No. 12-1315

IN THE
# Supreme Court of the United States

PAULA PETRELLA,

*Petitioner*,

v.

METRO-GOLDWYN-MAYER, INC., ET AL.,

*Respondents.*

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

## BRIEF OF THE ASSOCIATION FOR COMPETITIVE TECHNOLOGY AS AMICUS CURIAE IN SUPPORT OF RESPONDENT

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## INTEREST OF AMICUS CURIAE

The Association for Competitive Technology ("ACT") is an international grassroots advocacy and education organization representing more than 5,000 small and mid-size app developers and information technology firms.* It is the only organization focused on the needs of small business innovators from around the world. ACT advocates for an environment that inspires and rewards innovation while providing resources to help its members leverage their intellectual assets to raise capital, create jobs, and continue innovating. Because patent policy is vitally important to promoting the innovation that has kept the United States at the forefront of software and hardware development, ACT members have a strong stake in the proper functioning of the U.S. patent system.

## INTRODUCTION AND SUMMARY OF ARGUMENT

This Court has repeatedly recognized the "historic kinship between patent law and copyright law." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984). Although the two areas are distinct, the availability—indeed the necessity—of laches as an equitable limitation in infringement cases is one of the bonds of that kinship. In both the patent and copyright arenas, laches protects defendants from prejudice caused by plaintiffs' unreasonable delay, above and beyond the effects of a statute of

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* No counsel for any party authored this brief in whole or in part, and no person or entity, other than the amicus and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief.

limitations. Petitioner's argument, if accepted, poses significant and unwarranted risk to the availability of laches in patent infringement cases.

For more than a century, this Court has held that laches may limit damages in infringement actions if a plaintiff engages in unnecessary delay that prejudices the rights of a defendant. *E.g.*, *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 201 (1893). When Congress amended the Patent Act in 1897 to establish the first statute of limitations for infringement, it was aware of this Court's jurisprudence endorsing laches in the patent context. Yet Congress chose not to disrupt the status quo with respect to laches then and has not done so at any time since. Therefore, this Court's prior decisions affirming the availability of laches as a separate and independent limitation on infringement damages remain good law.

Given that the statute of limitations for patent enforcement resets with every new act of infringement, *see* 35 U.S.C. § 286, the doctrine of laches is the primary source of protection that infringement defendants have against prejudice to their legal position. While a statute of limitations is an "arbitrary limitation on the period for which damages may be awarded on any claim for patent infringement," laches, on the other hand, invokes the discretionary power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties." *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992) (en banc). To disturb or cast doubt upon the availability of laches in either the patent context—or the copyright context where a rolling statute of limitations has the same effect—would

risk unfairly exposing infringement defendants to both economic prejudice that arises when a defendant relies on nonenforcement of a patent and evidentiary prejudice that arises when time passes, "evidence has been lost, memories have faded, and witnesses have disappeared." *Gabelli v. SEC*, 133 S. Ct. 1216, 1221 (2013) (quoting *R.R. Telegraphers v. Ry. Express Agency, Inc.*, 321 U.S. 342, 348-49 (1944)).

Finally, amici respectfully submit that the en banc Federal Circuit's 1992 decision in *Aukerman*, 960 F.2d 1020, was correct and provides sound guidance here.

## ARGUMENT

### I. For Over A Century, Courts Have Consistently Held That Laches Is Available As A Limitation on Past Damages in Patent Infringement Suits.

