THE CASE FOR RESTITUTION AND UNJUST ENRICHMENT
REMEDIES IN PATENT LAW

by

Caprice L. Roberts

A patent owner should have access to a restitutionary disgorgement remedy. The goals served by the remedy could operate to benefit patent law aims. Depending upon the desired parameters, the remedy could serve to prevent the infringer’s unjust enrichment, recapture wrongful gains to the owner who lost an opportunity to gain, deter infringement, and encourage bargaining for licenses.

Congress’s deletion of the infringer’s profits from the Patent Act and the Supreme Court’s interpretation of congressional intent as an outright elimination of the remedy do not render restitutionary principles incompatible with patent law. Even pursuant to the Court’s flawed interpretation of congressional intent, an infringer’s gain is permissible evidence of a patent owner’s loss in appropriate cases. Also, existing law does not foreclose the option of disgorgement as a contempt sanction.

To protect the limited monopoly established through a valid patent, Congress should reform the Patent Act to reauthorize a restitutionary disgorgement remedy. In keeping with disgorgement’s equitable roots, disgorgement could be reserved for cases in which legal damages are inadequate. Congress also could choose to limit disgorgement’s availability to instances of conscious infringement. Of course, Congress could determine that patent law’s goals are distinct from other intellectual property and that restitutionary principles do not foster the intended patent law aims. At least then elimination would be clear and access to the remedy would be denied on substantive grounds.

I. INTRODUCTION: PATENT LAW, UNJUST ENRICHMENT, AND RESTITUTIONARY DISGORGEMENT ........................................ 654
II. PATENT LAW’S EXCLUSION OF THE DISGORGEMENT REMEDY FOR UTILITY PATENTS........................................... 656

* Visiting Professor of Law, The Catholic University of America; Professor of Law, West Virginia University. The author is grateful for helpful feedback from Andrew Kull, Megan La Belle, Kali Murray, Kevin Outterson, Doug Rendleman, Michael Risch, and Andrew M. Wright. Thanks also to Allen Mendenhall and Bertha Romine for helpful technical revisions, Lewis & Clark Law School for supporting dialogue among intellectual property and remedies scholars, the Lewis & Clark Business Law Forum participants for thoughtful questions and suggestions, and Shanelle Honda for keeping the trains running on time.
A. Disgorgement Historically Available for Utility Patent Infringement.......................... 656
C. Judicial Gloss: No More Disgorgement........................................ 665

III. THE IMPORT OF GOALS: REMEDIES HELPING TO SHAPE THE RIGHT ........................................ 670
   A. Unjust Enrichment and the Disgorgement Remedy.................. 670
   B. Patent Law.................................................. 672

IV. REASONS SUPPORTING RESTITUTIONARY DISGORGEMENT IN PATENT LAW .................................. 678
V. CONCLUSION.............................................................................. 685

“The debate over patent damages reform is in reality a fight over the fundamental nature of the patent grant.”

I. INTRODUCTION: PATENT LAW, UNJUST ENRICHMENT, AND RESTITUTIONARY DISGORGEMENT

A utility patent holder who successfully proves infringement of a utility patent may not disgorge the infringer’s profits. This result is true

1 Utility patents are: “Issued for the invention of a new and useful process, machine, manufacture, or composition of matter, or a new and useful improvement thereof, it generally permits its owner to exclude others from making, using, or selling the invention for a period of up to twenty years from the date of patent application filing, subject to the payment of maintenance fees. Approximately 90% of the patent documents issued by the PTO in recent years have been utility patents, also referred to as ‘patents for invention.’” U.S. PATENT & TRADEMARK OFFICE, TYPES OF PATENTS (2000), http://www.uspto.gov/web/offices/ac/ido/oeip/taf/patdesc.htm (footnote omitted).

2 The Patent Act provides damages in the form of reasonable royalties and attorney fees. 35 U.S.C. §§ 284–285 (2006) (“Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court. . . . The court in exceptional cases may award reasonable attorney fees to the prevailing party.”). Historically, the remedy of disgorgement of the infringer’s profits existed pursuant to the court’s equitable injunction powers. ALBERT H. WALKER, TEXT-BOOK OF THE PATENT LAWS § 572, at 400 (1883) (“In every case where an injunction is proper, a court of equity . . . will take an account of the profits which the defendant derived from infringing the complainant’s patent, and will compel the defendant to pay the amount to the complainant.”). Congressional amendments to the Patent Act in 1946 and 1952 eliminated the equitable remedial clause regarding the accounting of an infringer’s profits and sought to foster the merger of law and equity. See infra Part II.B (discussing congressional amendments to the Patent Act remedial provisions). Despite competing judicial interpretations regarding disgorgement’s continued
even if: (i) unjust enrichment is present, (ii) the infringer acted willfully, and (iii) the profits are causally linked to the infringement.

Disgorgement is a restitutionary remedy geared to undo unjust enrichment. When granted, it strips all or part of a defendant’s profits. Disgorgement is an ancient and powerful remedy that requires the infringer to forfeit wrongful gains from the infringement to the owner. Yet the disgorgement remedy is simply categorically unavailable under federal utility patent law. This bizarre exclusion, however, has not always been so. Current patent reform should include reconsideration of the remedy.

