UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Ohio-Sealy Mattress Manufacturing Co. v. Sealy, Inc.

Ohio-Sealy Mattress Mfg. Co. v. Sealy, Inc., 669 F.2d 490 (7th Cir. 1982) · Decided January 29, 1982

SUMMARY

The Seventh Circuit affirmed a district court judgment in an antitrust action involving an alleged market-allocation scheme by Sealy, Inc. The court held that Ohio-Sealy could not reinstate the remitted portion of its jury award or recover supplemental damages in the same action. It also upheld the equitable decree, including the refusal to order divestiture or enjoin enforcement of the exclusive manufacturing territory clause, and dismissed Sealy's contingent cross-appeal.

CASE DETAILS

COURT	United States Court of Appeals for the Seventh Circuit
WRITING FOR THE COURT	Bauer
JURISDICTION	Federal
DECIDED	January 29, 1982
DISPOSITION	affirmed
PROCEDURAL POSTURE	Second appeal in a private antitrust action. After the first appeal affirmed a remitted damages award and reversed the denial of equitable relief, the district court on remand denied reinstatement of the remitted damages, denied supplemental damages, and entered an injunction. Ohio appealed, and Sealy filed a contingent cross-appeal.
STANDARD OF REVIEW	The opinion applies de novo legal analysis to the effect of the appellate mandate, res judicata, and the availability of supplemental damages, and reviews the equitable decree for abuse of discretion or legal error.
PRECEDENTIAL VALUE	Published federal appellate decision; precedential within the Seventh Circuit subject to later authority.
PARTIES	Ohio-Sealy Mattress Manufacturing Company v. Sealy, Incorporated

TOPICS

commercial litigation · equitable relief · res judicata · appellate procedure · civil procedure

PRACTICE AREAS

antitrust · commercial litigation · remedies · appellate procedure

QUESTIONS PRESENTED

1. Whether the district court could reinstate the portion of the jury verdict that had been remitted after Ohio accepted the remittitur.
2. Whether Ohio could recover supplemental damages in the same action for pre-verdict or post-verdict antitrust conduct.
3. Whether the district court erred by failing to hold an evidentiary hearing concerning supplemental damages.
4. Whether the equitable decree adequately protected Ohio from future harm and restored competition.
5. Whether the district court was required to order divestiture of Sealy licensees or enjoin enforcement of the exclusive manufacturing territory clause.

HOLDINGS

1. The district court correctly refused to reinstate the remitted portion of the jury verdict because the prior appellate mandate affirmed the remitted judgment and foreclosed Ohio from seeking reinstatement.
2. Ohio could not recover supplemental damages in this action; any valid claim for damages that accrued after trial or was not provable at trial had to be pursued in a separate lawsuit.
3. The district court did not err by denying an evidentiary hearing because Ohio was not entitled to recover supplemental damages in this action as a matter of law.
4. A private antitrust equitable decree should extend only as far as necessary to protect the plaintiff from likely future harm and to prevent continuation of the specific unlawful practice; the district court's injunction adequately restored intrabrand competition.
5. The district court did not err by refusing to order divestiture of the three licensees or by declining to enjoin Sealy's exclusive manufacturing territory clause.

KEY QUOTATIONS

> *“Res judicata bars the plaintiff from splitting his cause of action; once he sues, he must seek all the damages that have then accrued as a result of the defendant’s antitrust conduct.”* (494)

> *“An equitable decree in a private antitrust suit should award the plaintiff injunctive relief only to the extent necessary to protect it from future damage likely to occur if the defendant continues the unlawful antitrust conduct.”* (495)

> *“Given that the remedy in this case should restore competition, not diminish it, divestiture would be inadvisable.”* (496)

FACTUAL BACKGROUND

Sealy licensed independent manufacturers to produce Sealy-brand bedding products under agreements assigning geographic areas of primary responsibility and imposing restrictions on out-of-area sales, plant locations, competitive interests, license transfers, and related practices. Ohio alleged that Sealy used those provisions as part of an unlawful scheme to allocate markets, including by exercising rights of first refusal to prevent Ohio from acquiring three licensees. After a jury found an antitrust violation and awarded damages, the district court on remand enjoined several restraints but declined to order reinstatement of remitted damages, supplemental damages, or divestiture.

PROCEDURAL HISTORY

Ohio sued Sealy under Section 1 of the Sherman Act for allegedly allocating markets through its licensing practices. A jury awarded Ohio damages, which the district court remitted by fifty percent; the district court denied equitable relief. On the first appeal, the Seventh Circuit affirmed the remitted damages award, reversed the denial of equitable relief, and remanded for reconsideration of equitable relief. On remand, the district court denied Ohio's motions to reinstate the remitted portion of the verdict and to obtain supplemental damages, then entered an injunction addressing several licensing restraints. The Seventh Circuit affirmed and dismissed Sealy's contingent cross-appeal.

DISPOSITION

affirmed

CASES CITED

- Ohio-Sealy Mattress Mfg. Co. v. Sealy, Inc., 585 F.2d 821, 839-45, 847 (7th Cir. 1978), cert. denied, 440 U.S. 930 (1979)
- Banker's Life & Casualty Co. v. Bellanca Corp., 308 F.2d 757, 759 (7th Cir. 1962)
- Hayes v. Thompson, 637 F.2d 483, 487 (7th Cir. 1980)
- SEC v. Advance Growth Capital Corp., 539 F.2d 649, 650-51 (7th Cir. 1976)
- Donovan v. Penn Shipping Co., Inc., 429 U.S. 648 (1977) (per curiam)
- Lewis v. Wilson, 151 U.S. 551, 555 (1894)
- Zenith Radio Corp. v. Hazeltine Research, Inc., 401 U.S. 321, 338-39 (1971)
- Lawlor v. National Screen Service Corp., 349 U.S. 322, 327-28 (1955)
- United States v. E. I. du Pont de Nemours & Co., 366 U.S. 316, 326 (1961)
- International Salt Co. v. United States, 332 U.S. 392, 401 (1947)
- Calnetics Corp. v. Volkswagen of America, Inc., 532 F.2d 674, 692 (9th Cir. 1976)
- ITT Corp. v. GTE Corp., 518 F.2d 913, 920-24 (9th Cir. 1975)
- Domeracki v. Humble Oil & Refining Co., 443 F.2d 1245, 1247 (3d Cir. 1971)