As early as the nineteenth century, this Court established that laches may be raised to limit the scope of liability for pre-suit patent infringement. *See Lane & Bodley Co. v. Locke*, 150 U.S. 193, 201 (1893); *cf. Wollensak v. Reiher*, 115 U.S. 96, 100 (1885); *Mahn v. Harwood*, 112 U.S. 354, 363 (1884). Throughout the many years since, the courts of appeals have consistently reaffirmed the vitality of laches in the patent context, acknowledging laches as a potential constraint on infringement suits separate and apart from any statute of limitations defense. *See, e.g.*, *Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co., Ltd.*, 754 F.2d 345, 348 (Fed. Cir. 1985) ("Therefore, suit could be maintained[,] . . . assum[ing], of course, no other impediment to recovery

or maintenance of the suit such as application of the doctrine of laches."); *Maloney-Crawford Tank Corp. v. Rocky Mtn. Nat. Gas Co.*, 494 F.2d 401, 404 (10th Cir. 1974) ("Where an action is brought within the analogous limitation period, . . . the defendant bears the burden of showing circumstances requiring the application of laches."); *Gen. Elec. Co. v. Sciaky Bros.*, 304 F.2d 724, 727 (6th Cir. 1962) ("In a patent infringement action equitable principles are applied. Equity will not aid those who have slept on their rights. The failure of General Electric to take action over the many years constituted laches."); *Whitman v. Walt Disney Prods.*, 263 F.2d 229, 231 (9th Cir. 1958) ("[I]f the passage of time can be shown to have lulled defendant into a false sense of security, and the defendant acts in reliance thereon, laches may, in the discretion of the trial court, be found."); *Rome Grader & Mach. Corp. v. J.D. Adams Mfg. Co.*, 135 F.2d 617, 619-20 (7th Cir. 1943) ("[P]laintiff is chargeable with the sum total of the laches of itself and of its predecessor."); *Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934) ("[T]hose facts sufficiently showed such lack of diligence on the part of the patentee as to establish laches and estoppel."); *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823, 827 (2d Cir. 1928) (L. Hand, J.). And as recently as this year, the Federal Circuit once again revisited the issue and once again acknowledged this Court's longstanding patent jurisprudence endorsing laches as a limitation on damages for pre-suit acts of infringement. *See Integrated Tech. Corp. v. Rudolph Techs., Inc.*, 734 F.3d 1352, 1361 (Fed. Cir. 2013) (citing *Aukerman*, 960 F.2d at 1028, in turn citing, *e.g.*, *Lane & Bodley*, 150 U.S. 193).

While courts may, in their sound discretion, disagree as to whether particular facts justify a finding of laches, amici are aware of no federal case holding that laches is *categorically* unavailable in a patent infringement suit seeking monetary damages. Such an extended, consistent line of precedent affirming the availability of laches counsels against modifying the doctrine or calling it into question. *See Hilton v. S.C. Pub. Rys. Comm'n*, 502 U.S. 197, 202 (1991) ("[W]e will not depart from the doctrine of *stare decisis* without some compelling justification.").

## II. Congress Did Not Limit The Availability Of Laches When It Added A Six-Year Limitations Period For Damages In Infringement Actions.

When Congress first added a six-year statute of limitations to the Patent Act in 1897, *see A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992), the amendment had no effect on this Court's prior decisions regarding laches in the infringement context. It is well settled that "Congress is understood to legislate against a background of common-law adjudicatory principles." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991). And "where a common-law principle is well established, . . . the courts may take it as given that Congress has legislated with an expectation that the principle will apply except 'when a statutory purpose to the contrary is evident.'" *Id.* (internal citation omitted). Given this Court's pre-1897 cases recognizing laches as a constraint on damages for pre-suit acts of infringement, *e.g.*, *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 201 (1893), it is clear that laches was part of the "background of common-law

adjudicatory principles" in effect at the time that Congress added the statute of limitations. *Solimino*, 501 U.S. at 108.

Had Congress wished to limit the availability of laches in conjunction with the 1897 amendments, it could easily have done so. *See Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992) ("We have stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there."); *Regan v. Wald*, 468 U.S. 222, 236 (1984) (noting that if Congress had wished to address a certain issue in a statute, "it could easily have done so explicitly"); *United States v. Ryan*, 350 U.S. 299, 305 (1956) ("If Congress intended to deal with that problem alone, it could have done so directly."). This is particularly true given that the statute of limitations and the laches doctrine serve different purposes: the former cuts off liability at an arbitrary point in time, while the latter is a discretionary doctrine that considers equitable factors unique to each individual case. *Aukerman*, 960 F.2d at 1030.