For centuries, patent holders were able to enforce their rights via a restitutionary disgorgement remedy. The remedy remains viable in intellectual property fields including copyright, trademark, and design patents. A combination of congressional ambiguity and judicial availability post-amendments, a Supreme Court plurality in 1964 found the congressional deletion of the accounting provision constituted the elimination of the remedy of disgorgement of profits and permitted the recovery of damages only. Aro Mfg. Co. v. Convertible Top Replacement Co. (Aro II), 377 U.S. 476, 505 (1964); see infra Part II.C.

These three elements traditionally warrant the remedy of restitutionary disgorgement of profits. See infra Part IV (exploring conventional disgorgement grounds for intellectual property infringement). The Supreme Court’s interpretation of the Patent Act Amendments of 1946 and 1952 eliminated access to the disgorgement of profits derived from infringing a utility patent, irrespective of a patent holder’s ability to show doctrinal grounds for the unjust enrichment remedy. See infra Part II.C (examining the Aro II interpretation of congressional intent to eliminate the disgorgement remedy for infringement of utility patents).


See infra Part II.A.

Id.

17 U.S.C. § 504(b) (2006) (authorizing the copyright owner to recover the infringer’s profits attributable to the infringements).


35 U.S.C. § 289 provides a disgorgement remedy in addition to §§ 284 and 285 (providing remedies that apply to both utility and design patents) for infringement of a design patent in that the infringer is “liable to the owner to the extent of his total profit, but not less than $250.” 35 U.S.C. § 289 (2006). Design patents are: “Issued for a new, original, and ornamental design for an article of manufacture, it permits its owner to exclude others from making, using, or selling the design for a period of fourteen years from the date of patent grant. Design patents are not subject to the payment of maintenance fees.” U.S. Patent & Trademark Office, supra note 1.
misinterpretation has cemented the exclusion for utility patents. The hardening has occurred despite the fact that Congress may not have intended complete elimination of the remedy. More importantly, neither Congress nor the Supreme Court fully analyzed whether the disgorgement remedy fails to serve a legitimate goal of utility patent law.

This Article argues that the unjust enrichment remedy of disgorgement should be a viable remedial option. Remedies shape substantive rights. Much as patent law serves certain societal goals, restitutionary disgorgement serves unique remedial goals. The study of remedies focuses on the nexus between remedial tools and substantive rights. As demonstrated by a review of its purposes and attributes, disgorgement should be a remedial option because it will service patent goals.

The elimination of disgorgement as an avenue creates a gap in utility patent protection. It also causes an unwarranted inconsistency with other areas of intellectual property law. The purported rationale for the elimination of disgorgement no longer justifies—if ever it did—the unqualified bar to the remedy. In order to lay the foundation for appreciating this point, Part II will summarize the background of patent law’s expulsion of disgorgement, and Part III will explore the remedial goals of disgorgement and the goals of patent law. Part III will include both a robust view of patent goals, and a more limited conception in which remedies such as disgorgement may be less desirable. In response, Part IV will articulate the positive case for the option of a restitutionary disgorgement remedy for infringement of utility patents. Part V will conclude that restitutionary theory and the disgorgement remedy would beneficially service the goals of patent law; therefore, patent law should, at minimum, embrace restitution for cases of conscious infringement.

II. PATENT LAW’S EXCLUSION OF THE DISGORGEMENT REMEDY FOR UTILITY PATENTS

A. Disgorgement Historically Available for Utility Patent Infringement

Historically, patent law, including utility patent law, operated to provide compensatory damages to the patent owner via four traditional, alternative methods: (i) lost profits, (ii) established royalty, (iii) reasonable royalty, and (iv) an accounting for the infringer’s illicit profits. The goal of patent recovery is full compensatory relief. As the

10 See infra Part II.B–C.
11 See infra Part II.B.
12 Id.
13 7 DONALD S. CHISUM, CHISUM ON PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 20.01 (2009); see also WALKER, supra note 2, §§ 573–74, at 401–02 (providing the historical law and equity remedial powers of the court in patent infringement cases).
following two subsections will explore, the last traditional mode is no longer available for infringement of utility patents. In fact, “only history explains why infringer profits is no longer a measure of monetary recovery in patent cases but remains so in copyright and trademark cases.”

It also remains so that “the design patent owner, unlike the utility patent owner, may recover infringer profits as a measure of damages.” Why did Congress explicitly maintain a disgorgement remedy for design patent violations? Perhaps clues to the answer exist in the historically divergent remedial paths of design patent and utility patent infringement. A key component of the historical progression of patent remedies generally was the law-equity division that “dominated the early development of the law of remedies for patent infringement.” Congress established the remedial choices of the initial patent legislation with the law-equity division in full force.

