FILLING THE GAP LEFT BY *SCA HYGIENE PRODS. AKTIEBOLAG V. FIRST QUALITY BABY PRODS., LLC*: THE ROLE OF EQUITABLE ESTOPPEL IN PATENT LAW

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INTRODUCTION

On March 27, 2017, the Supreme Court issued its opinion in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC* and departed from over a century of precedent concerning equitable defenses in patent law.[1] The Court's holding specifically disrupted the balance between laches and equitable estoppel, two equitable defenses that share a long history of development and application in patent cases.[2] While the defenses are similar and even share overlapping elements, they are not identical.[3] Instead, laches and equitable estoppel each developed to address particular forms of inequitable conduct, such that only together can they serve as a complete shield for patent defendants.[4]

The judgment of the Court in *SCA Hygiene* opened a "gap" in protection afforded to patent defendants by outright prohibiting laches as a defense against infringement damages that occur within the preceding six years of the filing date of a patent infringement action.[5] First Quality and its *amici* alerted

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[1] 137 S. Ct. 954, 967 (2017) (Breyer, J., dissenting).

[2] *See, e.g.*, Ford v. Huff, 296 F. 652, 657 (5th Cir. 1924) (barring inventor's claim for royalty payments on grounds of both laches and equitable estoppel).

[3] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 767 F.3d 1339, 1343 (Fed. Cir. 2014), *reh'g en banc granted*, *vacated*, 2014 WL 7460970 (2014).

[4] *See* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1041–42 (Fed. Cir. 1992).

[5] *SCA Hygiene Prods.*, 137 S. Ct. at 967 (Breyer, J., dissenting).

the Court of the harsh policy consequences that would arise in the absence of laches.[6] However, the Court countered by stating that the sister doctrine of "equitable estoppel provides protection against *some* of the problems" that First Quality highlighted.[7] Such hope that equitable estoppel alone can provide sufficient protection seems particularly dim, however, especially considering that the Federal Circuit in *SCA Hygiene* affirmed summary judgment on laches grounds yet *reversed* summary judgment on equitable estoppel grounds.[8] Thus, the Court's suggestion that equitable estoppel may alleviate the litigants' worries is couched in a case where equitable estoppel failed the defendant and laches alone succeeded.[9]

This article: (1) briefly summarizes the history of equitable estoppel alongside laches and the state of the defenses in patent law before the Supreme Court's decision in *SCA Hygiene*, (2) analyzes the holding of *SCA Hygiene* and the problems arising in the absence of laches, and (3) explores possible adaptations of equitable estoppel and legislative solutions to repair the "gap" that *SCA Hygiene* creates in a patent defendant's ability to respond to inequitable conduct of infringement plaintiffs.

I. EQUITABLE ESTOPPEL AND LACHES: A BACKGROUND AND HISTORY IN PATENT LAW

The defenses of equitable estoppel and laches are deeply rooted in centuries of jurisprudence and apply far beyond the context of patent law. In their broadest forms, these defenses achieve the same goal: they "stop" a claimant from pursuing a genuine claim.[10] Although successful defenses under these doctrines inevitably result in otherwise meritorious claims going unanswered, courts balance the underlying equities and note that "there is justice too in an end to conflict and in the quiet of peace."[11]

[6] *Id.* (majority opinion).

[7] *Id.* (emphasis added).

[8] 807 F.3d 1311, 1317, 1333 (Fed. Cir. 2015) (en banc) (reinstating the panel's decision to affirm summary judgment on laches grounds and to reverse summary judgment on equitable estoppel grounds).

[9] *See id.* at 1333.

[10] 1 DAN. B. DOBBS, DOBBS LAW OF REMEDIES DAMAGES-EQUITY-RESTITUTION § 2.3(5), at 84 (2d. ed. 1993).

[11] Env't Def. Fund, Inc. v. Alexander, 614 F.2d 474, 481 (5th Cir. 1980), *cert. denied*, 449 U.S. 919 (1980).

The Second Restatement of Torts provides a broad overview of equitable estoppel as a defense:

> (1) If one person makes a definite misrepresentation of fact to another person having reason to believe that the other will rely upon it and the other in reasonable reliance upon it does an act that would not constitute a tort if the misrepresentation were true, the first person is not entitled:
>
> > (a) to maintain an action of tort against the other for the act, or
> >
> > (b) to regain property or its value that the other acquired by the act, if the other in reliance upon the misrepresentation and before discovery of the truth has so changed his position that it would be unjust to deprive him of that which he thus acquired.[12]

From this definition, the courts generally extract three key elements necessary to establish equitable estoppel.[13] The first element is misleading communication by a knowledgeable actor—including communication through words, conduct, or silence.[14] The second element is reasonable reliance by a defendant upon the actor's misleading communication.[15] Finally, the third element is material harm to the defendant if the actor is allowed to assert a claim inconsistent with his earlier communication.[16]

The Second Restatement of Torts provides a notably amorphous description of laches: "any unreasonable delay by the plaintiff in bringing suit is one of the factors to be considered in determining the appropriateness of injunction against tort."[17] Instead of a three-step analysis like that of estoppel, the courts generally identify only two key elements necessary to establish laches.[18] The first element is a lack of diligence by the party against

[12] RESTATEMENT (SECOND) OF TORTS § 894 (AM. LAW. INST. 1979).

[13] DOBBS, *supra* note 10, at 85.

[14] *Id.*

[15] *Id.*

[16] *Id.*

[17] RESTATEMENT (SECOND) OF TORTS § 939 (AM. LAW. INST. 1979).

[18] *Id*. cmt. b.

whom the defense is asserted.[19] The second element is prejudice to the party asserting the laches defense.[20]

The broad applicability of equitable estoppel and laches results in often confusing implementations of the respective defenses.[21] The close relationship between them can sometimes even result in scenarios where the defenses are identical.[22] In other instances, such as in the context of copyright law, the test for estoppel is more exacting than the test for laches.[23] This increased difficulty in proving equitable estoppel relative to laches carries over to other aspects of intellectual property law as well, including trademark law and patent law.[24] As discussed below, equitable estoppel in patent law was originally developed alongside laches in courts of equity, was then incorporated into the statutory infringement defenses, before finally becoming modernized by the Federal Circuit in *A.C. Aukerman Co. v. R.L. Chaides Construction Co*.

