

**Keywords:** damages, remitted damages

**General:** After accepting remitted damages award for manufacturer's direct infringement, the patentee was not entitled to sue the manufacturer for indirect infringement based on direct infringement by the manufacturer's customers, as the damage award fully compensated the patentee for direct infringement by the manufacturer, direct infringement by the manufacturer's customers, and indirect infringement by the manufacturer.

*Glenayre Electronics Inc. v. Jackson*  
78 U.S.P.Q.2d 1641 (Fed. Cir. 2006)  
Decided April 11, 2006

## **I. Facts**

Glenayre Electronics ("Glenayre") manufactures and sells voicemail server systems. Phillip Jackson and PMJ Limited Partnership (collectively, "Jackson") filed suit against Glenayre's customers, alleging direct infringement of U.S. Patent No. 4,596,900 ("the '900 patent"). In response, Glenayre filed a separate declaratory judgment action, seeking a judgment that its voicemail server systems did not infringe the '900 patent. In view of the declaratory judgment action, the district court stayed Jackson's suit against Glenayre pending resolution of the declaratory judgment action.

Because the suit against Glenayre's customers was stayed, Jackson filed several counterclaims in the declaratory judgment action, alleging indirect infringement of the '900 patent by Glenayre and direct infringement of the '900 patent by the customers. The district court stayed Glenayre's counterclaims against the customers for direct infringement and against Glenayre for indirect infringement. In response, Jackson filed a counterclaim against Jackson for direct infringement of the '900 patent. As a result, the only issue remaining before the court was Glenayre's direct infringement.

After trial regarding Glenayre's direct infringement, a jury returned a verdict of infringement and awarded damages in the amount of \$12 million. It should be noted that Jackson introduced and relied on evidence of the benefits Glenayre's customers received by way of their direct infringement. Because the court found the jury's damages award to be "grossly excessive," the district court granted Glenayre's motion for remittitur. Instead of refusing the remittitur or requesting a new trial, Jackson accepted remitted damages of \$2.65 million. After Jackson dismissed the counterclaims against the customers, Glenayre paid the remitted damages award.

Thereafter, Jackson filed a motion to set trial on the stayed counterclaims against Glenayre for indirect infringement. The district court denied Jackson's motion to set trial because "the judgment completely compensated Jackson for infringement and therefore there was nothing else owed to Jackson." In connection with an unrelated motion, the district court noted that some of its previous orders created ambiguity regarding the continued validity of Jackson's counterclaims, but the district court made clear that no counterclaims survive.

Jackson appealed the district court's denial of his motion to set trial on the stayed counterclaims against Glenayre for indirect infringement.

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**II. Issues**

1. Is Jackson entitled to a second trial as a matter of right because the district court stayed the indirect infringement counterclaims?
2. Did the remitted damages award fully compensate Jackson for infringement of the '900 patent?

**III. Discussion**

1. No. The Federal Circuit determined that staying Jackson's counterclaims did not entitle him to a second trial as a matter of right.

Jackson argued that various statements and comments by the district court were a guarantee of a second trial against Glenayre for indirect infringement. For instance, the district court stated, "Glenayre's liability as an alleged contributory infringer/inducer depends, as a matter of law, on the logically prior determination of liability against one or more infringers (i.e., Glenayre's customers)" and that "the question of the measure of damages against Glenayre as an alleged contributory infringer/inducer will not present itself until final judgment is rendered in this case." Contrary to Glenayre's assertions, the Federal Circuit noted that the district court never guaranteed him another trial. Rather, the district court merely stayed Jackson's counterclaims so that it could revisit the issue of whether any additional relief was necessary after resolution of the issue of Glenayre's direct infringement. The Federal Circuit did not comment on whether a guarantee of a second trial would have been binding.

2. Yes. The Federal Circuit determined that the remitted damages award collected by Jackson fully compensated him for the infringement, including Glenayre's direct infringement, Glenayre's indirect infringement, and the customers' direct infringement.

Jackson argued that the remitted damages award did not fully compensate him for Glenayre's indirect infringement. First, the Federal Circuit noted that Jackson's indirect infringement theory is based on Glenayre's sale of infringing products to its customers followed by its customers' use of those products. In cases where a manufacturer's indirect infringement is solely based on the sale of infringing products to its customers, the measure of damages for the indirect infringement would normally be the same as if the patentee had sued and obtained a judgment against the customers. Accordingly, the Federal Circuit noted that the measure of damages for Glenayre's indirect infringement would be based on the customers' use of the infringing products.

The Federal Circuit next analyzed whether the remitted damages award compensated Jackson for the customers' direct infringement. Regarding damages, the Federal Circuit noted that "the theory of recovery Jackson presented . . . was based on a reasonable royalty for past manufacture and sale of infringing products by Glenayre and, importantly, past benefits derived from use of the same products by Glenayre's customers." For instance, the Federal Circuit noted that, in closing arguments, Jackson argued for a royalty base, which was based on the customers' infringing use and not on Glenayre's infringing sales. Accordingly, the Federal Circuit reasoned that Jackson did submit arguments supporting a damage award based on evidence of the benefits received by the customers' direct infringement. The Federal Circuit noted that the jury's original damages award did appear to be based on this evidence of the customers' infringing use. The district court, however, chose to base the remitted damages award on other evidence, reflecting the district court's best judgment of the value of using the '900 patent. Accordingly, the remitted damages award did compensate Jackson for the customers' direct infringement, and thus also compensated Jackson for Glenayre's indirect infringement.

Finally, the Federal Circuit noted that, if Jackson did not consider the remitted damages award a full compensation for the infringement, then Jackson should not have accepted it. In the present appeal, Jackson cannot collaterally attack the remitted damages award he accepted and has already collected.