The early Patent Acts (1790, 1793, and 1800) established protections for utility patents and explicitly referenced only those damage remedies “enforceable by an action at law ‘on the case.’” In other words, the damage remedies included the plaintiff’s lost profits or an established royalty. The Patent Act of 1819 plainly provided equity jurisdiction to federal courts in patent and copyright cases. This allowed federal courts to issue injunctions, which “carried with it the power to order an equitable accounting of the infringer’s illicit profits.” This “incident” power to order an accounting of the infringer’s illicit profits did not

15 7 CHISUM, supra note 13, § 20.01.
16 7 Id. § 20.02.
17 7 Id. § 20.05[5] (footnote omitted).
18 7 Id. § 20.02[1] & n.1 (citing Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437, 1440 (Fed. Cir. 1998) (“The first patent statutes reflect the separation of law and equity, carried over from the English common law of patents.”)).
19 7 Id. § 20.02[1]. These early Patent Acts did not mention a remedy for disgorgement of defendant’s profits. See, e.g., Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 109, 111 (repealed 1793); Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322 (repealed 1800); Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 37, 38.
20 “[T]he circuit courts of the United States shall have original cognisance, as well in equity as at law, of all actions, suits, controversies, and cases, arising under any law of the United States . . . .” Act of Feb. 15, 1819, ch. 19, § 2, 3 Stat. 481.
21 7 CHISUM, supra note 15, § 20.02. See, e.g., Stevens v. Gladding, 58 U.S. (17 How.) 447, 455 (1855) (“The right to an account of profits is incident to the right to an injunction in copy and patent-right cases.”); see also 7 CHISUM, supra note 13, §§ 20.02–02[3] (“[C]ourts recognized the power of a court of equity, which had acquired jurisdiction over a case by virtue of the complainant’s request for injunctive relief, to grant full and complete relief by ordering an accounting of the infringer’s illicit profits.”) (footnote omitted). Prior to this time, only state courts and federal courts sitting in diversity possessed the power to grant injunctive relief in favor of the patent holder. 7 Id. § 20.02[1].
include the authority to grant traditional damages such as plaintiff’s lost profits or royalty income. Similarly, a jury in an action at law lacked the power to utilize the infringer’s illicit profits as a measure of money damages.

In 1842, Congress enacted design patent law, and the Supreme Court utilized the remedy standards from the utility patent arena. Accordingly, a design patent owner could pursue its lost profits, an established royalty, or disgorgement of the infringer’s profits attributable to the design. The owner could opt for disgorgement but would face a hardship unique to the design patent holder. The rule of apportionment operated to block recovery of an infringer’s total profits or the patent owner’s total lost sales if the patent involved only a small part or improvement. For the design patent owner, this rule constituted a “particular hardship” because “[r]arely, if ever, could such an owner show that the article sold by the infringer derived its entire value from the illicit use of the owner’s design.” In 1886, the Supreme Court, adhering to the apportionment rule, directed the design patent owner to be awarded nominal damages of six cents despite plain evidence of infringement of a carpet design. The harshness of the apportionment rule to the design patent owners at issue triggered a swift response from Congress. The Act of 1887, as later codified in 35 U.S.C. § 289 with slight modification, removed the apportionment requirement because design patent infringement profit is “not apportionable” and provided an additional remedial option to design patent holders:

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design . . . to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design . . . has been applied shall be liable to the owner to the extent of his total profit, but not less than $250 . . . .
Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.31

Infringers maintained, to no avail, that apportionment should continue after the 1887 Act.32 Further, the total profits provision survived constitutional scrutiny against the charge that such a disgorgement of profits constituted a penalty not enforceable in equity.33 As explored below, Congress would continue to tinker with the core remedial provisions under the Patent Act including elimination of equitable accounting for the infringer’s profits,34 but the special total profits provision for design patents remains intact today.

Meanwhile, with respect to utility patents, the Patent Act of 1870 authorized equity judges to award damages as well as infringer profits, yet the 1870 Act did not alter the bar to recovery of profits in actions at law.35 The distinction may have caused particular trauma for certain patent holders. Historically, for example, where the patent expired or the infringer ceased infringing, the patent holder would have had no basis for equitable jurisdiction (e.g., no irreparable harm because the infringing behavior had ceased). Additionally, the patent holder might have been unable to prove lost profits or to established royalties in an action at law due to lack of reasonable certainty in proof, and thus might have been unable to seek the infringer’s profits in the action at law despite the possibility that the infringer profited significantly from past illicit behavior.36

Accordingly, some patent holders desired, if not preferred, a profit-based remedy. Once again, apportionment surfaced as a significant problem. The profit remedy became plagued37 due to problems in apportioning the proper level of the infringer’s profits attributable to the patent holder’s invention when often the infringer clearly possessed profits that were not causally linked to the infringement of the patent owner’s invention.38 Such proof problems persisted for the profit remedy

