

## Court Slashes Punitive Damages Stemming from Third-Party Infringement Accusations, Leaves Compensatory Damages Untouched

***Atturo Tire Corp. v. Toyo Tire Corp.*, No. 14-cv-0206 (N.D. Ill. May 10, 2022)**

By: Lisa Holubar & Daniel Zhang | May 23, 2022

In 2014, Toyo Tire Corporation (“Toyo”) brought a trade dress infringement lawsuit against Atturo Tire Corporation (“Atturo”). Atturo alleged seven counterclaims based on actions Toyo took in an investigation brought before the United States International Trade Commission (“ITC”). Specifically, those counterclaims stemmed from allegedly defamatory statements made during settlement negotiations in ITC investigations that Atturo’s tires infringed Toyo’s trade dress, even though, significantly, Atturo was not party (nor was its tires listed in Toyo’s complaint) to that ITC case. Atturo’s counterclaims proceeded to trial, and the jury found Toyo liable for \$10 million in compensatory damages, and \$100 million in punitive damages. Upon deciding post-trial motions, the Court reduced these damages to \$10 million in compensatory damages, and \$100,000 in punitive damages.

Here, the actions-at-issue “[were] contained in settlement agreements between Toyo and ITC respondents which were submitted to the ITC.” Specifically, in Toyo’s settlement agreements with its ITC respondents, Toyo include a line stating, “Toyo is aware of additional tires that it believes infringe other Toyo intellectual property not asserted in the ITC action,” and listed an Atturo tire. Those settlement provisions also included a requirement that parties “never sell, import, or manufacture the Atturo tire.” Atturo alleged, among other things, that these communications interfered with Atturo’s business with Dunlap & Kyle (D&K), who were party to the ITC investigation and subsequent settlement agreements. The Court and the jury agreed that Toyo should be liable for damages on some of the counterclaims.

Specifically, the relevant counterclaims that were at-issue in post-trial motions included: (1) tortious interference with contract, (2) tortious interference with prospective business expectancy, (3) defamation, (4) unfair competition, (5) unjust enrichment, and (6) violation of the IDTPA. The Court found that regarding the defamation and IDTPA claims, Atturo’s claims were barred by litigation privilege, which provides that a private party to litigation is entitled to “publish defamatory matter concerning another in communications preliminary to a proposed judicial proceeding[.]” Regarding the remaining four claims, the jury originally found Toyo liable and found in favor of Atturo. The Court overturned the jury finding with respect to only the tortious interference with contract and found no reason to disturb the jury findings on the remaining three claims. The Court reasoned that in Illinois, contracts that may be terminated at-will by either party cannot support a claim of tortious interference with contract and is more properly classified as tortious interference with prospective economic advantage.

The Court left the compensatory damages untouched, reasoning that courts only look at the “bottom line” to make sure the award is “reasonable,” and Atturo’s expert opined that Atturo suffered approximately \$11.5 million in lost profits as a result of Toyo’s actions. But the Court found that \$100 million in punitive damages to be excessive. Although the Court noted that the “jury’s verdict on the six claims against Toyo shows that the jury found that Toyo’s conduct was wrongful, deceptive, and violated principles of commercial morality, justice, equity, and good conscience,” such high punitive damages were not warranted. Accordingly, the Court reduced the punitive damages award to \$100,000. Finally, Toyo’s request for a new trial was denied.