

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

LUV N’ CARE, LTD. and ADMAR	§	
INTERNATIONAL, INC.,	§	
	§	
<i>Plaintiffs, Counter-Defendants,</i>	§	
	§	Civil Action No. 2:10-cv-461-JRG
v.	§	
	§	
ROYAL KING INFANT PRODUCTS CO.	§	
LTD.,	§	
	§	
<i>Defendant, Counter-Plaintiff.</i>	§	
	§	

MEMORANDUM OPINION AND ORDER

Before the Court are the post-trial motions pending in this case relating to liability.

Defendant Royal King Infant Products Co., Ltd. (“RK”) filed a (1) Motion for Judgment as a Matter of Law on Plaintiff’s Count I for Breach of Contract and Royal King’s Third Counterclaim for Breach of Contract, or, in the Alternative, for a New Trial on Damages on Plaintiff’s Count I for Breach of Contract (Or, At Least, Reducing the Damage Award) and (2) a Motion for a New Trial on Damages. (Dkt. No. 240.) Plaintiffs Luv n’ Care Ltd. and Admar International, Inc. (collectively, “LNC” or “Plaintiffs”) oppose RK’s Motions. (Dkt. No. 251.)

Also before the Court is LNC’s Renewed Motion for Judgment as a Matter of Law on Defendant’s Claims for Tortious Interference. (Dkt. No. 241.) RK opposes the Motion. (Dkt. No. 249.)

The Court has addressed RK’s motion to amend the Court’s February 14, 2014 Memorandum Opinion and Order (Dkt. No. 234) regarding RK’s equitable estoppel defense and fraudulent inducement claim separately. (Dkt. No. 282.)

Having reviewed the parties’ written submissions, and for the reasons stated below, the

Court finds that RK's Motions should be **DENIED** as to the issues of the jury's determinations that RK breached Paragraph 1 of the Settlement Agreement by under-reporting sales and underpaying royalties, that RK breached Paragraph 6 of the Settlement Agreement by selling versions of the Settlement Products that were likely to cause confusion with LNC's products for the period after the Settlement Agreement, and that LNC did not breach the Settlement Agreement by filing the instant lawsuit. The Court further finds that LNC's Motion should be **DENIED** as to the issue of the jury's determination of no intentional interference by RK and **GRANTED** as to the issue of the jury's determination of intentional interference by LNC.

The damages issues and alternative motions for new trial on damages raised by LNC and RK's Motions are **CARRIED**.

I. BACKGROUND

A. Settlement Agreement

On June 22, 2009, the parties executed a settlement agreement (Dkt. No. 1-1, "Settlement Agreement") to resolve a 2008 trademark case previously before this Court. (Dkt. No. 192.) Under the terms of the Settlement Agreement, RK would pay royalties on sales of certain products that RK made before the Settlement Agreement and would stop making the same:

1) Royal King shall pay a 12% royalty on all past sales of the products listed on the spreadsheet attached hereto as Exhibit A (hereinafter "the Products"). The total royalty for all U.S. and international sales is \$396,000 USD, based on Royal King's representations as to the total US and international sales of the Products.

...

6) Royal King will immediately cease and desist worldwide from making, selling, offering to sell, marketing, and/or promoting the Products, including any versions of the Products or their packaging that are likely to cause confusion with LNC's products or packaging. In the event that Royal King has any remaining Products in inventory, Royal King shall have 30 days from execution of this Settlement to sell-off any such remaining Products, shall report any sales beyond those paid for in this Agreement, and shall pay the 12% royalty on such sales. Any products,

and the Molds for such products, remaining more than 30 days from execution of this Settlement shall be destroyed, and Royal King shall provide proof of same.

(Dkt. No. 1-1 (“Settlement Agreement”).) The terms of the Settlement Agreement also provided for a release of past and present claims relating to the products at issue:

5) LNC and Royal King agree that this is a global settlement of all past and present claims LNC had or has against Royal King with respect to the Products up through the date of the present Agreement, and that this settlement and the Products in this Agreement are not limited to the colors in the images below, or any particular colors. . . .

...

8) Subject to the provisions in this Agreement, LNC and Royal King hereby release, acquit and discharge one another . . . from and against any and all past and present claims, demands, obligations, liabilities, and causes of action worldwide, of any nature whatsoever, at law or in equity, asserted or unasserted, known or unknown arising out of or in connection with the Products. . . .

