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## Federal Circuit vacates \$1.8M verdict over extraneous evidence in jury room

In a unanimous multipronged ruling on Oct. 6, a Federal Circuit panel vacated a \$1.8 million jury verdict of trade secrets misappropriation and breach of fiduciary duty in favor of weapons accessory maker Atlantic Research Marketing Systems Inc. because of potential jury taint.

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The U.S. Court of Appeals for the Federal Circuit has vacated a \$1.8 million jury verdict because of potential jury taint.

In a unanimous multipronged ruling on Oct. 6, a Federal Circuit panel vacated a jury verdict of trade secrets misappropriation and breach of fiduciary duty in favor of weapons accessory maker Atlantic Research Marketing Systems Inc. and reversed the trial court's subsequent denial of defendant Stephen Troy's mistrial motion. The court ruled that Judge Patti Saris of the District of Massachusetts failed to conduct an adequate investigation into jury prejudice after a juror brought a clamp from home into the jury room to illustrate a point about the firearm accessory technology at issue in the case.

In another aspect of its ruling, the 1st Circuit affirmed Saris' denial of Troy's motion for a judgment as a matter of law on the ground that Atlantic Research had not identified a trade secret. The ruling offers guidance about cases that claim the same technology both infringed a patent and violated a trade secret.

Finally, the court affirmed Saris' grant of summary judgment for Troy, invalidating several claims of Atlantic Research's reissued patent for failing to meet two patenting requirements. One is for a written description of the claimed invention in addition to enabling language that explains how to make and use the invention. The other is to disclose the so-called "best mode" or the inventor's preferred embodiment of the invention.

The U.S. Patent and Trademark Office issued Atlantic Research's owner, Richard Swan, a patent in December 2002 and reissued it in January 2007. The patent covers a rifle sleeve and handguard device. The reissue process gives patent owners a two-year window to broaden patent claims after their patent is approved.

In August 2007, Atlantic Research sued Troy, its former distributor, then employee, who later became a competitor, alleging that he infringed the company's patent. The company also claimed misappropriation of trade secrets and breach of fiduciary duty.

Saris ruled that several claims were invalid because they covered subject matter not disclosed in the specification of the reissued patent. She found that the reissued patent did not disclose a handguard that could be fastened only to the barrel nut of the gun.

Swan claimed that Troy used Atlantic Research's alleged trade secret, a free-floating handguard that attached to a weapon solely at the barrel nut, to create a competing product. The 2009 jury trial focused on the claims of trade secret misappropriations and breach of fiduciary duty. The jury awarded Atlantic Research \$1,813,465 in damages.

Judge Sharon Prost wrote the opinion joined by Judge Kathleen O'Malley and Senior Judge Haldane Robert Mayer.

On the jury taint issue, Prost wrote that the panel reverses Saris' denial of Troy's mistrial motion "because the district court failed to conduct an adequate investigation into whether the presence of the clamp in the jury room prejudiced members of the jury."

"Because the district court had notice of the possible prejudice, there could be no 'waiver' of the court's duty to investigate," Prost wrote. She noted that Saris made her decision based on her interview of the juror who brought in the clamp weeks after the incident and did not question the other jurors.

She also noted that the alleged trade secret in this case was "the ability to attach a handguard to a weapon using a single-clamp mechanism" and that the term "clamp" arose throughout the trial.

Prost also observed that Swan claimed during the trade secret trial that the barrel nut-only attachment design was not disclosed in the original patent. "Mr. Swan cannot now 'have it both ways' by reaching back and relying on the disclosures in the [originally filed] patent to claim an invention he was purposely shielding from the public," she wrote.

Prost found that Atlantic Research created an "inherent tension" in the case by claiming both that Troy misappropriated trade secrets and that

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the products Troy created with those secrets infringed its patent. Troy's response created a similar dilemma, noted Prost, through a contention that Atlantic Research's patent disclosed the trade secret and that the patent was invalid for failing to disclose a written description of a handguard that attaches solely at the barrel nut.

"The district court recognized that the conflicting positions put the parties on the 'horns of a dilemma,'" Prost wrote. "The court correctly concluded that Atlantic Research would have to demonstrate at trial that the alleged trade secret was 'something beyond' what was disclosed in the [original] patent."

Prost wrote that Troy's motion for a judgment as a matter of law on the trade secret failed because it did not meet the standard of requiring evidence so overwhelming that "no reasonable jury" could have returned a verdict against the moving party.

Finally, in addressing the district court's patent invalidation rulings, Prost wrote: "Because the district court did not err in granting summary judgment invalidating [certain claims in the] patent for failing to meet the written description requirement, we affirm."

Tom McNulty, an associate at Cambridge, Mass.-based Lando & Anastasi who co-argued for Troy at the Federal Circuit, said this type of jury taint issue doesn't arise very often, and the "Federal Circuit determined what they thought the appropriate way to handle it was."

The 1st Circuit, he said, "pointed out that in the context of both parties' [cases], you can't have something disclosed in a patent and remain a trade secret."

Damian LaPlaca, a partner at Boston's Donovan Hatem also co-argued for Troy at the Federal Circuit.

Neither Atlantic Research nor its lawyers at Hayes Bostock & Cronin in Andover, Mass., responded to requests for comment.

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