

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

TRISTRATA TECHNOLOGY, INC. :
 :
 Plaintiff, : Civil Action No. 02-1290-JJF
 :
 v. :
 :
 CARDINAL HEALTH, INC., PLAN B, :
 INC., NALKCO INC., SKIN BIOLOGY, :
 INC., BEAUTICONTROL, INC., GUTHER- :
 REKER CORP., and AP PHARMA, INC. :
 :
 Defendants. :

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Wilmington, Delaware.
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Counsel for Defendant Cardinal Health, Inc.

MEMORANDUM OPINION

January 16, 2004

Wilmington, Delaware

Farnan, District Judge

Presently before the Court are the Motion for Summary Judgement of Laches (D.I. 73-1) filed by Defendant BeautiControl, Inc. ("Beauticontrol") and the Motion for Leave to Conduct Discovery (D.I. 82-1) filed by Plaintiff Tristrata Technology, Inc. ("Tristrata"). For the reasons discussed, the Motion for Summary Judgement of Laches will be denied and the Motion for Leave to Conduct Discovery will be denied as moot.

BACKGROUND

Tristrata holds three patents each of which claims a method for removing wrinkles using alpha hydroxyacids (compounds such as citric acid, malic acid, lactic acid, quinic acid, and tartaric acid). Beauticontrol manufactures wrinkle removal products that allegedly infringe on the claims of Tristrata's patents.

In 1995 and 1996, Tristrata sent Beauticontrol two letters. In these letters, Tristrata mentioned Beauticontrol's position in the cosmetics industry, stated that Beauticontrol's products might include a certain named alpha hydroxyacid (a different alpha hydroxy acid was named in each of the first two letters), and encouraged Beauticontrol to look into licensing agreements with Tristrata. Tristrata did not file the instant action alleging patent infringement until 2002. Beauticontrol asserts that Tristrata's present claims are barred by laches. Tristrata

asserts that dismissal on grounds of laches is not warranted, and therefore, seeks to defer consideration of laches until after discovery.

DISCUSSION

I. The Legal Standard for Summary Judgement

Rule 56(c) of the Federal Rules of Civil Procedure provides that a party is entitled to summary judgment if a court determines from its examination of "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, that there are no genuine issues of material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). In determining whether there is a triable dispute of material fact, a court must review all of the evidence and construe all inferences in the light most favorable to the non-moving party. Goodman v. Mead Johnson & Co., 534 F.2d 566, 573 (3d Cir. 1976). However, a court should not make credibility determinations or weigh the evidence. Reeves v. Sanderson Plumbing Prods., Inc., 530 U.S. 133, 150 (2000). Thus, to properly consider all of the evidence, the "court should give credence to the evidence favoring the non-movant as well as that evidence supporting the moving party that is uncontradicted and unimpeached, at least to the extent that evidence comes from disinterested witnesses." Id. (quoting

Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250-251 (1986))

To defeat a motion for summary judgment, Rule 56(c) requires the non-moving party to show that there is more than "some metaphysical doubt as to the material facts.... In the language of the Rule, the non-moving party must come forward with 'specific facts showing that there is a genuine issue for trial.'" Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 586-87 (1986) (quoting Fed. R. Civ. P. 56(c)). Accordingly, a mere scintilla of evidence in support of the non-moving party is insufficient for a court to deny summary judgment. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 252 (1986). Additionally, the Court should consider the evidentiary standard that applies at trial. See Eli Lilly & Co. v. Barr Labs, Inc., 251 F.3d 955, 962 (Fed Cir. 2001) (stating that "[w]hen evaluating a motion for summary judgment, the court views the record evidence through the prism of the evidentiary standard of proof that would pertain at trial to the merits.") (citations omitted).

II. The Legal Standard for Laches

Laches is an equitable defense to a claim for patent infringement. A.C. Aukerman Co. v. R.L. Chaides Construction Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (en banc). Laches is defined as "the 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." Id. at 1028-1029. To establish the defense of laches, the defendant has the burden of proving two elements: (1) that the plaintiff delayed in filing suit for an unreasonable and inexcusable length of time after the plaintiff knew or reasonably should have known of its claim against the defendant; and (2) that the defendant suffered material prejudice or injury as a result of the plaintiff's delay. Id. at 1028.