(Settlement Agreement ¶¶ 5, 8.)

On November 4, 2010, LNC brought suit against RK alleging breach of contract, fraud in the inducement, tortious interference with existing and prospective contractual or business relations, and patent infringement. (Dkt. No. 20.) In response, RK raised a number of affirmative defenses including equitable estoppel and statutes of limitation. (Dkt. No. 116.) RK also counterclaimed accusing LNC of breach of contract, tortious interference with existing and prospective contractual or business relations, and fraud in the inducement. (*Id.*)

B. Jury Trial

The Court began a jury trial in the present case on October 7, 2013. Three days later, the jury returned a unanimous verdict on October 10, 2013. In its verdict, the jury found that RK had violated Paragraph 1 of the Settlement Agreement by under-reporting sales and underpaying pre-Agreement royalties on the Settlement Products for the period before the Settlement Agreement; that RK had violated Paragraph 6 of the Settlement Agreement by selling versions of the

Settlement Products that were likely to cause confusion with LNC's products for the period after the Settlement Agreement; and that \$10,000,000.00 was the "sum of money, if paid now" which would "adequately compensate Plaintiffs Luv N' Care and Admar as to . . . [LNC's claim of] breach of contract." (Dkt. No. 195 ("Verdict") ¶¶ 1–2, 4(A).)

The jury further found that RK did not engage in intentional interference with LNC and/or Admar's existing or prospective contractual or business relations regarding any of LNC and/or Admar's customers; and that \$0.00 was the "sum of money, if paid now" which would "adequately compensate Plaintiffs Luv N' Care and Admar as to . . . [LNC's claim of] intentional interference." (Verdict ¶¶ 3, 4(B).)

The jury further found that LNC and/or Admar did not breach the Settlement Agreement by filing the instant lawsuit seeking recovery for claims that were released in the Settlement Agreement and that \$0.00 was the "sum of money, if paid now" which would "adequately compensate Defendant Royal King as to . . . [RK's claim of] breach of contract." (Verdict ¶¶ 7, 9(A).)

The jury further found that LNC and/or Admar did engage in intentional interference with RK's existing or prospective contractual or business relations regarding any of RK's customers but that \$0.00 was the "sum of money, if paid now" which would "adequately compensate Defendant Royal King as to . . . [RK's claim of] intentional interference." (Verdict ¶¶ 8, 9(B).)

After trial, RK filed a motion for judgment as a matter of law under Rule 50(b) on liability on the contract claims (Dkt. No. 240). LNC filed a motion for judgment as a matter of law under Rule 50(b) on liability on the intentional interference claims. (Dkt. No. 241.)

RK and LNC assert that, in the nearly seventeen hours of testimony presented at trial, the

jury did not have sufficient evidence for its findings of liability and damages on the contract and tortious interference claims.

C. Bench Trial

On December 4, 2013, the Court held a bench trial to hear additional evidence presented solely on RK's fraud in the inducement claim. (*See* Dkt. No. 213.) The Court also heard arguments relating to RK's equitable estoppel defense. (*See* Dkt. No. 213 at 3–4; Dkt. No. 198 at 1.) On February 14, 2014, this Court entered its Findings of Fact and Conclusions of Law relating to RK's fraud in the inducement claim and equitable estoppel defense. (Dkt. No. 234.) This Court found that RK had not demonstrated by a preponderance of the evidence that LNC had fraudulently induced RK to enter into the Settlement Agreement, or that LNC's breach of contract claim should be barred by the doctrine of equitable estoppel. (*Id.*) Accordingly, judgment was entered in favor of LNC on RK's claim for fraudulent inducement and equitable estoppel defense. (*Id.*)

RK moved the Court to amend, under Rule 52(b), the Court's findings in the February 14, 2014 Memorandum Opinion and Order (Dkt. No. 234 ("Memorandum Opinion")) denying RK's claim for fraud in the inducement and RK's defense of equitable estoppel. (Dkt. No. 240.) RK asserted that the Court should find additional facts which would support a finding that RK had proven by a preponderance of the evidence its claim for fraud in the inducement and its defense of equitable estoppel. (*See* Dkt. No. 240.) The Court denied RK's motion. (Dkt. No. 282.)

II. APPLICABLE LAW

A. Judgment as a Matter of Law Under Rule 50(b)

Upon a party's renewed motion for judgment as a matter of law following a jury verdict, the Court asks whether "the state of proof is such that reasonable and impartial minds could

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