A. Historical Foundations in Patent Law

The early cases in equity fail to clearly identify elements of equitable estoppel particularized to patent law.[25] However, the early cases do note that equitable estoppel is more difficult to establish than laches in a patent case because estoppel provides the defendant with a more powerful remedy.[26] Although the case concerns a trademark dispute, *Menendez v. Holt* sets the groundwork for this distinction in patent law and later guides the Federal Circuit in distinguishing the defenses from one another.[27] In *Lane & Bodley Co. v. Locke*, the Supreme Court analyzed the defenses in the patent context

[19] Nat'l R.R. Passenger Corp. v. Morgan, 536 U.S. 101, 121–22 (2002).

[20] *Id.*

[21] A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1042 (Fed. Cir. 2014) *reh'g en banc granted, vacated*, 2014 WL 7460970 (2014) (quoting Jamesbury Corp. v. Litton Indus. Prods., Inc., 839 F.2d 1544, 1553–54 (Fed. Cir. 1988)) (noting that "[t]he test set out in *Jamesbury* confusingly intertwines the elements of laches and equitable estoppel and is expressly overruled").

[22] DOBBS, *supra* note 10, at 89.

[23] Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. 663, 684–85 (2014).

[24] *See* Menendez v. Holt, 128 U.S. 514, 523–24 (1888); *see also* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1332 (Fed. Cir. 2015) (en banc).

[25] *See generally* Lane & Bodley Co. v. Locke, 150 U.S. 193, 201 (1893).

[26] *See id.*; *Menendez*, 128 U.S. at 523–24; *see also Aukerman*, 960 F.2d at 1040.

[27] 128 U.S. at 523–24; *see also SCA Hygiene Prods.*, 807 F.3d at 1332; *Aukerman*, 960 F.2d at 1040.

and likewise noted that estoppel warrants harsher treatment for the plaintiff because the conduct justifying estoppel goes beyond the conduct necessary to justify laches.[28]

In *Menendez*, the Court explained that mere delay alone will not completely bar recovery for an intellectual property right unless the delay "has been continued so long, and under such circumstances, as to defeat the right itself."[29] Here, the plaintiff continuously utilized a trademark for flour from 1855 through 1888.[30] The defendant retired from the plaintiff's firm in 1869, yet continued to sell flour under the same trademark.[31] After a twelve-year delay, the plaintiff discovered the defendant's use and filed suit seeking an accounting for all gains and profits received during the twelve years before the filing, as well as an injunction barring the defendant's future use.[32] The Court declined to award the plaintiff an accounting for past profits because of the delay in filing suit, but granted an injunction preventing further use by the defendant.[33] Thus, the Court set out a distinction: mere delay on the part of the plaintiff, without more, precludes only past recovery, while misleading delay that rises to the level of abandonment or estoppel precludes both past *and* future recovery.[34]

The increased penalty resulting from misleading acquiescence amounting to estoppel, rather than mere delay amounting to laches, is directly addressed in the patent context in *Lane & Bodley Co. v. Locke*.[35] Here, the defendant hired the plaintiff as an engineer to assist in the production of elevators in 1871.[36] The plaintiff invented a stop valve in 1872 while working for the defendant, and immediately the defendant utilized the plaintiff's valve in its elevators.[37] The plaintiff patented his stop valve in 1874, and in 1875 and 1876, demanded that the defendant stop using the valve or reach a compensation arrangement for continued use.[38] The defendant refused and

[28] 150 U.S. at 201.

[29] 128 U.S. at 523.

[30] *Id.* at 522.

[31] *Id.*

[32] *Id.* at 523.

[33] *Id.* at 524.

[34] *Id.*

[35] 150 U.S. 193, 200 (1893).

[36] *Id.* at 197.

[37] *Id.* at 197–98.

[38] *Id.* at 198, 200.

continued to use the valve.[39] The plaintiff dropped the matter because he was still receiving a salary from the defendant and did not wish to disturb his earnings.[40] Following this silence, the plaintiff waited ten years before terminating employment with the defendant and filing for patent infringement.[41] The Court recognized that the plaintiff's conduct went beyond mere inaction and instead amounted to misleading acquiescence which entitled him to less favorable treatment in equity.[42]

While these early courts recognized the increased difficulty of proving equitable estoppel and the greater effect of its remedy, the particular elements of the defense in patent law remained murky and often blended with those of laches.[43] The Seventh Circuit made one of the earliest attempts to specify the type of conduct that warranted the harsher estoppel defense.[44] In *George J. Meyer Manufacturing Co. v. Miller Manufacturing Co.*, the Seventh Circuit found that both laches and equitable estoppel were warranted under the facts, and specified which facts justified the estoppel finding in addition to the laches finding.[45] Not only did the plaintiffs delay filing suit while the defendant invested in the patent, but also by their conduct encouraged the belief that such investments would not be disturbed.[46] Further, the plaintiffs directly addressed the defendant about possible patent infringement before withdrawing their challenge.[47] In sum, the plaintiffs "spoke, but voiced no protest against [the defendant's] alleged infringement" to such a degree that the defendant acted reasonably in relying on the assumption that it would be undisturbed regarding the patent.[48]

Other courts likewise explain the features that separate equitable estoppel from laches in the patent context, with the Federal Circuit providing the most

[39] *Id.* at 200.

[40] *Id.* at 200–01.

[41] *Id.* at 198.

[42] *Id.* at 201.

[43] Jean F. Rydstrom, Annotation, *Laches as Defense in Patent Infringement Suit*, 35 A.L.R. Fed. 551, § 2a (1977).

[44] George J. Meyer Mfg. Co. v. Miller Mfg. Co., 24 F.2d 505, 507 (7th Cir. 1928).

[45] *Id.* at 508.

[46] *Id.*

[47] *Id.*

[48] *Id.*

extensive delineation in its *Aukerman* and *SCA Hygiene* decisions.[49] However, before the more recent applications of the defenses, Congressional action and the passing of the 1952 Patent Act changed the terrain on which the historical groundwork for both defenses was constructed.