Congress has, in several other instances, explicitly barred defendants from raising laches. *See, e.g.*, 25 U.S.C. § 640d-17(b) ("Neither laches nor the statute of limitations shall constitute a defense to any action authorized by this subchapter for existing claims if commenced within two years from [the effective date of this Act]."). However, neither the 1897 amendments—nor any other amendments to the Patent Act—have included such language.

Laches and a statute of limitation work harmoniously, not in tension with each other, and the addition of a statute of limitations did not affect this

Court's longstanding laches jurisprudence. *See Aukerman*, 960 F.2d at 1030-31. While the statute of limitations adds an arbitrary cut-off point for liability, laches remains cognizable as a discretionary, equitable limit on pre-suit damages that looks not at some fixed, predetermined time period but rather at the reasonableness of the delay and whether the defendant has suffered some prejudice from it. *Id.* Given that the two doctrines can happily coexist alongside one another, this Court must assume that Congress enacted the six-year statute of limitations without an intent to displace the "background . . . common-law adjudicatory principle[]" of laches. *See Solimino*, 501 U.S. at 108.

## III. Without The Complementary Doctrine Of Laches, The Six-Year Statute Of Limitations For Patent Infringement Would Be Inadequate To Protect Defendants Against Prejudice That Might Arise From A Plaintiff's Unreasonable Delay.

The Patent Act provides that "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." 35 U.S.C. § 286. As Respondents note, in the copyright context, a similar "rolling statute of limitations allows the plaintiff to delay bringing an action indefinitely so long as the defendant continues to engage in the allegedly infringing conduct." Resp't. Br. 32. Notwithstanding the fact that the validity of an infringement claim may turn upon evidence that exists at the moment of the initial infringing action, the statute of limitations permits a plaintiff to bring suit decades after that initial action, so long as the defendant con-

tinues to infringe. *See id.* Without laches, the limitations period imposes no penalty on the patentee who sits idly by while a defendant detrimentally relies on nonenforcement.

Hence, in patent cases—just as in copyright cases—laches plays a different role than does the statute of limitations. The limitations period constrains the amount of time for which a plaintiff may recover damages, but it does not force the plaintiff to bring suit promptly after the infringing conduct begins or before the defendant detrimentally relies on nonenforcement. *See* 35 U.S.C. § 286. Laches, on the other hand, provides effective pre-suit protection against both (1) economic prejudice by a patent (or copyright) holder who allows a defendant to detrimentally rely on nonenforcement and then brings suit on the outer boundary of the statute of limitations in an attempt to coerce a settlement, and (2) evidentiary prejudice by a patent (or copyright) holder who chooses to wait decades after allegedly infringing conduct began before bringing an infringement suit.

Such prospects for prejudice are more than fanciful hypotheticals. Extended delays between initial infringement and the filing of an infringement suit are not uncommon, particularly when the initial infringement is *de minimis* or appears unprofitable but later expands or becomes more lucrative. *See, e.g.*, *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, No. CIV. 88-20704SW, 1993 WL 379548, at *2 (N.D. Cal. Sept. 13, 1993) (involving plaintiff who initially believed defendant engaged in "$200-300 per year de minimis infringement and pursued others who were guilty of more significant infringement" but later recovered over $3 million in damages after defendant's

infringing activity expanded and became more profitable).

