

## UNCLEAR LAW OF THE CASE LEADS TO THIRD TRIAL ON PATENT INVALIDITY

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In *TEK Global, S.R.L. v. Sealant Systems International, Inc.*,<sup>1</sup> the Federal Circuit clarified its decision from a 2015 appeal in the same case.<sup>2</sup> The result has led to a second remand for this patent infringement suit on the issue of validity. Briefly reviewing the procedural posture, this case has included a district court grant of summary judgment of invalidity (“*SSI I*”) that the Federal Circuit reversed on the first appeal (“*SSI II*”). On remand, the court denied summary judgment for invalidity and a jury found the patent not invalid (“*SSI III*”). On the second appeal (“*SSI IV*”), the focus of this comment, the Federal Circuit vacated the judgment for validity, remanding for a new trial on the issue. The second remand was due to difficulty in determining which obviousness theories would be available to the defendant after the Federal Circuit spoke on the issue in *SSI II*. The situation serves as a caution against unnecessarily broad language in appellate court decisions that leave lower courts unclear as to the law of the case.

TEK Global (“TEK”) asserted U.S. Patent No. 7,789,110 (“the ’110 patent”) in November 2010, alleging that Sealant Systems International (“SSI”) infringed claims 26, 28, and 31.<sup>3</sup> The ’110 patent, “Kit for inflating and repairing inflatable articles, in particular tyres,” is directed to an emergency kit to repair punctured tires as an alternative to replacement with a spare tire.<sup>4</sup> The claimed device uses a compressor and sealing liquid for the repair.<sup>5</sup>

After claim construction in *SSI I*, the U.S. District Court for the Northern District of California granted SSI’s motion for summary judgment of invalidity, concluding that claim 26—the asserted independent claim—was obvious over U.S. Patent Application No. 2003/0056851 (“Eriksen”) in view of Japanese Patent No. 2004-338158 (“Bridgestone”).<sup>6</sup> On appeal in *SSI II*, the Federal Circuit reversed the district court’s construction of a critical claim term and accordingly reversed the summary

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<sup>1</sup> *TEK Glob., S.R.L. v. Sealant Sys. Int’l, Inc.*, No. 2017-2507, 2019 WL 1412538 (Fed. Cir. Mar. 29, 2019).

<sup>2</sup> *Sealant Sys. Int’l, Inc. v. TEK Glob., S.R.L.*, 616 F. App’x 987 (Fed. Cir. 2015).

<sup>3</sup> *TEK Glob.*, 2019 WL 1412538, at \*1.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* (citing the ’110 patent col. 1 ll. 36–40).

<sup>6</sup> *Id.* at \*2. See *SSI Sys. Int’l, Inc. v. TEK Global, S.R.L.*, 929 F. Supp. 2d 971, 974 (N.D. Cal. 2013) (granting SSI’s motion for summary judgment of invalidity on obviousness grounds).

judgement for invalidity.<sup>7</sup> The court remanded for SSI to have an opportunity to argue invalidity in light of the new claim construction.<sup>8</sup>

On remand in *SSI III*, SSI moved for summary judgment of invalidity, again arguing obviousness using the Eriksen and Bridgestone prior art.<sup>9</sup> The magistrate judge denied the motion, concluding that the Federal Circuit had spoken on the issue and foreclosed the argument.<sup>10</sup> The issue of invalidity, among others, then went to a jury in March 2017. The jury found that the three asserted claims were infringed and not invalid, and awarded TEK damages under both lost profits and reasonable royalty theories.<sup>11</sup> After trial, the district court denied SSI's motion for judgment as a matter of law on invalidity, among other motions, and granted TEK's motion for a permanent injunction. SSI appealed several of the district court orders.<sup>12</sup>

Writing for a unanimous panel in *SSI IV*, Chief Judge Prost vacated the judgment as to validity and reversed the denial of SSI's motion for partial new trial. "In the interest of judicial economy," the court affirmed on the other issues, "in the event the '110 patent is found not invalid following the new trial."<sup>13</sup> On validity, the court concluded that the district court should not have prevented SSI from arguing obviousness theories based on the Eriksen and Bridgestone prior art that were not before the court in *SSI II*.<sup>14</sup>

After the Federal Circuit's decision in *SSI IV*, SSI will now have a third opportunity to argue obviousness of the '110 patent claims. How did the lower court go wrong in *SSI III*? An analysis of the language in *SSI II* and the lower court's decisions in *SSI III* suggest that confusion could have been prevented by clearer, narrower language by the Federal Circuit in *SSI II*.

In *SSI II*, the Federal Circuit offered its own conclusion as to obviousness under the Bridgestone and Eriksen prior art after providing

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<sup>7</sup> *TEK Glob.*, 2019 WL 1412538, at \*2 (citing *Sealant*, 616 F. App'x at 993).

<sup>8</sup> *Id.* (citing *Sealant*, 616 F. App'x at 996).

<sup>9</sup> *Id.* at \*3.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at \*1.