"[T]he underlying critical factors of laches are presumed upon proof that the patentee delayed filing suit for more than six years after actual or constructive knowledge of the defendant's alleged infringing activity." Id. at 1035-36. This presumption may be overcome if the plaintiff raises a genuine issue respecting either element of the laches defense. Id. at 1038.

In determining whether the plaintiff's delay in filing suit was unreasonable, the court must look to the period of time beginning when the plaintiff knew or reasonably should have known of the defendant's alleged infringing activity and ending when the plaintiff filed suit. In addition, the court should consider any reasonable excuses by the plaintiff for the delay including, but not limited to: (1) other litigation; (2) negotiations with the accused; (3) possible poverty or illness under limited circumstances; (4) wartime conditions; (5) the extent of the

alleged infringement; and (6) a dispute over the ownership of the asserted patent. A.C. Aukerman Co., 960 F.2d at 1033 (citations omitted).

The defendant can establish either economic prejudice or evidentiary prejudice. Evidentiary prejudice may arise where the delay has curtailed the defendant's ability to present a full and fair defense on the merits due to the loss of evidence, the death of a witness, or the unreliability of memories. Id. at 1033. Economic prejudice arises where a defendant suffers the loss of monetary investments or incurs damages which would have been prevented if the plaintiff had filed suit earlier. Id.

Because the defense of laches is equitable in nature, "mechanical rules" do not govern its application. Id. at 1032. Rather, the court must consider all of the facts and circumstances of the case and weigh the equities of the parties. Id. Whether the defense of laches applies in a given case is committed to the sound discretion of the district court. Id.

Egregious conduct by the alleged infringer can prevent a finding of laches by demonstrating the equities of the case favor the plaintiff. Id. at 1033. What constitutes egregious conduct is not clear. Plagiarism, harassment, and intentional copying of the plaintiff's product may qualify. TWM Mfg. Co., Inc. v. Dura Corp., 592 F.2d 346, 349 (6th. Cir. 1979); Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp., 60 F.3d 770, 775 (Fed. Cir. 1995).

III. Allegations of the Parties

Beauticontrol alleges that because Tristrata abstained from filing suit for over 6 years, there is a presumption of laches in the filing of this lawsuit. Beauticontrol contends that Tristrata was under an affirmative duty to investigate possible infringement and asserts that Tristrata's 1995 and 1996 letters indicate Tristrata knew of Beauticontrol's "Regeneration" products more than six years prior to the filing of the instant action. Beauticontrol asserts that the labeling of its Regeneration products makes it clear that the products might violate Tristrata's patents.

Beauticontrol asserts that it has suffered prejudice because of Tristrata's delay. Beauticontrol asserts that over the last few years it has invested in and grown its Regeneration products line on the assumption that the line is lawful. Beauticontrol asserts that it would be unfair to allow Tristrata to capitalize on these efforts and on the delay in bringing the instant claims.

Beauticontrol asserts that there will also be evidentiary prejudice from the delay. Beauticontrol contends that the memories of key witnesses will be duller and that relevant evidence has been destroyed.

Tristrata asserts that it has not unjustifiably delayed in bringing the instant suit. Tristrata asserts that any delay that may have occurred was reasonable and asserts that some of

Beauticontrol's products may have been on sale for less than six years and be precluded from a finding of laches.

Tristrata asserts that its letters were part of an informational campaign to inform potential clients about its patents and licensing program and do not reflect knowledge of infringing products. Tristrata contends that its resources did not allow it to investigate every possibly infringing product or sue every possible infringer at the same time. Tristrata asserts that it was diligent in pursuing disposition for those cases its resources allowed it to discover and pursue. Tristrata asserts that it did not investigate or test Beauticontrol's products between 1995 and 2002 and did not know it had a cause of action against Beauticontrol.

Tristrata asserts that Beauticontrol has not given sufficient evidence to show it suffered prejudice from any delay that may have occurred in bringing this case to trial. Tristrata contends that Beauticontrol has not demonstrated that relevant evidence was lost due to a delay.

Tristrata asserts that Beauticontrol may have known that it was selling infringing products and contends that this willful infringement would constitute egregious conduct and precludes a finding of laches.

