

ALERT

Federal Circuit Patent Bulletin: *United Access Techs., LLC v. EarthLink, Inc.*

February 13, 2015

"[I]t was error to apply collateral estoppel to a general jury verdict that could have rested on multiple grounds, simply because the first court held, in its JMOL ruling, that the evidence would have been sufficient to support the jury's verdict on either theory of liability presented to it."

On February 12, 2015, in *United Access Techs., LLC v. EarthLink, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Newman, Bryson,* O'Malley) reversed and remanded the district court's dismissal of United's suit asserting infringement of U.S. Patents No. 5,844,596, No. 6,243,446, and No. 6,542,585, which related to systems for using a landline telephone connection for both voice communication and data transmission. The Federal Circuit stated:

A party seeking to apply the doctrine of collateral estoppel based on a prior action must show that (1) the previous determination was necessary to the decision; (2) the identical issue was previously litigated; (3) the issue was actually decided in a decision that was final, valid, and on the merits; and (4) the party being precluded from relitigating the issue was adequately represented in the previous action. In this case, we focus on the third of those requirements: whether the issue in dispute was actually decided in the prior action. We conclude that the issue in dispute—whether standard [Asymmetrical Digital Subscriber Line] ADSL infringes the asserted claims of United's patents—was not actually decided in the [prior] EarthLink case.

To address this issue, we must consider the principles of collateral estoppel that apply in the context of a general jury verdict. It is well established that a general jury verdict can give rise to collateral estoppel only if it is clear that the jury necessarily decided a particular issue in the course of reaching its verdict. When there are several possible grounds on which a jury could have based its general verdict and the record does not make clear which ground the jury relied on, collateral estoppel does not attach to any of the possible theories.

When a court seeks to determine what issues were necessarily decided by the jury, the party asserting preclusion bears the burden of showing “with clarity and certainty what was determined by the prior judgment.” Where there is doubt as to the issue or issues on which the jury based its verdict, collateral estoppel is inapplicable. . . . [T]he court’s JMOL ruling in the EarthLink case was simply a decision that a rational jury could reasonably have found non-infringement based on either of two theories. The JMOL ruling did not hold that the jury had, in fact, decided in favor of EarthLink on both of those grounds.

That difference is dispositive. [B]ecause it was not clear that the first jury decided the case on the ground presented in the second action, collateral estoppel was inapplicable. Applying the same analysis here requires that we reverse the district court’s decision applying collateral estoppel against United.

The defendants argue that United waived its right to argue that the “same issue” was not presented in the first and second actions in this case, because it failed to identify any material difference between the systems accused in the two cases. That argument misses the point. The question before this court is not whether there is a difference between the ADSL system sold by EarthLink and the ADSL system sold by the defendants. Instead, assuming the two accused ADSL systems share the same industry standard ADSL technology, the question is whether the jury in the EarthLink case necessarily decided that the standard ADSL technology infringed the asserted claims. If it is not known whether the EarthLink jury found that the standard ADSL technology infringed, it does not matter whether the two systems are the same or not. That is because, if the jury did not necessarily decide that the standard ADSL technology did not infringe the asserted claims, there is no decision in the first case to which collateral estoppel can be applied in this one.

There may be other grounds on which the defendants in this case can prevail without the need for a trial, and our opinion does not foreclose the district court from addressing any such grounds, if they exist. We hold only that it was error to apply collateral estoppel to a general jury verdict that could have rested on multiple grounds, simply because the first court held, in its JMOL ruling, that the evidence would have been sufficient to support the jury’s verdict on either theory of liability presented to it.