B. Incorporation into Statutory Defenses

Equitable doctrines in patent law are particularly susceptible to change because Congress possesses the ultimate authority to grant or extinguish patent rights.[50] In 1952, Congress exercised this authority and, for the first time since 1879, completely re-wrote the patent statutes.[51] While such extensive re-drafting had the potential to disrupt established precedent, the main purpose of the 1952 Act was to codify Title 35 of the United States Code into law with "only some minor procedural and other changes deemed substantially noncontroversial and desirable."[52] In short, the Patent Act of 1952 "codifie[d] the present patent laws" of the time.[53]

However, two statutes passed under the Act were critical to the development of both equitable estoppel and laches in patent law: 35 U.S.C. § 282 and 35 U.S.C. § 286.[54] First, the enactment of 35 U.S.C. § 282 established a specific list of the defenses that Congress authorized to be raised in an infringement action.[55] Second, the enactment of 35 U.S.C. § 286 established a time limitation on recoverable damages.[56] Following the enactment of each, the courts took great effort to ensure that the application

[49] *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1332 (Fed. Cir. 2015) (en banc); A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992); Advanced Hydraulics, Inc. v. Otis Elevator Co., 525 F.2d 477, 479–80 (7th Cir. 1975); Lukens Steel Co. v. Am. Locomotive Co., 197 F.2d 939, 941 (2nd Cir. 1952).

[50] U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have power . . . 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.").

[51] P. J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 163 (1993).

[52] H.R. REP. NO. 82-1923, at 3 (1952).

[53] 98 CONG. REC. 9323 (1952) (statements of Sen. Saltonstall and Sen. McCarran).

[54] 35 U.S.C. §§ 282, 286 (2018).

[55] 35 U.S.C. § 282 (2018).

[56] 35 U.S.C. § 286 (2018).

of equitable estoppel and laches comported with these statutory pronouncements.[57]

First, 35 U.S.C. § 282 sets forth the applicable defenses to a patent infringement suit.[58] Despite providing a list of defenses, the statute speaks in broad terms, sweeping up multiple defenses under blanket generalizations.[59] Neither equitable estoppel nor laches is expressly authorized.[60] Such failure to expressly include these equitable defenses has resulted in much debate regarding a court's authority to implement estoppel and laches in a patent case.[61]

The applicable portion of the 35 U.S.C. § 282 reads: "(b) Defenses. 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. . . ."[62] Despite the lack of specific enumeration, the commentary of a lead drafter of the Patent Act of 1952, P.J. Federico, clarifies that "[i]tem 1 specifies 'Noninfringement, absence of liability for infringement, or unenforceability' . . . this would include the defenses such as that the patented invention has not been made . . . and equitable defenses such as laches, estoppel and unclean hands."[63]

Relying on Federico's commentary, courts have singled out the term "unenforceability" within Section 282 to justify the continued application of equitable estoppel.[64] Generally, once a court determines that inequitable conduct has occurred in the drafting or enforcement of a patent, "all the claims—not just the particular claims to which the inequitable conduct is

[57] *See* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (holding that both laches and equitable estoppel are cognizable defenses under 35 U.S.C. § 282).

[58] 35 U.S.C. § 282 (2018).

[59] S. REP. NO. 82-1979, at 8–9 (1952) (explaining that the "five defenses named in R.S. 4920 are omitted and replaced by a broader paragraph specifying defenses in general terms"); H.R. REP. NO. 82-1923, at 10 (1952) (noting that the "defenses to a suit for infringement are stated in general terms").

[60] 35 U.S.C. § 282 (2018).

[61] *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 962–63 (2017) (discussing arguments that attempt to read a laches defense into the wording of 35 U.S.C. § 282); *Aukerman*, 960 F.2d at 1029.

[62] 35 U.S.C. § 282 (2018).

[63] P. J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993).

[64] *Compare SCA Hygiene Prods.*, 137 S. Ct. at 962–63, *with Aukerman*, 960 F.2d at 1029.

directly connected—are unenforceable."[65] Because a wide range of "inequitable" conduct can result in a patent becoming unenforceable, equitable defenses such as equitable estoppel that bar claims based on considerations of equity are codified under Section 282's "unenforceability" term.[66]

While courts linked equitable estoppel to Section 282's list of defenses, the task remained to ensure that it complied with 35 U.S.C. § 286. Section 286 establishes a time limitation on damages that counts backward from the date the suit is filed.[67] The applicable portion of Section 286 reads:

> 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 . . . .[68]

Whether this provision functions as a true statute of limitations for damages or merely a functional equivalent is the subject of a debate that the Supreme Court noted yet did not resolve.[69] Regardless, the question arose as to whether equitable defenses could bar recovery of damages that occurred within the six years prior to the filing of an infringement complaint.[70]

Originally, courts relied on the "except otherwise provided by law" language to justify applying both laches and equitable estoppel to bar damages even within the six-year period.[71] This language allows for equitable defenses codified under 35 U.S.C. § 282 to become "exception[s]" to the six-year damage recovery period of 35 U.S.C. § 286.[72] This reasoning, as applied to the laches defense, was the central issue driving the decision in *SCA Hygiene*—where the Court ultimately rejected the reasoning as to laches but left intact the justification as to equitable estoppel.[73] However, before *SCA*

[65] J.P. Stevens & Co. v. Lex Tex, Ltd., 747 F.2d 1553, 1561 (Fed. Cir. 1984).

[66] *Id.*

[67] 35 U.S.C. § 286 (2018).

[68] *Id.*

[69] *SCA Hygiene Prods.*, 137 S. Ct. at 962.

[70] *See id.* at 956–57.

[71] *See id.* at 962.

[72] *Id.*

[73] *Id.* at 967.

Hygiene, both equitable estoppel and laches were applicable within the limitations period and each fulfilled important roles as set out in *Aukerman*.[74]

C. A.C. Aukerman Co. v. R.L. Chaides Constr. Co.: Equitable Estoppel and Laches Before SCA Hygiene

Although the defenses of equitable estoppel and laches had long been applied in patent cases, the Federal Circuit convened en banc in 1992 specifically to "reconsider the principles of laches and equitable estoppel applicable in a patent infringement suit."[75] This reconsideration was more than mere clarification—the Federal Circuit not only untangled the legal principles of equitable estoppel and laches, but also modernized the defenses by pronouncing new principles that differed in some respects from the prior precedent.[76] The Federal Circuit was decisive in the new structure of the defenses, and even affirmed *Aukerman* in its consideration of *SCA Hygiene*, only to have its affirmation subsequently vacated in part as to laches by the Supreme Court.[77] Thus, *Aukerman* set the stage for the Supreme Court's eventual decision in *SCA Hygiene*.

The facts underlying *Aukerman* exemplify the typical scenario in patent cases that allows defendants to plead both laches and equitable estoppel together.[78] This typical scenario is summarized as follows: (1) a patent-holder discovers an alleged-infringer's conduct, (2) the patent-holder communicates or carries on a relationship with the alleged-infringer over a substantial period of time without filing suit, and (3) the patent-holder finally files suit years after first discovering the infringement.[79]

Here, the patentee Aukerman held a patent for a device that constructed highway barriers.[80] The alleged-infringer, Chaides, purchased a copy of the device from one of Aukerman's licensees.[81] The patentee informed the alleged-infringer on February 13, 1979, of the infringement allegation and

[74] A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1030 (Fed. Cir. 1992).

