

**IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION**

JOHN BEAN TECHNOLOGIES CORPORATION

PLAINTIFF

VS.

4:14-CV-00368-BRW

MORRIS & ASSOCIATES, INC.

DEFENDANT

ORDER

Pending is Defendant’s Motion for Summary Judgment based on laches and equitable estoppel (Doc. No. 154). Plaintiff has responded and Defendant has replied.¹ For the reasons set out below, the motion is GRANTED.

I. BACKGROUND

Both parties manufacture, sell, and maintain “high side” auger-type poultry chillers. Plaintiff alleges patent infringement because Defendant’s chiller “is a copycat of [its] innovative FATCAT chiller system that embodies the patented invention of the ‘622 patent.”² Plaintiff contends that, since May 9, 2014, Defendant’s have been making and selling chillers that “include all of the features recited in the claims of the ‘622 patent” resulting in direct infringement of the ‘622 patent under 35 U.S.C. § 271.³

The ‘622 patent was issued to Plaintiff on June 4, 2002. In a June 27, 2002 letter, Defendant informed Plaintiff that it was aware that Plaintiff was advising potential customers that Defendant’s chiller infringed on Plaintiff’s ‘622 patent.⁴ Defendant advised Plaintiff that it

¹Doc. Nos. 165, 172.

²Doc. No. 4.

³Doc. No. 1.

⁴Doc. No. 32-2.

believed the “claims of the patent [were] not valid” and thoroughly explained its position. Defendant asked Plaintiff to provide information to the contrary if Plaintiff disagreed with Defendant’s position. Plaintiff never responded to the letter, so Defendant continued to sell the chillers.

On December 18, 2013, Plaintiff filed a request for *ex parte* reexamination by the United States Patent and Trademark Office (“USPTO”).⁵ Initially, the USPTO rejected Plaintiff’s patent, noting that both claims 1 and 2 involved numerous elements that were obvious or anticipated by other patents. In response to the rejection, Plaintiff made some changes to claims 1 and 2 and added other claims. On May 9, 2013, the USPTO issued a reexamination certificate. Plaintiff filed the complaint in this case on June 19, 2014 -- nearly twelve years after receiving Defendant’s letter.⁶

II. DISCUSSION

In its motion for summary judgment, Defendant asserts that Plaintiff’s patent-infringement claim is barred by both laches and equitable estoppel.

A. Laches

Laches is “neglect or delay in bringing suit to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar.”⁷ The elements of laches are: (1) the plaintiff delayed in filing suit for an “unreasonable and inexcusable” length of time after it “knew or reasonably should have

⁵Doc. No. 1.

⁶*Id.*

⁷*A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1028-29 (Fed. Cir. 1992) (en banc).

known of its claim against the defendant” and (2) the defendant suffered material prejudice or injury because of the delay.⁸

“A delay of more than six years raises a presumption that it is unreasonable, inexcusable, and prejudicial.”⁹ When there is a presumption of laches because of delay, the burden of production shifts to the plaintiff, who must provide evidence sufficient to rebut the presumption.¹⁰ The evidence must show “either that the patentee’s delay was reasonable or that the defendant suffered no prejudice or both.”¹¹ The material prejudice may be economic, evidentiary, or both.¹² “[T]he presumption alone -- if not rebutted --” warrants summary judgment for Defendant.¹³

Since the delay in this case was twelve years, the presumption applies. To rebut this, Plaintiff may (1) provide “evidence to show and excuse for the delay or that the delay was reasonable” or (2) provide evidence “sufficient to place the matter of [evidentiary] prejudice and economic prejudice genuinely in issue.”¹⁴

1. Excuse for Delay

In its response, Plaintiff makes no effort to explain or excuse the 12-year delay in enforcing its ‘622 patent. However, testimony for J. Barton Langley, Plaintiff’s president, reveals that Plaintiff made a deliberate business decision not to pursue an infringement claim in 2003

⁸*Id.* at 1028.

⁹*Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1337 (Fed. Cir. 1998).

¹⁰*Aukerman*, 960 F.2d at 1037.

¹¹*Id.* at 1038.

¹²*Id.* at 1033.

¹³*Serdarevic v. Advanced Medical Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008).

