

Federal Circuit Patent Watch

October 3, 2006

Aero Prods. Int'l, Inc. v. Intex Rec. Corp.

No. 05-1283, Federal Circuit (Rader, Schall, Dyk)

Generally, the double recovery of damages is impermissible.

On October 2, 2006, the Federal Circuit, *inter alia*, vacated and remanded the district court's \$6.9 million damages award to Aero for Intex's infringement of U.S. Patent No. 5,367,726, and the trademark ONE TOUCH®, which related to an air mattress valve assembly. The Federal Circuit stated:

[D]ouble recovery for the same injury is inappropriate. "The law is clear that the jury may award separate damages for each claim, 'leaving it to the judge to make appropriate adjustments to avoid double recovery.'" [I]n determining whether there has been an impermissible double recovery of damages, the inquiry focuses on whether the damages issue arose from the same set of operative facts.

Patent infringement damages are meant to compensate the patentee for the infringement, and a patentee is entitled to at least reasonable royalties. The Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (codified as amended in scattered portions of 15 U.S.C.) ("the Lanham Act"), allows a trademark owner to recover its damages, the defendant's profits, and the costs of the action, and the amount awarded "shall constitute compensation and not a penalty."

[A]t trial Aero sought patent infringement damages in the amount of \$3.4 million. This was based upon the testimony of Aero's damages expert, Mark Alan Peterson, that Aero was entitled to a 15.7% reasonable royalty on \$21.8 million in sales of the accused Intex mattress, which would amount to \$3.425 million. Aero argued to the jury that it should award "3.4 million dollars of that 22 million dollars for patent infringement." Aero asserted that this amount would "compensate Aero for the [patent] infringement. . . ." At the same time, Aero sought trademark infringement damages in the amount of \$2.2 million. This was based upon Aero's contention that defendants had made \$2.2 million in profits based on sales of the accused Intex mattresses. Defendants' damages expert, Roy Weinstein, testified at trial that Intex had sold \$22 million worth of accused Intex mattresses, and Intex's profits were 10.4%, so Intex had made approximately \$2.2 million in profits. In short, Aero used

defendants' patent infringement damages calculations in support of its proposed amount of trademark damages.

The jury awarded Aero \$2.95 million for the patent infringement—presumably a reasonable royalty as Aero requested—and \$1 million in Intex's and Quality Trading's profits for the trademark infringement. This was less than the damages that Aero requested—reasonable royalty damages of \$3.4 million for the patent infringement and disgorgement of Intex's profits of \$2.2 million for the trademark infringement.

[T]he record demonstrates that Aero based both its patent and trademark damages solely on sales of the accused Intex mattresses. Aero did not rely on any other evidence in support of its trademark damages. In other words, there was no evidence introduced at trial of Intex's use of the mark "ONE TOUCH" other than in connection with the sales of mattresses that formed the basis for Aero's patent infringement claim. In short, all of the damages awarded to Aero flowed from the same operative facts: sales of the infringing Intex mattresses. Aero was fully compensated for defendants' patent infringement when it was awarded a reasonable royalty for patent infringement based on sales of the infringing Intex mattresses. It could not also be awarded defendants' profits for trademark infringement based on the same sales of the same accused devices. [T]he district court abused its discretion by allowing to stand the jury's award to Aero of \$1 million in trademark damages.

For more information on these issues or other intellectual property law matters, please contact **Lawrence M. Sung, Ph.D.** at lsung@nixonpeabody.com or 202-585-8221.

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