[75] *Id.* at 1026.

[76] *Id.* at 1028.

[77] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1317, 1333 (Fed. Cir. 2015) (en banc).

[78] 960 F.2d at 1026–27.

[79] *Id.* at 1026.

[80] *Id.*

[81] *Id.*

offered to license the subject patent.[82] The alleged-infringer declined the request and indicated that the patentee was free to file suit.[83] For more than eight years, the parties ceased communications, and in this interim, the alleged-infringer heavily invested in the device and substantially increased its business in building highway barriers.[84] Finally, nearly nine years later, the patentee again contacted the alleged-infringer before filing suit for patent infringement.[85] The district court granted summary judgment on both grounds of equitable estoppel and laches, which provided the Federal Circuit the opportunity to summarize and clarify the distinguishing features between the defenses.[86]

Concerning equitable estoppel, the Federal Circuit first noted that the defense was a cognizable, codified defense under 35 U.S.C. § 282.[87] Further, the court upheld the harsher remedy of equitable estoppel in a patent case, noting that it may entirely bar a patentee's claim.[88] Finally, the court clarified the previously muddled requirements of the equitable estoppel defense and definitively stated three elements that must be present: (1) misleading conduct that leads the alleged-infringer to believe that the patent will not be enforced, (2) reasonable reliance on that conduct by the alleged-infringer, and (3) material prejudice to the alleged-infringer if the patentee is allowed to press its claim.[89]

The first element of equitable estoppel focuses on the requirement that the patentee "communicate something in a misleading way" to the alleged-infringer.[90] Specifically, the communication, conduct, or representations made to the alleged-infringer must support the inference that the patentee will not attempt to enforce the patent against the alleged-infringer.[91] Even silence can be sufficient misleading conduct; however, the silence must occur when

[82] *Id.*
[83] *Id.* at 1026–27.
[84] *Id.* at 1027.
[85] *Id.*
[86] *Id.* at 1027–28.
[87] *Id.* at 1028.
[88] *Id.*
[89] *Id.*
[90] *Id.* at 1042.
[91] *Id.*

there is a corresponding duty to speak or must otherwise reinforce some previous indication of acquiescence.[92]

The second element of equitable estoppel focuses on the alleged-infringer's reliance on the patentee's misleading conduct.[93] The infringer must demonstrate that it was substantially relying on the patentee's communication when making the choice to proceed onward with the infringing business practice.[94] Thus, statements to the effect of "after the patentee's correspondence, we never thought about the patent infringement issue again" may destroy the reliance element.[95] The reliance is insufficient because the alleged-infringer has inadvertently admitted that it relied on other business considerations, rather than the patentee's misleading communications, when continuing the infringing conduct.[96] Relying on business considerations such as the existence of the alleged-infringer's own patents or suspicions that the patentee's patents are invalid will not support a claim for equitable estoppel.[97] The patentee's statements must reasonably lead the alleged-infringer to believe that the patentee has abandoned its infringement claim and must spur on the alleged-infringer's continued use of the patented subject matter.[98]

Finally, the third element of equitable estoppel requires that the alleged-infringer suffer material prejudice if the patentee is allowed to pursue its claim despite the earlier misleading communication.[99] Such prejudice may be either economic or evidentiary.[100] Economic prejudice can be shown if an alleged-infringer demonstrates that it has changed its economic position because of action or inaction of the patentee.[101] The most common form of

[92] *Id.* at 1043–44.

[93] *Id.* at 1042–43.

[94] *Id.*

[95] *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 767 F.3d 1339, 1351 (Fed. Cir. 2014); Gasser Chair Co. v. Infanti Chair Mfg. Corp., 60 F.3d 770, 776 (Fed. Cir. 1995) (reversing a judgement of equitable estoppel because the alleged-infringer "paid little attention" to the patentee's complaints).

[96] *Gasser Chair Co.*, 60 F.3d at 776.

[97] *Id.*; Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA, 944 F.2d 870, 879 (Fed. Cir. 1991).

[98] *Aukerman*, 960 F.2d at 1042; *Gasser Chair Co.*, 60 F.3d at 776.

[99] *Aukerman*, 960 F.2d at 1042; *Gasser Chair Co.*, 60 F.3d at 776.

[100] *Aukerman*, 960 F.2d at 1033.

[101] *E.g.*, Aspex Eyewear Inc. v. Clariti Eyewear, Inc., 605 F.3d 1305, 1312–13 (Fed. Cir. 2010).

economic prejudice occurs when the alleged-infringer, believing that its use of the patented subject matter will be undisturbed, greatly expands upon and invests in its alleged infringing activity during the period of silence or delay.[102] On the other hand, a delay results in evidentiary prejudice if memories of key witnesses necessary for the defense have faded, important documentation has been lost, or inventors have passed away.[103]

Even if all three of the elements of equitable estoppel are established, the trial court is not required to enter a finding of equitable estoppel.[104] The three elements merely lay the foundation that makes equitable estoppel available.[105] The trial court is required to further weigh the equities between both parties—considering any other evidence and facts—before exercising its discretion and deciding whether equitable estoppel should ultimately bar the suit.[106]

Concerning laches, the Federal Circuit similarly began by declaring that laches was a cognizable, codified defense under 35 U.S.C. § 282.[107] Further, the court upheld the traditional view that laches only bars a patentee's damages prior to the suit and does not bar prospective relief.[108] Finally, the court addressed the two elements of laches and the burden-shifting presumption that triggers if the plaintiff has delayed more than six years before filing suit.[109]

The elements of laches under *Aukerman* were (1) the patentee's delay between the time it knew or should have known of its claim and the time the patentee filed suit must be both unreasonable and inexcusable, and (2) material prejudice results to the alleged-infringer if the patentee is allowed to press its claim.[110] While the first element is unique to the laches defense, the second element requiring material prejudice is identical to the material prejudice element in the equitable estoppel analysis.[111] A burden-shifting presumption supplemented the laches elements. If an alleged-

[102] *See id.* at 1313.

[103] *See, e.g.*, Wanlass v. Gen. Elec. Co., 148 F.3d 1334, 1340 (Fed. Cir. 1998).

[104] *Aukerman*, 960 F.2d at 1043.