¹⁴*Auckerman*, 960 F.2d at 1038.

because it “would much rather have competed against [Defendant] than . . . a Euro conglomerate with much greater resources.”¹⁵ Plaintiff believed it was better to let Defendant sell the alleged-infringing product than put Defendant out of business through litigation and be faced with a new competitor. This is not a sufficient excuse for the twelve-year delay.

2. Evidentiary or Economic Prejudice

Regarding evidentiary prejudice, Plaintiff argues that Defendant “merely speculates about lost evidence, presenting no evidence as to what has actually been lost”¹⁶ However, because there is a presumption of laches, the burden of production is on Plaintiff. Additionally, the record does reveal faded memories regarding whether Plaintiff ever told Defendant’s potential customer’s that Defendant’s product infringed on Plaintiff’s patent.¹⁷

As for economic prejudice, Plaintiff contends that Defendant “would have made its claimed expenditures regardless of what [Plaintiff] did.”¹⁸ Plaintiff’s conclusory argument is unsupported by the record. In fact, Defendant’s corporate representatives testified that they would not have continued producing a product that it knew infringed on Plaintiff’s patent. Defendant’s president testified that the company would not spend significant money on research and development for a product that the company knew infringed on a valid patent that Plaintiff was likely to enforce.¹⁹ He also testified that, if Plaintiff would have responded to Defendant’s letter and indicated that it either agreed the ‘622 patent was invalid or disagreed and intended to

¹⁵Doc. No. 172-1.

¹⁶Doc. No. 166.

¹⁷Doc. No. 167.

¹⁸*Id.*

¹⁹Doc. No. 159-7.

enforce its rights, Defendant would not have continued to invest in or build the alleged-infringing chiller; rather, Defendant would have focused on, promoted, and sold other products. Defendant also created “design enhancements” and “infrastructure investments” related to the alleged-infringing chiller.²⁰

Plaintiff’s argument is based entirely on the fact that Defendant did not believe the ‘622 patent was valid. While its true that Defendant did not believe the ‘622 patent was valid, it is unreasonable to think, in light of the record before me, that Defendant would have continued researching, manufacturing, and selling the chiller if Plaintiff had attempted (and succeeded) to defend its patent. Accordingly, Plaintiff has failed to rebut the presumption that Defendant would suffer economic prejudice from Plaintiff’s delay.

Plaintiff asserts that Defendant believed the patent was unenforceable and would have continued with production anyway. This ignores the fact that if Plaintiff had responded to Defendant’s letter then the issue would have been resolved twelve years ago. The parties could have litigated the validity of the patent which would have affected the research, development, and production decisions by Defendant. If the patent was deemed valid, obviously, Defendant would have adjusted how it did business. This is the very situation that laches is designed to prevent.

B. Equitable Estoppel

An equitable-estoppel defense has three elements:

(1) the patentee, through misleading conduct (or silence), leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer; (2) the alleged infringer relies on that conduct; and (3) the alleged

²⁰ Doc. No. 159-9.

infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.²¹

1. Misleading Conduct

Plaintiff asserts that material facts remain in dispute regarding misleading conduct or silence because Defendant's June 2002 letter "is comprised of four layers of hearsay" and Plaintiff never made an allegation of infringement.²² Additionally, Plaintiff contends that its "silence in not responding to [Defendant's] letter does not constitute misleading conduct."²³

"Courts have generally held that in order for a patentee's silence to be considered misleading, the patentee must first 'threaten[] prompt and vigorous enforcement of the patent.'"²⁴ "However, even absent an initial threat, an unreasonable delay following the point at which the plaintiff knew or should have known of the infringing actions is itself evidence of misleading conduct."²⁵

Plaintiff's hearsay argument is not relevant at this point because the date of the letter -- not the contents -- is what matters. Plaintiff admitted that it received the letter and chose to neither respond nor enforce its patent at that time. So, the letter establishes -- and Plaintiff does not deny -- that by June 2002, Plaintiff knew that Defendant was selling a product that Plaintiff believes infringed on their '622 patent.

²¹*Radio Systems Corp. v. Lalor*, 709 F.3d 1124, 1130 (Fed. Cir. 2013) (citing *Auckerman*, 960 F.2d at 1028).

²²Doc. No. 166.

²³*Id.*

²⁴*Wafer Shave, Inc. v. Gillette Co.*, 857 F. Supp. 112 (D. Mass. 1993) (quoting *Continental Coatings Corp. v. Metco, Inc.*, 464 F.2d 1375, 1380 (7th Cir. 1972)).

