

SCA HYGIENE PRODUCTS AKTIEBOLAG v. FIRST QUALITY BABY PRODUCTS, LLC,
Appeal No. 2013-1564 (Fed. Cir. September 17, 2014). Before Reyna, Wallach and Hughes.
Appealed from W.D. Ky. (Judge McKinley).

Background:

On October 31, 2003, SCA sent First Quality a letter alleging that certain First Quality products infringed SCA's patent (the '646 Patent). First Quality responded by asserting that a prior patent (the '649 Patent) constituted prior art against the '646 Patent, rendering it invalid. Thereafter, SCA filed an *ex parte* reexamination request for its '646 Patent. In March 2007, the USPTO confirmed the patentability of all original claims.

In 2006, while the '646 Patent was under reexamination, First Quality began expanding its product line, and had spent more than \$10 million by 2009. In 2010, SCA filed an infringement suit against First Quality, and First Quality counterclaimed and moved for summary judgment for laches and equitable estoppel. The district court granted First Quality's motion for summary judgment. SCA appealed.

Issues/Holdings:

Did the district court properly evaluate the factors for the defense of laches? - Yes, affirmed.

Did the district court properly grant summary judgment on the defense of equitable estoppel? - No, reversed and remanded.

Discussion:

The Federal Circuit held that the district court properly determined that the laches presumptions applied because SCA waited more than 6 years to file suit against First Quality. In order to assert a defense of laches, an accused infringer must show that a patentee unreasonably and inexcusably delayed filing suit causing material prejudice to the accused infringer. The Federal Circuit agreed that since SCA waited more than 6 years in total, including more than 3 years after the completion of the reexamination proceedings, the delay is presumed unreasonable. The Federal Circuit held that First Quality suffered economic prejudice due to the delay in filing suit. Economic prejudice is determined by a change in the economic position of the alleged infringer during the period of delay. Specifically, a nexus must exist between the delay and the economic harm to show that the harm likely would have been prevented by filing an earlier suit. The Federal Circuit determined that record evidence suggests that, if SCA had filed suit earlier, First Quality would not have expended more than \$10 million and would likely have restructured its plans to expand its product line.

Further, the Federal Circuit held that the district court improperly determined that SCA "unquestionably" misled First Quality in its initial 2003 letter and by its subsequent inaction. Equitable estoppel arises when a patentee communicates to an alleged infringer in a misleading way, by words, conduct or omission, on which the alleged infringer relies causing material prejudice. The Federal Circuit held that silence alone does not estop a party unless there is a clear duty to respond. Based on testimony by First Quality's in-house counsel, the Federal Circuit held that summary judgment was not appropriate because there still existed a genuine issue of material fact as to whether First Quality relied on its own opinion that the '646 patent was invalid, or relied on SCA's silence.