[105] *Id.*

[106] *Id.*

[107] *Id.* at 1028.

[108] *Id.* at 1041.

[109] *Id.* at 1028.

[110] *Id.* at 1032–33.

[111] *Id.* at 1042–43.

infringer established that the patentee delayed filing suit for more than six years after actual or constructive knowledge of the alleged infringing action, then the burden of production shifted to the patentee.[112] To overcome this presumption, the patentee would be required to present evidence showing that the delay was not unreasonable or inexcusable, or that the defendant was not materially prejudiced.[113]

Several key distinctions set out in *Aukerman* between the laches and equitable estoppel defenses are essential in order to recognize the full effect of the *SCA Hygiene* holding. First, each defense focuses on the conduct of a different party. Laches centers on the *plaintiff's* reasoning and explanation for causing delay, while equitable estoppel centers on the *defendant's* reasoning and reliance on the communications that it has received.[114] The differing focuses of the two defenses mean that an unreasonable or inexcusable delay by the plaintiff is not an element of the equitable estoppel defense.[115] Because no unreasonable or inexcusable delay is required, there is no corresponding length-of-time-based burden-shifting presumption applicable to the equitable estoppel defense.[116] Further, such a burden-shifting presumption is unavailable because equitable estoppel completely bars a patentee's claim, unlike laches which solely bars pre-suit damages.[117] Finally, and most significantly, equitable estoppel uniquely requires the defendant to rely directly on communication from the patentee; thus, "for equitable estoppel the alleged infringer cannot be unaware—as is possible under laches—of the patentee and/or its patent."[118] These distinctions set up a balance between the respective defenses that is subsequently disturbed by the holding of *SCA Hygiene*.

Without laches, equitable estoppel imposes a near insurmountable burden on the defendant in situations where an unknown plaintiff has remained silent and significantly delayed in filing suit. In these instances, estoppel can only be established if the silence is sufficiently misleading to amount to "bad

[112] *Id.* at 1037.

[113] *Id.* at 1038.

[114] *Id.* at 1034.

[115] *Id.* at 1041–42.

[116] *Id.* at 1043.

[117] *Id.*

[118] *Id.* at 1042.

faith."[119] The likelihood of proving express bad faith is slim considering that a patentee can explain away any bad-faith allegations by claiming its resources were devoted to other litigation or that it was unsure if infringement was actually occurring. Even in the few instances where express bad faith can be proven, equitable estoppel still arguably does not apply because the defense requires that the alleged-infringer infer that the patentee has abandoned its claims—which cannot occur if the alleged-infringer is unaware of the patentee.[120]

II. SCA HYGIENE: EQUITABLE ESTOPPEL STANDS ALONE AND PROBLEMS ARISE

Just like *Aukerman*, the underlying factual scenario in *SCA Hygiene* exemplifies the typical scenario where a patent defendant pleads both equitable estoppel and laches simultaneously. However, the timing of *SCA Hygiene* was particularly unfortunate for the defendants. While the Federal Circuit was reviewing the grant of summary judgment, the Supreme Court decided *Petrella v. Metro-Goldwyn-Mayer, Inc.* and removed laches as a defense within the Copyright Act's three-year limitations window.[121] Thus, the plaintiffs in *SCA Hygiene* presented the Federal Circuit with the challenge of reconciling its support of laches in *Aukerman* with the then-newly-announced Supreme Court denouncement of laches in *Petrella*.[122] Despite the Federal Circuit's continued support of *Aukerman*, the Supreme Court ultimately extended the reasoning of *Petrella* from copyright law into patent law, removing laches as a viable defense within the limitations window and disrupting the settled expectations of the inventing community.[123]

A. The Background and Facts of SCA Hygiene

The factual background and procedural timing of *SCA Hygiene* exposed the doctrine of laches in patent law to substantial judicial scrutiny. The

[119] TWM Mfg. Co. v. Dura Corp., 592 F.2d 346, 350 (6th Cir. 1979) (citing Walter Bledsoe & Co. v. Elkhorn Land Co., 219 F.2d 556, 559 (6th Cir. 1955)).

[120] *See* Hottel Corp. v. Seaman Corp., 833 F.2d 1570, 1574 (Fed. Cir. 1987).

[121] 572 U.S. 663, 668 (2014).

[122] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1315 (Fed. Cir. 2015) (en banc).

[123] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 967 (2017).

underlying patent dispute quickly developed into the typical scenario where both the laches and equitable estoppel defenses apply. Here, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (together "SCA") owned the rights to U.S. Patent No. 6,375,646 ("the '646 patent") which described the invention of a pants-type disposable diaper.[124] In October of 2003, SCA sent First Quality Enterprises, Inc. a letter which identified the "Prevail All Nites" brand of First Quality diapers that SCA believed was infringing the '646 patent.[125] First Quality responded to SCA's letter in November of 2003, denying any infringement and pointing SCA to an earlier patent ("the Watanabe patent") that First Quality believed invalidated SCA's '646 patent.[126]

SCA sent First Quality another letter in April of 2004, this time accusing First Quality of infringing a different SCA patent.[127] The parties exchanged correspondence regarding this second SCA patent, and SCA did not mention its earlier assertion regarding the '646 patent.[128] Then, in July of 2004, SCA initiated an *ex parte* reexamination with the U.S. patent office to determine if the Watanabe patent actually invalidated its '646 patent.[129] SCA never informed First Quality of the reexamination proceeding nor further acknowledged its continued suspicion that First Quality was infringing the '646 patent.[130]

The reexamination proceeding lasted for over three years, during which time First Quality continued to substantially invest in its line of "Prevail All Nites" products.[131] SCA received the results of the reexamination proceeding in March of 2007; the patent office upheld the validity of the '646 patent in light of the Watanabe patent.[132] After receiving these results, SCA waited another three years before contacting First Quality.[133] During this delay, First Quality continued with its business and invested over $10 million in the

[124] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, No. 1:10CV-00122-JHM, 2013 U.S. Dist. LEXIS 98755, at *3 (W.D. Ky. July 15, 2013).

[125] *Id.* at *3–4.

[126] *Id.* at *4–5.

[127] *Id.* at *5.

[128] *Id.*

[129] *Id.* at *6.

[130] *Id.* at *6–7.

[131] *Id.* at *6.

[132] *Id.*

[133] *Id.* at *16.