<sup>14</sup> *Id.* at \*4.

a new construction for a critical claim term.<sup>15</sup> The court concluded that Bridgestone did not disclose the claim element and the lower court did not have sufficient evidence to support a motivation to combine Bridgestone and Eriksen.<sup>16</sup> Further, the court concluded that neither piece of art taught the claim element at issue, saying:

Even if a skilled artisan would be motivated to combine the two references, as the district court found, this would not produce the claimed invention because *neither Bridgestone nor Eriksen teach the use of “an additional hose [] cooperating with” the tire.*<sup>17</sup>

Then the court remanded the case for SSI to present invalidity arguments according to the newly provided claim construction.<sup>18</sup>

On remand in *SSI III*, the lower court had to determine at summary judgment and in jury instructions which invalidity arguments were available to SSI, in light of the Federal Circuit’s holding in *SSI II*. The magistrate judge concluded that the combination of Bridgestone and Eriksen could not invalidate the claim.<sup>19</sup> This conclusion was based on the Federal Circuit’s unqualified language in *SSI II* that neither Bridgestone nor Eriksen had taught a claim element, which the magistrate judge found was the law of the case.<sup>20</sup> The subsequent jury instructions followed the appellate court’s language as to use of the Bridgestone and Eriksen prior art:

The Court has already determined that *Bridgestone and Eriksen*, both alone and in combination with one another,

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<sup>15</sup> Sealant Sys. Int’l, Inc. v. TEK Glob., S.R.L., 616 F. App’x 987, 993, 995 (Fed. Cir. 2015).

<sup>16</sup> *Id.* at 995.

<sup>17</sup> *Id.* at 996.

<sup>18</sup> *Id.*

<sup>19</sup> *TEK Glob.*, 2019 WL 1412538, at \*2–3.

<sup>20</sup> Sealant Sys. Int’l, Inc. v. TEK Glob., S.R.L., No. 5:11-CV-00774-PSG, 2016 WL 7741726, at \*1 (N.D. Cal. May 31, 2016) (“[The Federal Circuit] said, without qualification and after specifically considering the same sections that Defendants point to now, that ‘neither Bridgestone nor Eriksen teach[es] the use of “an additional hose [] cooperating with” the tire.’”).

*do not disclose “an additional hose cooperating with said inflatable article,”* as Claim 26 of the ’110 patent requires. You are not permitted to conclude that Bridgestone or Eriksen, alone or in combination with one another, discloses this requirement of Claim 26.<sup>21</sup>

On the second appeal in *SSI IV*, the Federal Circuit stated that the lower court should not have barred “other preserved obviousness theories based on the combination of Eriksen and Bridgestone that were not before this court in *SSI II*.”<sup>22</sup> In other words, their holding in *SSI II* was limited to one argument using Bridgestone and Eriksen, not to Bridgestone and Eriksen disclosures as a whole.

On the second remand, the parties and the district court will again need to determine what obviousness theories SSI is permitted to present. Given the established law-of-the-case doctrine,<sup>23</sup> the *SSI II* panel should have limited its obviousness decision when including opportunity for new argument on remand. The Federal Circuit in *SSI IV* did not go so far as to describe their decision as correcting an error in the law of the case, a change that may have required showing “exceptional circumstances” like the discovery of new and material evidence, an intervening change in controlling legal authority, or showing that adhering to the prior decision would work manifest injustice.<sup>24</sup> Instead, the *SSI IV* decision was expressed as a clarification of *SSI II*. But if the Federal Circuit had meant only to foreclose one specific argument related to one claim

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<sup>21</sup> Jury Instructions at 12–13, *TEK Glob., S.R.L. v. Sealant Sys. Int’l, Inc.*, No. 11-cv-00774-VC (N.D. Cal. Mar. 16, 2017) (emphasis added).

<sup>22</sup> *TEK Glob.*, 2019 WL 1412538, at \*4. Two members of the panel in *SSI IV*, Circuit Judges Dyk and Wallach, were also on the panel in *SSI II*.

<sup>23</sup> *Smith Int’l, Inc. v. Hughes Tool Co.*, 759 F.2d 1572, 1576 (Fed. Cir. 1985) (“The law-of-the-case doctrine is well established in the patent jurisprudence of this court.” (citing *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 900–01 (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984); *Central Soya Co. v. Geo. A. Hormel & Company*, 723 F.2d 1573, 1580–81 (Fed. Cir. 1983))). For a review of appellate mandates and law of the case in relation to claim construction in patent cases, see EDWARD D. MANZO, *PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT* § 6:26 (ed. 2018).

<sup>24</sup> *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.3d 1340, 1347 (Fed. Cir. 2012) (“Under the law of the case doctrine, a court adheres to its decision in a prior appeal absent exceptional circumstances.”); *Toro Co. v. White Consol. Indus., Inc.*, 383 F.3d 1326, 1336 (Fed. Cir. 2004).

limitation,<sup>25</sup> then the court should have said so in *SSI II*. Now the court has potentially set up a confusing precedent in deciphering the law of the case—if the court concludes that a prior art combination does not teach a claim element, a party is not prohibited from making additional arguments using the same combination of prior art.<sup>26</sup> The more immediate consequence of the court’s overly broad language in *SSI II* is that the parties and District Court for the Northern District of California will meet to discuss the same case for a third time. ■

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<sup>25</sup> *TEK Glob.*, 2019 WL 1412538, at \*4 (“In *SSI II*, SSI raised only one obviousness theory. That theory was based on the contention that the air tube 54 in the Bridgestone reference met the ‘additional hose’ limitation in claim 26 of the ’110 patent. It was the only obviousness theory that *SSI II* foreclosed.”)

<sup>26</sup> David C. Kellogg & Mark Kachner, Litigation Blog, *TEK Global, S.R.L. v. Sealant Systems International*, Knobbe Martens (Mar. 29, 2019), <https://www.knobbe.com/news/2019/03/tek-global-srl-v-sealant-systems-international> (“When the Federal Circuit holds that a combination of references does not teach a particular limitation, that does not foreclose all other obviousness theories based on the same combination of references.”).