31 35 U.S.C. § 289 (emphasis added); see also Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387 (authorizing recovery by the design patent owner of the infringer’s profit when it appropriated the patented design “knowing that the same has been so applied”).
32 See, e.g., Untermeyer v. Freund, 58 F. 205, 211 (2d Cir. 1893).
33 Id. at 210.
34 See infra Part II.B.
35 Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198; see also 7 CHISUM, supra note 13, § 20.02[1].
36 7 CHISUM, supra note 13, § 20.02[1].
37 The damage remedy of lost profits or established royalties was also problematic for patentees because of challenges in proving the loss with the required reasonable degree of certainty. 7 Id. § 20.02. Failure to survive this proof hurdle often resulted in an award of nominal damages.
38 7 Id. § 20.02, § 20.02[3] & n.12 (citing extensive cases demonstrating the “most difficult problem” of apportionment).
from 1870 to 1946. Then, a judicial solution emerged for damage claims, the "reasonable royalty measure." Notably, however, apportionment and protracted litigation problems persist in cases where the patent owner seeks recovery measured by the owner's lost profits. Years, if not decades, of litigation and economic proof may ensue. The patent owner will present a counterfactual world in which it would have profited but for the infringement. Yet proof problems may result in the court barring a plaintiff's lost profits and instead awarding "a reasonable royalty"—a damage award that a plaintiff may find woefully under-compensatory.

On the equity side, the disgorgement remedy continued to involve equity masters apportioning the infringer's profits. Unlike in the realm of damages, courts did not solve the apportionment difficulties for disgorgement profit remedy. Professor Robinson valiantly attempted to solve the profit apportionment problem in his 1890 treatise. But, in 1933, Judge Learned Hand declared, "the question is in its nature unanswerable." Congress, seeking to address remnants of the law-equity division after the civil procedure merger of 1936, eliminated the remedy of equitable accounting for profits in the Patent Act of 1946 and cited, as a rationale, the profit apportionment problem as evidenced in costly and protracted accounting proceedings. As with many areas of American law, the law of patents is subject to a "Robinson Synthesis" as evidenced in a competitor infringement case lasting eighteen years and generating nine judicial opinions, the denial of a lost profits award where the patent owner could not establish but-for causation for its lost profits because the non-willful infringer "could have produced" a noninfringing substitute had it known that it was infringing.

---

39 7 Id. § 20.02.
40 Prior to the judicial solution, damages claims involved the plaintiff seeking her lost profits or established royalties.
41 7 Id. §§ 20.02, 20.02[2] (citing, as seminal, U.S. Frumentum Co. v. Lauhoff, 216 F. 610 (6th Cir. 1914), and noting the Supreme Court later "christened" the measure in Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641 (1915)). Also, Congress codified this judicial solution to the damage remedy problem in the Patent Acts of 1922 and 1946. 7 Id. § 20.02.
42 Grain Processing Corp. v. Am. Maize-Products Co., 185 F.3d 1341, 1347, 1356 (Fed. Cir. 1999) (affirming, in a competitor infringement case lasting eighteen years and generating nine judicial opinions, the denial of a lost profits award where the patent owner could not establish but-for causation for its lost profits because the non-willful infringer "could have produced" a noninfringing substitute had it known that it was infringing).
43 Id. at 1352–54 (affirming the district court’s preclusion of the patent owner’s sought lost profits in the amount of $35 million plus interest where the district court alternatively awarded "adequate compensation" in the form of a three percent reasonable royalty rate, which yielded $2.4 million).
44 7 CHISUM, supra note 13, § 20.02.
45 7 Id. § 20.02[3] (discussing 3 WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS §§ 1137–55 (1890)); see also 7 id. § 20.02[3][c] (providing a detailed exploration of the "Robinson Synthesis" in which Professor Robinson attempted to resolve the apportionment problem by synthesizing the massive body of conflicting cases).
46 Cincinnati Car Co. v. N.Y. Rapid Transit Corp., 66 F.2d 592, 593 (2d Cir. 1933); see also 7 CHISUM, supra note 13, § 20.02[3].
47 7 CHISUM, supra note 13, §§ 20.02, 20.02[3]. Although Congress eliminated the equitable remedy for an infringer’s profits for utility patents, Congress left unaltered
law, the remnants of the Anglo-American division between law and equity cause unintended consequences. Despite legislative efforts to effectuate the procedural merger of law and equity, such laws have not completely eradicated the relevance of the distinction. The modern lawyer learns little about the history of the law-equity divide, yet requirements stemming from the days of equity remain relevant to litigation (e.g., the prerequisite of inadequate remedies at law in order to obtain an equitable remedy such as an injunction, or the fact that equitable remedies are at the discretion of the judge rather than a jury). Legislative reform efforts, such as the 1946 Act, sought to cure some of the remaining vestiges of equity to the extent possible. In the patent arena, the reform created new inconsistencies.

B. The 1946 and 1952 Patent Act Amendments to the Available Remedies

In 1946, Congress dramatically altered the monetary recovery provision in the Patent Act by deleting any reference to the infringer’s profits.\textsuperscript{48} Congress’s precise intent for eliminating any reference to profits was unclear.\textsuperscript{49} Subsequently, however, court opinions interpreted the alteration “as eliminating the patent owner’s traditional equitable remedy of an accounting of the infringer’s profits.”\textsuperscript{50} An analysis of the congressional text and legislative history demonstrates that this finding represented a judicial leap in logic that could have just as easily led to a different, less drastic conclusion.