"Prevail All Nites" brand, purchasing the facilities to produce three new lines of hygienic products from another company in 2009.[134] SCA finally filed suit in August of 2010 alleging infringement of the '646 patent nearly seven years after the initial letter notifying First Quality of its suspicions.[135]

First Quality responded to the lawsuit by filing a motion for summary judgment on the grounds of laches and equitable estoppel.[136] Just like in *Aukerman*, the district court granted the motion for summary judgment on both grounds.[137] The summary judgment order was appealed to a three-judge panel of the Federal Circuit which reviewed both grounds for summary judgment. Considering both defenses, the panel affirmed summary judgment as to laches, yet reversed summary judgment as to equitable estoppel.[138] The panel acknowledged the seven-year delay of SCA was inappropriate but was unconvinced that the relatively limited interactions between the parties—a mere exchange of six letters—supported the harsher remedy of equitable estoppel at the summary judgment stage.[139] Accordingly, the Federal Circuit affirmed-in-part, reversed-in-part, and remanded for further proceedings on September 17, 2014.

However, the procedural timing of the panel's review undermined its support of laches in patent law. Just a few months before the panel's decision, the Supreme Court announced that laches could no longer bar a plaintiff's copyright claim within the Copyright Act's three-year limitation window.[140] The denouncement of laches in copyright law sparked concerns that the Court would extend its disapproval of laches to patent law, and likewise find that laches could not operate to bar a claim for damages within the Patent Act's six-year damage limitation window.[141] Many commentators felt such an extension would be inappropriate and counseled for the *Petrella* rationale to

[134] *Id.* at *20–21.

[135] *Id.* at *7.

[136] *Id.*

[137] *Id.* at *37.

[138] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 767 F.3d 1339, 1341 (Fed. Cir. 2014), *reh'g en banc granted, vacated*, 2014 WL 7460970 (2014).

[139] *Id.* at 1350–51.

[140] Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. 663, 667 (2014).

[141] Madelyn S. McCormick, Note, *Keeping Laches: The Loss of the Laches Defense in Copyright Infringement Cases Does Not Mean Depriving Patent Attorneys of the Time-Honored Defense*, 50 Suffolk U. L. Rev. 177, 178 (2017).

remain within the boundaries of copyright law.[142] SCA, however, directly challenged the Federal Circuit's laches precedent and claimed that *Petrella*'s denouncement of laches applied equally in the context of patent law.[143] Thus, the Federal Circuit reconvened en banc, vacating the panel's decision to once again evaluate the merits of summary judgment with respect to equitable estoppel and laches in patent law.

The primary focus of the en banc decision was to reconcile the prevailing support of laches under *Aukerman* with the new disapproval of laches under *Petrella*. The portion of the opinion addressing equitable estoppel follows a lengthy discussion on laches and simply adopts the reasoning of the panel in reversing summary judgment on equitable estoppel grounds.[144] The Federal Circuit instead labored significantly to conclude that *Petrella* in no way altered the application of laches in patent law, upholding *Aukerman* and even extending laches to potentially bar some forms of future injunctive relief as opposed to purely affecting pre-suit damages.[145] Three main justifications were woven together to support the continued application of laches within the six-year window of 35 U.S.C. § 286. First, the Federal Circuit noted that "a plethora of other cases assumes laches to preclude legal relief without discussion."[146] Next, the Federal Circuit relied on the commentary of the drafters of the Patent Act of 1952 to conclude that when Congress "codifie[d] the present patent laws" at the time, it implicitly approved of the widespread application of laches in patent cases.[147] Finally, the Federal Circuit turned to the "unenforceability" language in the enumeration of defenses within 35 U.S.C. § 282 to conclude that Congress codified laches as a defense within broad language of the statute such that laches could act as an exception to the limitations period of 35 U.S.C. § 286.[148]

[142] McCormick, *supra* note 141.

[143] Non-Confidential En Banc Brief of Plaintiffs-Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc., at 8–9, SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311 (Fed. Cir. 2015) (en banc) (No. 2013-1564), 2015 WL 1029520, at *2–3.

[144] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1332–33 (Fed. Cir. 2015) (en banc).

[145] *Id.*

[146] *Id.* at 1327.

[147] *Id.* at 1323–25.

[148] *Id.* at 1322–23.

B. The Majority's Decision to Jettison Laches Within the six-year Period of 35 U.S.C. § 286

Despite the Federal Circuit's extensive effort to harmonize *Petrella* with *Aukerman*, and to uphold laches in patent law, the Supreme Court granted review of the Federal Circuit's en banc decision and rejected this harmony. The Court countered the various rationales offered by the Federal Circuit in turn. Further, the policy arguments raised by First Quality and its *amici* failed to sway the Court from fully extending the logic of *Petrella* from the copyright context into the patent context.[149] Instead, the Court vacated the longstanding approach under *Aukerman* and declared laches inoperative as a defense against damages within the six-year window of the Patent Act.[150]

First, the Court dismissed a centuries-worth of application of laches in the patent context. Rather than considering the case law as a whole, the Court separated the cases cited by First Quality and the Federal Circuit into four groups—three groups before the Patent Act of 1952, and one group from 1952 to the present.[151] When looking at each distinct time period, the Court found no overwhelming national consensus regarding a patent-law-specific variation of laches.[152] The often muddled and unclear early decisions that laid the foundation for the equitable defenses in patent law offered no clear support for laches in the Court's view. The majority instead determined that any rule Congress implicitly adopted concerning laches would affirm the general rule recognized by the Supreme Court that "laches . . . is no defense at law."[153]

Second, the Court disagreed with the Federal Circuit's rationale that Congress impliedly codified laches in 35 U.S.C. § 282 as an exception to the six-year window of the statute. While the Federal Circuit noted that in some cases laches may operate within the period of a statute of limitations, neither First Quality nor the Federal Circuit could point to any other federal statute that simultaneously codified both a general statute of limitations and a laches exception.[154] The majority's view that Section 286 "represents a judgment by

[149] SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 967 (2017).

[150] *Id.*

[151] *Id.* at 964.

[152] *Id.*

[153] *Id.* at 963 (citing Wehrman v. Conklin, 155 U.S. 314, 326 (1894)).