Tristrata asserts that during a previous lawsuit the scope of its patents were challenged and its patents were reexamined by

the PTO. Tristrata asserts that the patents were, in 1997, found valid and enforceable and that a subsequent Markman hearing and construction determined the scope of its patents. Tristrata asserts that any delay that may have occurred is excused by the aforementioned examination and litigation.

Tristrata contends that more discovery is needed on the issue of laches and asserts that material issues of fact relevant to laches exist. Tristrata contends that discovery on laches would most efficiently be done as part of general discovery.

Beauticontrol contends that willful infringement is not egregious conduct that prevents a finding of laches. Beauticontrol contends that Tristrata's licensing efforts and litigations are not relevant to the instant motion because Tristrata did not inform Beauticontrol of any intention to sue for infringement.

IV. Analysis

The label of the allegedly infringing products, the simplicity of the patents, and Tristrata's solicitation letters indicate that Tristrata had, at least, constructive knowledge that Beauticontrol's products might infringe Tristrata's patents.

Likewise, Beauticontrol could be considered to have had either indirect or constructive notice of its possible infringement and of Tristrata's intent to sue over such

infringement and Beauticontrol's alleged infringement may have been willful. In such circumstances, "a showing of willful infringement may 'preclude the alleged infringer from obtaining equitable relief.'" Cedarapids, Inc. v. CMI Corp. 1999 WL 33656876, *2 (N.D. Iowa 1999) (quoting Wang Laboratories Inc. v. Mitsubishi Elec. America Inc., 31 U.S.P.Q.2d 1139, 1141 (C.D. Cal.1994). However, "[S]everal courts have specifically held that wilful infringement, by itself, is insufficient to preclude application of the laches defense." Odetics, Inc. v. Storage Technology Corp., 14 F. Supp.2d 800, 806 (E.D. Va. 1998). But, such infringement can and should be weighed in the balancing of equities.

Tristrata has submitted evidence indicating that it faced a long list of possible infringers and infringing products. Tristrata has also submitted evidence that it was previously engaged in litigation that challenged the scope of its patents. Although it was within Tristrata's power to send all possible infringers a minimally researched notice of an intent to sue, the merits of giving possible infringers such a notice must be balanced against the disadvantages of encouraging empty threats and gratuitous gestures.

Beauticontrol has offered evidence that it will suffer economic injury based on the trial's delay but has not demonstrated that it will suffer prejudice from a loss of

evidence. Beauticontrol has credibly asserted that it would have allocated its resources differently had it known that it would be sued for infringement; however, evidence contradicting this assertion may exist but be unrevealed because the parties have yet to engage in discovery.

On the facts presented at this juncture of the case, I find the equities of the case are split and a grant of summary judgement at this time may be premature. Also, factual disputes may exist that could affect a finding of laches. Therefore, I will deny Beauticontrol's Motion for Summary Judgment of Laches; however, as part of the pre-trial process, Beauticontrol will be granted leave to file a motion in limine to limit the period for which damages may be assessed or to renew its motion at the close of fact discovery. Plaintiff Tristrata's Motion for Leave to Conduct Discovery will be denied as moot; however, Tristrata may seek additional discovery relevant to the laches defense during the discovery period.

CONCLUSION

For the reasons discussed, the Motion for Summary Judgment of Laches filed by Defendant BeautiControl, Inc. and the Motion for Leave to Conduct Discovery filed by Plaintiff Tristrata Technology, Inc. will be denied. An Order consistent with this Memorandum Opinion will be entered.

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 Plaintiff, : Civil Action No. 02-1290-JJF
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 v. :
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 CARDINAL HEALTH, INC., PLAN B, :
 INC., NALKCO INC., COSMED INC., :
 SKIN BIOLOGY, INC., SERIOUS SKIN :
 CARE, BEAUTICONTROL, INC., :
 :

ORDER

At Wilmington, this 16th day of January, 2004, for the reasons
discussed in the Memorandum Opinion issued this date;

IT IS HEREBY ORDERED that:

- 1) The Motion for Summary Judgment of Laches (D.I. 73-1)
filed by Defendant BeautiControl, Inc. is **DENIED**.
- 2) The Motion for Leave to Conduct Discovery (D.I. 82-1)
filed by Plaintiff Tristrata Technology, Inc. is
DENIED.

JOSEPH J. FARNAN, JR.
UNITED STATES DISTRICT JUDGE