The relevant portion of legislative text comes from the Patent Act of 1946, which amended Section 4921 to read:

[U]pon a judgment being rendered in any case for an infringement
the complainant shall be entitled to recover general damages which
shall be due compensation for making, using, or selling the
invention, not less than a reasonable royalty therefor, together with
such costs, and interest, as may be fixed by the court. The court
may in its discretion award reasonable attorney’s fees to the
prevailing party upon the entry of judgment on any patent case.\textsuperscript{51}

the explicit total profits provision for design patents. \textsuperscript{5} Id. § 20.03[5]. The rationale for keeping a remedial distinction between utility and design patents is unclear. \textit{Id}. \textsuperscript{The retention of disgorgement for design patents may be the result of inadvertence. \textsuperscript{7} Id. § 20.03[5] n.14. Alternatively, Congress may have intended to parallel the remedies for design patent infringement with those remedies for copyright infringement. See Laskowitz v. Marie Designer, Inc., 119 F. Supp. 541, 554 (S.D. Cal. 1954). If apportionment problems motivated the elimination of the profit remedy for utility patents, the total profits provision removed the apportionment problem for design patents. \textsuperscript{7} CHISUM, supra note 13, § 20.03[5] n.14.


\textsuperscript{49} \textsuperscript{7} CHISUM, supra note 13, § 20.02[4] & n.14.

\textsuperscript{50} \textsuperscript{7} Id. § 20.02[4]; \textit{see also} Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc., 761 F.2d 649, 654–55 (Fed. Cir. 1985).

\textsuperscript{51} Act of Aug. 1, 1946.
The Patent Act of 1819 included Section 4921 and first provided equity jurisdiction in federal courts over patent cases. The 1946 Amendment altered the remedy portion of the statute in three key ways. First, the amended text erased any reference to an award of the infringer’s profits by deleting the clause “in addition to the profits to be accounted for by the defendant.” Next, the amendment inserted the concept of “reasonable royalty” as the minimum recovery for the measurement of “general damages.” Last, the 1946 Act created a discretionary award in attorney’s fees for the prevailing party.

Neither Congress’s deletion of the reference to profits nor the Reports of the House and Senate Committees on Patents answered whether a patent holder remained free to elect the infringer’s profits as a proxy for measuring recovery. The majority of the legislative history

---

72 Act of Feb. 15, 1819, ch. 19, § 2, 3 Stat. 481; see also 7 CHISUM, supra note 13, § 20.02[4][a].
73 7 CHISUM, supra note 13, § 20.02[4][a].
74 Id. (internal quotation marks omitted).
75 Id. (internal quotation marks omitted).
76 Id.
77 H.R. REP. NO. 79-1587 (1946) and S. REP. NO. 79-1503 (1946); 7 CHISUM, supra note 13, § 20.02[4][a] & n.10. The Senate Committee on Patents adopted the House Report in its entirety, which reads:

“The bill H.R. 5311 is a committee substitute for H.R. 5291. Hearings were held on the latter bill on January 29, 1946. A number of persons appeared before the committee and testified—among them being representatives of the Patent Office, the Department of Justice, the American Manufacturers Association, the American Bar Association, and the Milwaukee Patent Law Association. In addition, other persons submitted written letters and statements. The substitute measure, H.R. 5311, incorporates many of the amendments proposed at the hearings.

“The object of the bill is to make the basis of recovery in patent-infringement suits general damages, that is, any damages the complainant can prove, not less than a reasonable royalty, together with interest from the time infringement occurred, rather than profits and damages.

“The relief that a patent owner needs against an infringer to protect his right in his patent and to compensate him for past infringement is an injunction to prevent future invasion of his right and general damages as due compensation for infringing either or any of the rights secured to the patent owner by his patent. Instead of general damages, section 4921 of the Revised Statutes now authorizes a complainant in whose favor a verdict has been rendered in an infringement suit to recover ‘in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby.’ The evil attendant upon ‘the law’s delay’ and the difficulty of adducing convincing proof of necessary facts is peculiarly exemplified in patent-infringement suits where profits are claimed.

“Frequently a suit for patent infringement involves the infringement of only an improvement in a complex machine, and it is impossible to apportion profits due to the improvement. In such circumstances the proceedings before masters, which are conducted in accordance with highly technical rules and are always expensive, are often protracted for decades and in many cases result in complete failure of justice.

“Although the bill would not preclude the recovery of profits as an element of general damages, yet by making it unnecessary to have proceedings before masters and empowering equity courts to assess general damages irrespective of profits, the
provides support for the general proposition that Congress eliminated the recovery of the infringer’s profits, in that Congress highlighted the complexity, wasted time and expense generated by the profit apportionment problem. Although equity masters no doubt faced difficulties in apportioning an infringer’s profits, apportionment problems are not unique to an accounting of the infringer’s profits. Such problems also may arise when attempting to prove that a patent owner’s lost profits would have occurred but for the infringement.

