an unreasonable delay, laches can be invoked to bar all damages based on infringement that took place before the case was filed, although not prospective relief, despite the Patent Act's provision allowing damages going back six years.

The court wrote that the six-year limitation on damages was not the same as a statute of limitations. As such, it is not "a guarantee of six years damages regardless of equitable considerations arising from delay in assertion of one's rights" and was not intended "to eliminate the long-recognized defense of laches," the court said.

In the decision last week, the panel wrote that "Petrella notably left Aukerman intact," citing the Supreme Court's footnote that it had not reviewed that decision or the issue of laches in patent law.

The panel thus applied the Aukerman standard and concluded that it was unreasonable for SCA to have waited more than six years to file suit after learning of First Quality's alleged patent infringement. It held that laches applied and SCA was barred from obtaining damages from the time before the suit was filed.

Although the panel declined to address the potential impact of Petrella on patent law, the issue is not going away, according to Donald Curry of Fitzpatrick Cella Harper & Scinto.

"The bar will continue to debate it, and we may see other panel decisions cropping up unless and until the en banc court takes it up," he said.

If the court were to adopt a standard for patent cases analogous to the one used by the Supreme Court, it would benefit plaintiffs, allowing them to recover damages from the time before they filed suit even if there were a delay, Curry said.

Nevertheless, since patent law and copyright law are based on two different statutes, it is far from certain that the en banc Federal Circuit or the Supreme Court would ultimately hold that Petrella compels a finding that laches is not available as a defense in patent cases.

"What you would expect in an en banc review is for the court to look at Petrella and also analyze the full panoply of legislative history to see whether the Patent Act and the Copyright Act should be evaluated in the same fashion, since there is a good chance they might not be," Cooper said.

Until that question is answered, attorneys will be watching the issue closely, he said.

"The obvious consequence of Petrella is that it may apply to patent law, and the patent bar is acutely aware of that," he said.

Attorneys for the parties could not be reached for comment on the case.

The patent-in-suit is U.S. Patent Number 6,375,646.

U.S. Circuit Judges Todd Hughes, Jimmie Reyna and Evan Wallach sat on the panel for the Federal Circuit.

SCA is represented by Martin Black, Kevin Flannery and Teri-Lynn Evans of Dechert LLP.

First Quality is represented by Kenneth George, Charles Macedo and Mark Berkowitz of Amster Rothstein & Ebenstein LLP.

The case is SCA Hygiene Products Aktiebolag v. First Quality Baby Products LLC, case number 2013-1564, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Kat Laskowski and Katherine Rautenberg.