[154] *Id.*

Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim" presents a much more plaintiff-friendly approach than the previous view under *Aukerman*, which refused to apply the six-year window without considering the underlying equities of both parties.[155]

After addressing the cases preceding the Patent Act of 1952, and rejecting the idea that laches was a codified exception to 35 U.S.C. § 286, the Court briefly rejected the remainder of First Quality's arguments in support of laches.[156] With respect to the post-1952 case law, the majority determined that Congress had done nothing to alter the meaning of Section 282. The Court then turned to the various policy arguments raised by First Quality and its *amici*. With respect to these arguments, the Court declared that it could not use its own policy views to overrule Congress. The Court did not stop there; instead, the Court further suggested, as it did in *Petrella*, that equitable estoppel could still provide protection against First Quality's fears—notably against the threat of unscrupulous patentees inducing potential targets of infringement suits to invest in arguably infringing products.[157]

C. Justice Breyer's Dissent: Acknowledging the "Gap" in Equity

Following the majority's declaration that patent defendants could turn to equitable estoppel in the absence of laches, Justice Breyer alone offered an ardent dissent. The dissent expresses concern that the majority's disregard of patent law's unique equitable history would open a "gap" and threaten patent litigants with harmful and unfair legal consequences.[158] While equitable estoppel might protect defendants from unscrupulous *inducement*, the defense in its current form struggles to protect defendants from unscrupulous *silence*, without some additional representation made between the parties.[159] Thus, if an opportunistic patentee lies in wait while observing an unaware target investing in the production of arguably infringing products, a

[155] *Compare id.* at 961, *with* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1030 (Fed. Cir. 1992).

[156] *SCA Hygiene Prods.*, 137 S. Ct. at 966.

[157] *Id.* at 967.

[158] *Id.* (Breyer, J. dissenting).

[159] Hemstreet v. Comput. Entry Sys. Corp., 972 F.2d 1290, 1295 (Fed. Cir. 1992) (noting that "mere silence must be accompanied by some *other* factor which indicates that the silence was sufficiently misleading as to amount to bad faith").

defendant will face great difficulty in establishing either the communication or reliance element of equitable estoppel.[160] Laches, not equitable estoppel, was the mechanism to protect innocent infringers from unscrupulous patentees who purposefully hid away and delayed filing suit in order to "garne[r] the harvest" of the most profitable six years of the defendant's production.[161] Such a role is made apparent by the fact that undue delay is not even an element of the equitable estoppel analysis.

The ability of a patentee to silently lay in wait while allowing an infringer to carry on with allegedly infringing conduct creates three substantial problems under the post-*SCA Hygiene* state of equitable estoppel. First, the fact that equitable estoppel solely focuses on the conduct of the defendant and not on the delay of the plaintiff makes the defense inherently inapplicable in scenarios where the only conduct of the patentee is misleading silence.[162] Second, the inapplicability of equitable estoppel allows patentees to delay filing suit, which creates an inequitable "lock-in" scenario for alleged-infringers.[163] Finally, the Patent Act's lack of a "deductible expenses" mitigation mechanism similar to the corresponding mechanism in the Copyright Act disadvantages patent defendants who can no longer rely on laches and are unable to establish estoppel.[164]

First, because equitable estoppel is not applicable when the alleged-infringer is unaware of the patentee or its patent, patent holders are incentivized to sit idly by and only file suit when infringers are substantially profitable. This conduct is particularly tempting for patentees who control the rights to an invention that is merely a small component within multiple infringing products.[165] Upon discovering infringing conduct, the patentee would receive a greater recovery by allowing the infringer to increase his sales, unaware of the patent, and only file suit when the scope has increased such that filing suit would reap a substantial and inequitably gained reward.[166] The delay also disadvantages a defendant's ability to challenge the validity

[160] *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 767 F.3d 1339, 1349 (Fed. Cir. 2014), *reh'g en banc granted*, *vacated*, 2014 WL 7460970 (2014).

[161] Dwight & Lloyd Sintering Co. v. Greenawalt, 27 F.2d 823, 827 (2d Cir. 1928).

[162] *See* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1042 (Fed. Cir. 1992).

[163] *SCA Hygiene Prods.*, 137 S. Ct. at 972 (Breyer, J. dissenting).

[164] *Id.*

[165] *See id.* at 968.

[166] *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1330 (Fed. Cir. 2015) (en banc).

of the patent because, as time passes, proving obviousness or insufficiency grows more difficult.[167]

Second, this delay leads to a "lock-in" scenario unique to patent law that severely pressures the defendant to avoid litigation and bend to the plaintiff's demands. Once a business chooses to produce a product, switching to a different product is relatively easy while the output is low and the production is in its fledgling stage. Knowing this, a patentee would be incentivized to delay filing suit, because as more and more funds are invested in expanding production, the cost of switching to a different product becomes unfeasible and thus the pressure to settle claims without putting up a fight is high.[168] It simply becomes too risky to wager the survival of a well-established line of production in a lawsuit. Such a "lock-in" scenario was the primary fear of First Quality and its *amici*.[169] As Justice Breyer notes, it is a common occurrence for infringement defendants to find themselves disadvantaged because a patentee alerted them of the infringement claim only after substantial investment had forced the defendants' business to become "locked-in" to the particular product line.[170]

Finally, the Patent Act fails to include any "deductible expenses" mitigation mechanism—like in the Copyright Act—to insulate defendants from untimely delay. If a copyright holder attempts to lie in wait until an infringer's conduct becomes profitable, his efforts will be rendered ineffective by the Copyright Act's codified safeguard against such conduct.[171] Copyright defendants are allowed to offset profits owed to plaintiffs by subtracting "deductible expenses" incurred in making those profits.[172] Thus, substantial good-faith investments in an innocently infringing work can be recouped. No such safeguard is built into the Patent Act.[173] Without laches and when facing a patentee who silently lies in wait, a patent defendant has no statutory mechanism to reclaim the good-faith investments sunk into an unknowingly infringing product.

[167] *SCA Hygiene Prods.*, 137 S. Ct. at 972 (Breyer, J. dissenting).

[168] *Id.*

[169] *Id.*

[170] *Id.*

[171] *Id.* at 971–72.

[172] 17 U.S.C. § 504(b) (2018).

[173] *SCA Hygiene Prods.*, 137 S. Ct. at 972 (Breyer, J. dissenting).