If the congressional reports stopped with their indictment of accounting for the infringer’s profits, the judicial interpretation that Congress intended to eliminate any profit recovery would be convincing. However, the Senate Report, as adopted verbatim by the Senate from the House Report, concludes with an allowance for the continued vitality of a profit-based remedy for the patent owner:

Although the bill would not preclude the recovery of profits as an element of general damages, yet by making it unnecessary to have proceedings before masters and empowering equity courts to assess general damages irrespective of profits, the measure represents proposed legislation which in the judgment of the committee is long overdue.

This final paragraph supports a counterview of congressional intent in that the Report, taken as a whole, might stand for a more limited proposition—the elimination of a mandatory accounting of profits if the patent holder opts to seek recovery pursuant to a reasonable royalty.

Committee Hearings, as well as statements by congressional representatives and commentators leading up to the passage of the 1946 Act, further support a finding of ambiguous congressional intent regarding a total elimination of a profit remedy.

———

58 S. REP. NO. 79-1503, at 2 (1946) (emphasizing, for example, “the difficulty of adducing convincing proof of necessary facts is peculiarly exemplified in patent-infringement suits where profits are claimed.”); H.R. REP. NO. 79-1587, at 1 (1946) (same); see also 7 CHISUM, supra note 13, § 20.02[4][a] & n.10.

59 S. REP. NO. 79-1503, at 2 (1946) (emphasis added); see also 7 CHISUM, supra note 13, § 20.02[4][a] & n.10.

60 7 CHISUM, supra note 13, § 20.02[4][a] (noting that the final provision “suggests an alternative and narrower intent, to wit, to eliminate a mandatory accounting of profits where the patent owner is willing to have a recovery based on a reasonable royalty”); Id. (supporting the alternate, narrow reading with a plausible construction of the Patent Act of 1922 as permitting recovery of such a royalty only if the profit accounting failed to provide a method for ascertaining the infringer’s profit).

The Patent Act of 1952 amended the monetary remedies by incorporating two sections into one and injecting minor word-choice changes. Congress incorporated the two sections into one to eliminate a vestige of the law-equity divide. Notwithstanding minor wordsmithing, Congress intended the 1952 Act to codify the substance of the 1946 Act.

In an effort to eliminate the law-equity distinction, the 1952 Act deleted the provision for a claimant’s recovery of an infringer’s profits, which formerly was a component of the section covering suits in equity. In the immediate period following the 1952 amendment, the answer was unclear as to whether the remedy of an infringer’s profits remained. In fact, “[f]or a substantial period of time after the amendment eliminating all reference to profits, the federal Courts of Appeal seemed to be in and contradictory and indicates that the amendment was approved without adequate consideration or understanding of the then existing law or the changes intended to be effected. . . . Congress clearly intended to eliminate profits as an independant [sic] measure of recovery, but it appears that the infringer’s profits were expected to be recoverable in some circumstances as an element of general damages.”)

Notes:

1. The Enforcement of Rights Against Patent Infringers, 72 Harv. L. Rev. 328, 345 n.126 (1958). (“‘Profits’ was dropped . . . not to eliminate infringer’s profits as a measure of recovery, but to permit the patentee to bypass the frequently expensive and protracted procedure of an accounting for profits when he sought a recovery based on a reasonable royalty.”).

2. 7 Chisum, supra note 13, § 20.02[4][a] (discussing the 1952 Act’s collapsing of the monetary remedies in Revised Statutes Sections 4919 and 4921 into one section, 35 U.S.C. § 284). The single section on monetary remedies in the Patent Act of 1952 reads: “Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

3. When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.


5. 7 Chisum, supra note 13, § 20.02[4][a] & n.15.

6. 7 Id. §§ 20.02[4][a] & n.17 (citing, inter alia, Aro Mfg. Co. v. Convertible Top Replacement Co. (Aro II), 377 U.S. 576, 505 n.20 (1964) (“In the 1952 codification, §§ 67 and 70 of the 1946 Code were consolidated in the present § 284. The stated purpose was merely ‘reorganization in language to clarify the statement of the statutes.’” (citation omitted))).


8. Id. (noting that the remedy’s availability no longer depended upon characterization of the case to be “at law” or “in equity”).
disagreement on the issue, although the meaning of some of the decisions was less than clear. As always, disgorgement of the infringer’s profits operated as a remedial alternative to damages measured by the patent owner’s lost profits (or by a reasonable royalty). An arguably definitive answer about the continued availability of disgorgement of profits would not come until 1964.