²⁵*Repros Therapeutics, Inc. v. Fisch*, No. H-13-2266, 2014 WL 12600160, at *10 (Dec. 23, 2014).

“[W]hen the course of dealings between a patentee and an alleged infringer is such that the alleged infringer reasonably infers from the patentee’s misleading conduct or inaction that the patentee has waived its patent rights, then the first element of equitable estoppel has been established”²⁶ Again, Defendant informed Plaintiff that it did not believe its chillers infringed on the ‘622 patent because the patent was invalid, and demanded that Plaintiff direct its sales representatives to stop telling potential customers that Defendant’s product was infringing on the ‘622 patent. Plaintiff was aware that Defendant intended to continue investing in, developing, and selling the chillers because Defendant threatened unfair competition litigation.

Given the history between these parties, Plaintiff’s choice to not pursue a patent-infringement claim for over twelve years is evidence of misleading conduct. The parties had a history of patent infringement litigation both before and after the 2002 letter was sent, but the ‘622 patent was never brought up. Plaintiff also knew, based on the Defendant’s letter, that Defendant would continue to research, manufacture, and sell high-sided augers if Plaintiff did not initiate suit or respond to the letter. Additionally, the parties attended the same trade shows - - where Defendant was open and obvious about manufacturing the alleged-infringing chiller; still Plaintiff did nothing.²⁷ While Plaintiff might not have had a legal obligation to respond to Defendant’s letter, Plaintiff did have a duty to enforce its patent rights within a reasonable time, if it believed the patent was valid. Twelve years is not reasonable, and Plaintiff’s conduct was misleading to Defendant.

²⁶*Scholle Corp. v. Blackhawk Molding Co., Inc.*, 133 F.3d 1469, 1472 (citing *Aukerman*, 960 F.2d at 1028).

²⁷Doc. No. 159-9.

2. Reliance

Plaintiff argues that if Defendant relied on anything, it was on Defendant's believe that the '622 patent was invalid and not on Plaintiff's silence.²⁸ However, the fact that Defendant may have relied on its counsel's advice "does not negate the fact that it also relied on the patentee's apparent abandonment of [its] infringement claims."²⁹ "To hold that a defendant who believes his device does not infringe, but who also relied upon the inaction of the patentee may not assert the defense of estoppel, is contrary to the principles of equity."³⁰

To find otherwise would encourage those accused of infringement not to seek legal advice, but to rely solely on a patentee's future conduct and to have faith that such conduct will prevent the patentee from succeeding in a lawsuit. Such a practice would injure the ability of alleged infringers to protect their legal rights, and discourage the efficient resolution of accusations of infringement which a fully informed, well-advised person would find meritorious, or at least too risky to litigate.³¹

Here, Defendant believed that Plaintiff's sales representatives were telling Defendant's potential customers that Defendant's chiller infringed on Plaintiff's patent. So, Defendant sought advice of counsel who concluded that the patent was invalid. Defendant then informed Plaintiff of its position, and demanded that Plaintiff either (1) stop telling customers that Defendant was infringing on the patent or (2) respond as to why it disagreed with Defendant's conclusions regarding the invalidity of the '622 patent. Plaintiff did not respond and Defendant did not hear any more rumors about alleged infringement. Based on this, Defendant reasonably

²⁸Doc. No. 166.

²⁹*Wafer Shave, Inc.*, 857 F. Supp. at 123.

³⁰*ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 828 F. Supp. 1386, 1399 n.27 (E.D. Wis. 1993).

³¹*Wafer Shave*, 857 F. Supp. at 123.

concluded that Plaintiff either agreed that the patent was invalid or did not intend to enforce its rights under the patent.

3. Materially Prejudiced

As mentioned above in Section II(A)(2), Defendant has established that it will be materially prejudiced.

CONCLUSION

Based on the findings of fact and conclusion of law above, Defendant's Motion for Summary Judgment (Doc. No. 154) regarding laches and equitable estoppel is GRANTED.

The parties are directed to meet and confer and, by 5 p.m., December 21, 2016, they should provide me with guidance on how they believe the case should proceed.

IT IS SO ORDERED this 14th day of December, 2016.

/s/ Billy Roy Wilson
UNITED STATES DISTRICT JUDGE