III. FILLING THE GAP: RECONSIDERING EQUITABLE ESTOPPEL ONCE MORE OR A LEGISLATIVE FIX

Thus, defendants are exposed to a "gap" in equity following the decision of *SCA Hygiene*. For example, in *American Technical Ceramics Corp. v. Presidio Components, Inc.*, the defendant's attempt to raise an equitable estoppel defense was defeated at summary judgment in a scenario where laches previously would have applied to bar the plaintiff's recovery of damages.[174] Here, the plaintiffs analyzed the defendant's capacitor for four years and determined it likely infringed but did not file an infringement suit.[175] The parties were even involved in patent litigation involving different products and the plaintiffs still had not pressed their claim.[176] After five years from first suspecting infringement, the plaintiffs filed suit, yet the defendant was unable to overcome equitable estoppel's evidentiary burden to prove that it relied on the plaintiffs' misleading silence.[177]

The current state of equitable estoppel provides defendants with insufficient means to protect against idle patentees if the defendant unknowingly goes "all-in" on production of an arguably infringing product. Instead, patentees are free to sit on their hands and only file suit when the defendant faces significant evidentiary and economic disadvantages. To fill this gap in equity, the courts may need to once again "reconsider the principles" of equitable estoppel in patent law as they did in *Aukerman*.[178] Alternatively, patent litigants could turn to Congress to clarify the intentions of the Patent Act in regards to equitable defenses within the limitations period of 35 U.S.C. § 286.

A. Aukerman Round 2: Reconsidering the Principles of Equitable Estoppel in Patent Law

The Federal Circuit's *Aukerman* framework for equitable estoppel and laches guided the district courts for over two decades with respect to both

[174] No. 14-CV-6544(KAM)(GRB), 2018 U.S. Dist. LEXIS 51444, at *81 (E.D.N.Y. Mar. 27, 2018).

[175] *Id.* at *69.

[176] *Id.* at *67.

[177] *Id.* at *72.

[178] 960 F.2d 1020, 1026 (Fed. Cir. 1992).

defenses.[179] Now that *Aukerman* has lost one of the two pillars supporting its analysis, the principles of equitable estoppel should once again be reconsidered to close the "gap" in equity left in the wake of *SCA Hygiene*. Adapting and extending equitable estoppel would comply with the Supreme Court's belief that "equitable estoppel provides protection" against the problems arising in the absence of laches.[180] One possible route could be to revive older versions of the equitable estoppel analysis that incorporated laches-like elements focusing on the plaintiff's delay. Another possible route would be to extend the defense of equitable estoppel to impose a duty on patentees to make their presence known if they suspect an individual is infringing on their patents.

First, older variations of the equitable estoppel analysis that still include some laches-like considerations would protect defendants from the inequitable and silent delay of a patentee. These variations recognize that silence alone can be sufficiently misleading affirmative conduct, even without some other express communication between the parties. For example, only four years before *Aukerman*, the Federal Circuit expressed the test for equitable estoppel as having four elements: "(1) unreasonable and inexcusable delay in filing suit, (2) prejudice to the infringer, (3) affirmative conduct by the patentee inducing the belief that it abandoned its claims against the alleged-infringer, and (4) detrimental reliance by the infringer."[181] While this test was expressly overruled in *Aukerman*, the subsequent disapproval of *Aukerman* allows for the older notions that the equitable estoppel defense can apply merely when "the silence was sufficiently misleading to amount to 'bad faith.'"[182]

The second option borrows once again from the Second Restatement of Torts to similarly protect patent defendants from misleading silence. As discussed above, equitable estoppel in patent law derived from the first definition within the restatement and focused on a "definite

[179] Robertson Transformer Co. v. Gen. Elec. Co., 191 F. Supp. 3d 826, 831 (N.D. Ill. 2016); Masterson v. NY Fusion Merch., LLC, 300 F.R.D. 201, 206–07 (S.D.N.Y. 2014); Rockwell Int'l. Corp. v. SDL, Inc., 103 F. Supp. 2d 1192, 1196–97 (N.D. Cal. 2000).

[180] *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 967 (2017).

[181] Jamesbury Corp. v. Litton Indus. Prods., Inc., 839 F.2d 1544, 1553–54 (Fed. Cir. 1988).

[182] *Id.* at 1554 (citing TWM Mfg. Co. v. Dura Corp., 592 F.2d 346, 350 (6th Cir. 1979)).

misrepresentation of fact" between the plaintiff and defendant.[183] However, the Restatement also includes a second definition that reads as follows:

> (2) If one realizes that another because of his mistaken belief of fact is about to do an act that would not be tortious if the facts were as the other believes them to be, he is not entitled to maintain an action of tort for the act if he could easily inform the other of his mistake but makes no effort to do so.[184]

This definition makes it clear that equitable estoppel can still apply when a plaintiff knowingly and silently allows another to proceed onward under a mistaken belief of fact. Thus, the courts could impose an affirmative duty on patentees. If a patentee is aware of an alleged-infringer, the patentee must make their suspicions known within a reasonable amount of time or else be estopped from claiming some or all of their damages during the period of good-faith investment.

B. A Legislative Patch to Mend the Gap

Alternatively, Congress could revisit 35 U.S.C. § 286 and clarify the effect the damage window has upon equitable defenses. Congress would be presented with two views regarding the damages window; on one hand, the Supreme Court determined that Section 286 allows a patentee to recover damages for "any infringement committed within six years of the filing of the claim."[185] On the other hand, the Federal Circuit concluded that Section 286 should not be read as a guarantee of six years of damages regardless of equitable considerations.[186] A simple revision either clarifying that a patentee is entitled to a full six years of damages or authorizing considerations of equity would guide the courts in determining how to properly gauge the importance of a patentee's inequitable delay in filing suit.

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[183] *Supra* Part I.

[184] RESTATEMENT (SECOND) OF TORTS § 894 (AM. LAW. INST. 1979).

[185] *SCA Hygiene Prods.*, 137 S. Ct. at 961.

[186] A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1030 (Fed. Cir. 1992).

IV. CONCLUSION

Before *SCA Hygiene*, the balance between the equitable estoppel and laches under *Aukerman* protected alleged-infringers from both misleading conduct and misleading delay/silence respectively. However, the decision in *SCA Hygiene* expanded the general rule regarding the inoperability of laches within a limitations period. In doing so, much of the underlying history and development of the defense in the context of patent law was overlooked.

Because of the inapplicability of laches, no defense at law or in equity adequately protects patent defendants from a patentee who lies in wait to gain an unfair upper hand in an infringement suit. Despite the Court's suggestion that equitable estoppel may remedy such hardships, the direct communication and reliance elements of the defense render it inapplicable in the patent context. Thus, the Court should reconsider the principles of equitable estoppel as the Federal Circuit once did in *Aukerman*. This reconsideration should expand the defense either to recognize that silence alone can be sufficiently misleading or to impose on patentees an affirmative duty to communicate when they are actually aware of a good-faith infringer. Alternatively, patent litigants should turn to the legislature to clarify the role that equity plays within the damage limitations period of 35 U.S.C. § 365.