C. Judicial Gloss: No More Disgorgement

The question of total elimination of a profit remedy remained unresolved until the Supreme Court, in a plurality portion of its opinion in *Aro Manufacturing Co. v. Convertible Top Replacement Co.* (*Aro II*), announced that the congressional purpose in deleting the reference to profits in the Patent Act of 1946 was “precisely to eliminate the recovery of profits as such and allow recovery of damages only.” The Supreme Court twice granted certiorari to resolve patent issues presented in the *Aro* dispute. *Aro II* involved the Court’s attempt to answer the issue of congressional intent regarding the existence or elimination of the profit remedy. Interestingly, Justice Brennan failed to garner a majority vote for all portions of the Supreme Court opinion in *Aro II*, including Part IV, which dealt with the recovery of profits issue. A total of four justices supported Part IV; Justice Harlan abstained on the basis that the profits issue was not ripe for review. Arguably Part IV was simply obiter dictum; however, subsequent courts, including the Supreme Court, treated Part IV’s determination regarding the elimination of the profit remedy as authoritative.

*Aro II* involved ongoing litigation over an alleged contributory infringement of a combination patent on convertible, folding tops for cars. Convertible Top Replacement Company (“CTR”) acquired by assignment the relevant combination patent known as the Mackie-Duluk

---

67 1 Id. § 2.7(b), at 91 & n.25 (comparing treatments of the Fifth and Seventh Circuits).
68 1 Id. § 2.7(b), at 92.
70 Id. at 505; 7 CHISUM, supra note 13, § 20.02[4][b].
72 *Aro II*, 377 U.S. at 502 n.18 (expressing that the matters examined in Part IV of the Court’s opinion “are not ripe for decision and should be left for determination in the future course of this litigation”).
75 *Aro II*, 377 U.S. at 478.
The patented combination product was part of the original equipment in 1952 to 1954 convertible models of General Motors Corporation and the Ford Motor Company. Ford, however, lacked a license until a 1955 agreement with the then patent owner. Aro Manufacturing Company ("Aro"), not licensed under the patent, produced fabric components specially designed as replacements for fabric portions of particular models of convertibles including the 1952 to 1954 General Motors and Ford models equipped with the Mackie-Duluk patented top-structures. CTR, as the patent owner via assignment, filed an action against Aro for an injunction and an accounting of Aro’s profits made from the replacement fabrics produced by Aro and used in the General Motors and Ford cars installed with the patented product.

The Court affirmed that Aro was liable for contributory infringement under 35 U.S.C. § 271. By a different majority, the Court determined that the statutory intent required a “showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.” Under this standard, the Court held that Aro’s conduct constituted contributory infringement.

In Part IV of the Aro II opinion, Justice Brennan, with only three supporting justices, viewed it necessary to examine the availability of a profit remedy because the parties had advanced a mistaken assumption on the issue. Both parties specifically assumed that a judgment in favor of CTR would yield a recovery of royalty from Aro from its infringing sales of replacement fabrics. Justice Brennan rejected this assumption and sought to correct it in Part IV, even though the lower courts had not yet expressly addressed the damages issue and the parties had not argued it before the Supreme Court. He reasoned that judicial economy

---

76 Id.
77 Id.
78 Id.
79 Id. at 478–79.
80 Id. at 479.
81 Id.
82 Id. at 482–86.
83 Id. at 488. The dissenting opinion fears that the majority’s interpretation of intent will “subject to damages thousands of ultimate consumers who do not know and have no reason to suspect that lawsuits are lurking in every patented contrivance concealed somewhere within the hidden recesses of their automobiles.” Id. at 531 (Black, J., dissenting).
84 Id. at 493. The Court held, however, that Aro was not liable for sales of replacement fabric made after Ford’s license agreement of 1955. Id. at 500.
85 Id. at 502 (Justice Harlan abstained on the ground that the “matters here dealt with are not ripe for decision and should be left for determination in the future course of this litigation”).
86 Id.
87 Id. at 502–03.
88 Id. at 502.
required correcting the parties’ specific assumption.\textsuperscript{89} According to the plurality, the “assumption ignores the fact—clear from the language, the legislative history, and the prior law—that the statute allows the award of a reasonable royalty, or of any other recovery, only if such amount constitutes ‘damages’ for the infringement. . . . [and] ignores the important distinction between ‘damages’ and ‘profits,’ . . . what the owner of the patent loses by such infringement is ‘damages.’”\textsuperscript{90}

Justice Brennan reasoned that the pre-1946 patent statute permitted recovery of both damages and the infringer’s profits.\textsuperscript{91} With the 1946 amendment (as well as the 1952 reorganization and consolidation of the remedy provision), Justice Brennan’s plurality determined that the congressional purpose of providing only “damages” recoverable “was precisely to eliminate the recovery of profits as such and allow recovery of damages only.”\textsuperscript{92} According to the Part IV plurality, damages, as defined as “compensation . . . without regard to the question whether the defendant has gained or lost by his unlawful acts,” are calculated by “the difference between [the patent owner’s] pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred.”\textsuperscript{93} The pertinent question in Justice Brennan’s estimation is principally: “had the Infringer not infringed, what would [the] Patent Holder-Licensee have made?”\textsuperscript{94}