The doctrine of laches is essential, particularly in the patent and copyright contexts, "to promote justice by preventing surprises through the revival of claims that have been allowed to slumber." *R.R. Telegraphers v. Ry. Express Agency*, 321 U.S. 342, 248-49 (1944). Without laches, there is little to prevent a patentee from sleeping on enforcement rights and bringing an infringement suit for damages only after either the defendant has relied on nonenforcement to his detriment or "evidence has been lost, memories have faded, and witnesses have disappeared." *Gabelli v. SEC*, 133 S. Ct. 1216, 1221 (2013) (quoting *R.R. Telegraphers*, 321 U.S. at 348-49).

## IV. The Federal Circuit's 1992 Decision In *Aukerman*, Which Confirmed The Continuing Availability Of Laches In Patent Infringement Actions, Provides Sound Guidance On This Matter.

In 1992, the *en banc* Federal Circuit addressed the continued viability of laches as a limit on liability in patent infringement cases. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028-32 (Fed. Cir. 1992) (en banc). Relying on its own consistent and lengthy precedent, *see id.* at 1032 & n.11 (collecting cases), as well as precedent from this Court, *id.* at 1028 (citing, *e.g.*, *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893)), the Federal Circuit concluded that "laches is available as a defense to a suit for patent infringement" that bars a claim for pre-suit damages, notwithstanding the six-year statute of limitations for infringement suits that Congress enacted in 1897. *Id.* at 1032.

The *Aukerman* court began by properly applying this Court's longstanding precedent governing the issue, explaining: "The Supreme Court has long recognized the defense of laches to a patent infringement action brought in equity. . . . Extended to suits at law as well, laches became part of the general body of rules governing relief in the federal court system." *Id.* at 1028-29 (citing *Lane & Bodley*, 150 U.S. 193; *Wollensak v. Reiher*, 115 U.S. 96 (1885); *Mahn v. Harwood*, 112 U.S. 354 (1884)) (internal citations and quotation marks omitted).

The Federal Circuit then looked at the issue "afresh" and reviewed "commentary of one of the drafters of the [1952] revised patent statute" to determine whether the 1952 revision—or any other prior amendment—had precluded defendants from raising laches when responding to infringement suits. *Id.* at 1029-30. In discussing Section 282 of the Patent Act, the then-U.S. Patent Office Examiner-in-Chief and drafter of the 1952 statutory revisions stated:

> The defenses which may be raised in an action involving the validity of infringement of a patent are[:] . . . 'Noninfringement, absence of liability for infringement, or unenforceability' [35 U.S.C. § 282][;] . . . this would include . . . equitable defenses such as laches, estoppel and unclean hands.

P.J. Federico, *Commentary on the New Patent Act* (1954), *reprinted in* 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993). This commentary provides additional justification for the court's holding.

Finally, the *Aukerman* Court concluded that it had "no difficulty" in reading the six-year statute of limitations "harmoniously" with the availability of a

laches as a limit on liability because a statute of limitations is an "*arbitrary* limitation on the period for which damages may be awarded on any claim for patent infringement" while "[l]aches, on the other hand, invokes the *discretionary* power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties." *Aukerman*, 960 F.2d at 1030 (quoting *J.P. Stevens v. Lex Tex Ltd. Inc.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984), *cert. denied* 474 U.S. 822 (1985)). The court concluded that an "equitable defense" under Section 282 of the Patent Act and the statute of limitations under Section 286 "do not conflict." *Id.* at 1030-31. Such a conclusion is sound, particularly in light of the different functions of laches and the statute of limitations in the patent context.

Doubtless recognizing the "third rail" nature of these patent arguments, Petitioner tries to avoid them, but she should not be permitted to. Her argument, if accepted, poses significant and unwarranted risk to the availability of laches in patent infringement cases, given the "historic kinship between patent law and copyright law," *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984), and the parallel, rolling statutes of limitation in both areas. In light of the lengthy and remarkably consistent line of precedent holding that laches is available as a limitation on damages in patent infringement suits, *see supra* Part I, this Court should affirm the decision below and decline to inject uncertainty into what has until now been a settled and predictable segment of patent law.

## CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

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