

## **Federal Circuit Patent Bulletin: *SCA Hygiene Prods. AB v. First Quality Baby Prods., LLC***

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September 17, 2014

*“A mere verbal charge of infringement, if made, followed by silence is not sufficient affirmative conduct to induce a belief that the patentee has abandoned an infringement claim.”*

On September 17, 2014, in *SCA Hygiene Prods. AB v. First Quality Baby Prods., LLC*, the U.S. Court of Appeals for the Federal Circuit (Reyna, Wallach, Hughes\*) affirmed-in-part, reversed-in-part, and remanded the district court’s summary judgment that SCA’s claims that First Quality infringed U.S. Patent No. 6,375,646, which related to certain adult incontinence products, were barred by laches and equitable estoppel. The Federal Circuit stated:

Laches is an equitable defense to patent infringement that may arise only when an accused infringer proves by a preponderance of evidence that a patentee (1) unreasonably and inexcusably delayed filing an infringement suit (2) to the material prejudice of the accused infringer. If these prerequisite elements are present, a court must then balance “all pertinent facts and equities,” including “the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant’s conduct or culpability” before granting relief. When found, laches bars retrospective relief for damages accrued prior to filing suit but does not bar prospective relief.

Delays exceeding six years give rise to a presumption that the delay is unreasonable, inexcusable, and prejudicial. Under this presumption, the burden of evidentiary production shifts from the accused infringer to the patentee. Both of these presumptions disappear if the patentee can identify evidence sufficient for a reasonable jury to conclude either that the delay was excusable or not unreasonable, or that it was not materially prejudicial. If the patentee meets this burden of production, the accused infringer must prove both elements of laches by a preponderance of evidence.

Equitable estoppel may only arise when an accused infringer shows by a preponderance of evidence that (1) a patentee, acting on the basis of accurate facts, communicated something in a misleading way, by words, conduct, or omission, to an alleged infringer, (2) on which the accused infringer relied, (3) such that he would be materially prejudiced if the patentee is allowed to assert a claim that is inconsistent with his earlier communication. But “even where the three elements of equitable estoppel are established, [a court must] take into consideration any other evidence and facts respecting the equities of the parties in exercising its discretion and deciding whether to allow the defense.” When found, equitable estoppel acts as a complete bar to a patentee’s infringement claim.

Although an equitable estoppel defense may appear similar to a laches defense when a patentee has delayed filing suit, the two defenses are distinct. For example, unlike laches, equitable estoppel requires that a “plaintiff’s inaction . . . be combined with other facts respecting the relationship or contacts between the parties to give rise to the necessary inference that the claim against the defendant is abandoned.” Moreover, equitable estoppel requires that the defendant rely, to its detriment, on the patentee’s abandonment. And a court may not presume that the underlying elements of equitable estoppel are present, regardless of how much time has passed. . . .

Reasonable explanations for delay include attempts to enforce the patent, such as filing suit against another infringer or participating in post-grant PTO proceedings. SCA asserts that the ‘646 patent reexamination proceedings provide a reasonable excuse for its delay in filing suit against First Quality. The district court disagreed. . . . Here, the PTO provided public notice of the reexamination proceedings on August 24, 2004. First Quality could have learned of those proceedings based on SCA’s initial notice of the ‘646 patent, coupled with the PTO’s subsequent notice of the reexamination. Under such circumstances, SCA was not required to provide notice of the reexamination to First Quality. . . . Given the circumstances, SCA should have been prepared to reassert its rights against First Quality shortly after the ‘646 patent emerged from reexamination. But SCA remained silent for more than three years after the patent came out of reexamination. Accordingly, SCA has failed to raise a genuine issue of material fact regarding the reasonability of its delay. Viewing all of the facts in the light most favorable to SCA, no reasonable fact-finder could conclude that SCA’s delay, viewed as a whole, was reasonable. . . .

The district court ruled that “SCA unquestionably misled First Quality though [sic] its 2003 letter and subsequent inaction.” The court focused on SCA’s failure to respond to First Quality’s letter addressing the ‘646 patent and on SCA’s decision to write First Quality regarding different products and a different patent. In the court’s view, “[w]hether this letter ‘is viewed as a tacit withdrawal of the [‘646 patent] or as misleading silence with respect to the [‘646 patent], the result is the same, for it was reasonable for [First Quality] to infer that

[SCA] was not continuing the accusation of infringement as to the ['646 patent].” We disagree. “[S]ilence alone will not create an estoppel unless there was a clear duty to speak or somehow the patentee’s continued silence reinforces the defendant’s inference from the plaintiff’s known acquiescence that the defendant will be unmolested.” Although the most common example of equitable estoppel is a patentee who objects to allegedly infringing activities and then remains silent for a number of years, that silence must be “coupled with other factors, [such that the] patentee’s ‘misleading conduct’ is essentially misleading inaction.”  
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SCA and First Quality exchanged only six terse letters over a course of eight months. . . . Moreover, the record does not suggest that the parties engaged in serious discussions involving the accused products or any related patent, let alone the '646 patent. Nor does the record suggest that SCA and First Quality had been adversaries in prior related litigations or that they held any other close relationship. Nevertheless, First Quality maintains that SCA’s silence was tantamount to an admission that the '646 patent was invalid. But “a mere verbal charge of infringement, if made, followed by silence [i]s not sufficient affirmative conduct to induce a belief that [the patentee] ha[s] abandoned an infringement claim.” Here, SCA almost immediately filed a request or ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA’s alleged acquiescence. Thus, record evidence supports a version of events that differs from First Quality’s. A reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action. To justify summary judgment of equitable estoppel, any inference that a patentee made a misleading communication by omission or acquiescence “must be the only possible inference from the evidence.” That is not the case here. Accordingly, genuine issues of material fact remain as to whether SCA made a misleading communication to First Quality.