

Divergent Approaches to Disgorgement in Intellectual Property Cases

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There are striking differences in the availability of the disgorgement remedy in different types of intellectual property (IP) cases. Under current law, disgorgement of an infringer's profits is never available as a remedy for utility patent infringement, although an award of reasonable royalties can, as a practical matter, equate to a partial disgorgement. By contrast, plaintiffs in design patent cases can always be awarded an infringer's profits. Indeed, the ability to recover an infringer's "total profits" from sales of articles of manufacture to which a patented design was applied makes this IP regime a very attractive alternative to other forms of IP for which a design may be eligible. Plaintiffs in copyright cases, like design patentees, can always ask for an award of a disgorgement of infringer's profits. On the other hand, copyright's disgorgement remedy is limited to only those profits that are attributable to the infringement, whereas design patentees can get total profits on sales of articles of manufacture to which a protected design has been applied, even if other factors contributed value to the product. A difference exists because copyright law allows recovery of both an infringer's profits and actual damages, whereas design patentees can be awarded either profits disgorgement or actual damages, but not both. As for trademark and trade dress law, a circuit split exists about whether the disgorgement remedy is available only in cases in which the infringement was willful, as a petition for certiorari now asks the Supreme Court to resolve. Although trade secrecy statutes, on their face, authorize awards of both actual damages and profits disgorgement, courts generally limit monetary relief for trade secret misappropriation to actual damages, often in the form of a reasonable royalty owed for the wrongful use or disclosure of the trade secret. The mishmash of approaches to the disgorgement of infringer profits remedy in IP regimes is mostly the result of historical accident, rather than intentional design. This paper considers whether there may be normative justifications for some variations among IP regimes in terms of the availability of a disgorgement remedy. To the extent such justifications are identified, the paper analyzes whether the current mishmash bears any relation to them and also how IP regimes might best deploy disgorgement remedies in the future