The question, so posed, resulted in the determination by the plurality that CTR’s “pecuniary position was not rendered one cent worse by the total infringement to which Aro contributed, and hence they are not entitled—on the assumption stated above as to the payment by Ford—to anything more than nominal damages from Aro.”\textsuperscript{95} A critical fact was that the patentee had already collected from the direct infringer, Ford.\textsuperscript{96} Justice Brennan viewed the result, with respect to denial of access to Aro’s profits, as justified, because a contrary ruling permitting recovery of profits would violate policy as well as logic: “To allow recovery of a royalty on Aro’s sales after receipt of the equivalent of a royalty on Ford’s sales, or to allow any recovery from Aro after receipt of full satisfaction from Ford, would not only disregard the statutory provision for recovery of ‘damages’ only, but would be at war with virtually every policy consideration in this area of the law.”\textsuperscript{97} Justice Brennan commented that “[w]hatever the result might have been under the old ‘damages and

\textsuperscript{89} Id. at 502–03.
\textsuperscript{90} Id. at 505 (citations omitted) (examining the amended 35 U.S.C. § 284 in light of the language, legislative history, and prior law).
\textsuperscript{91} Id.
\textsuperscript{92} Id.
\textsuperscript{93} Id. at 507 (internal quotation marks and citations omitted).
\textsuperscript{94} Id. (internal quotation marks and citation omitted).
\textsuperscript{95} Id. at 510. In Part IV, the plurality explain that it is hard to fathom “any instance . . . in which actual damages could properly be based on a royalty on sales of an unpatented article used merely to repair the patented structure.” Id. at 508.
\textsuperscript{96} Id. at 494, 512.
\textsuperscript{97} Id. at 510.
profits’ provision, no such perversion of the congressional purpose is possible within the rule allowing recovery of ‘damages’ only.”\(^98\) In conclusion, Justice Brennan declared, “after a patentee has collected from or on behalf of a direct infringer damages sufficient to put him in the position he would have occupied had there been no infringement, he cannot thereafter collect actual damages from a person liable only for contributing to the same infringement.”\(^99\) As he notes, of course, these particular facts demonstrate a simple application of the tort principle that “full satisfaction received from one tortfeasor” forecloses further windfall recovery from another.\(^100\) Justice Brennan’s plurality unnecessarily mucks with patent law when resolution could have flowed from a more straightforward consideration of civil procedure apportionment and remedial windfall.\(^101\)

\(\text{Aro II}\)’s plurality determination in Part IV should carry limited weight for a number of reasons. Justice Brennan failed to evaluate alternative readings of the legislative history, including explicit language regarding the continuing viability of a profits-based recovery. Instead, Justice Brennan categorically declares the “clear” congressional purpose was to eliminate recovery stemming from the infringer’s profits. He also fails to note contrary case authority that permitted recovery of an infringer’s profits as a measure of damages after the 1942 amendment.\(^102\) As already noted, Justice Brennan boldly reaches the profits issue that the lower court did not address and the parties did not raise. These facts caused Justice Brennan to lose Justice Harlan’s vote and thus garner only four total votes for the profits issue of the opinion. The other four justices rejected the conclusion that Aro was liable for contributory infringement at all. Justice Brennan’s plurality evaluated and ultimately denied recoverability of an infringer’s profits, even though the patent holder “apparently never sought such a recovery.”\(^103\) All of these reasons lessen the precedential value of Justice Brennan’s denial of a profits-based recovery. Yet Part IV of \(\text{Aro II}\) gains deference in subsequent lower court opinions and ultimately in the Supreme Court.\(^104\)

The Supreme Court again specifically addressed the availability of a remedy based on the infringer’s profits, describing it as a disgorgement remedy, in \(\text{General Motors Corp. v. Devex Corp.}\)\(^105\). In an opinion authored by Justice Thurgood Marshall, the Court held that the award of

\(^{98}\) Id. at 512.
\(^{99}\) Id. Justice Brennan remanded the case for the lower court to examine whether Aro’s behavior warranted exemplary damages, although he labeled the claim “very unlikely.” Id. at 513.
\(^{100}\) Id. at 512.
\(^{101}\) The author expresses thanks to Kevin Outterson for provocative thoughts along this vein.
\(^{102}\) 7 CHISUM, supra note 13, § 20.02[4][b].
\(^{103}\) Id.
prejudgment interest was not an abuse of discretion under the relevant patent statute and should be awarded under the statute absent contrary justification because of the “overriding [congressional] purpose of affording patent owners complete compensation.” Justice Marshall declared that the patent owner could not recover both his own damages (e.g., lost profits) and the infringer’s profits. He noted the contrast of the noncompensatory nature of disgorgement: “[a] patent owner’s ability to recover the infringer’s profits reflected the notion that he should be able to force the infringer to disgorge the fruits of the infringement even if it caused him no injury.” Based upon the text of the 1952 Act and the legislative history, Justice Marshall reasoned that Congress specifically rejected the disgorgement remedy based upon the statute’s “overriding purpose of affording patent owners complete compensation.” To provide both the patent holder’s damages and disgorgement would be well beyond compensation in Justice Marshall’s assessment. Disgorgement alone did not service compensation in the Court’s view because it keys to the infringer’s gain rather than the patent owner’s loss.

Supreme Court interpretations have the capacity to take on an almost mythical life beyond their original meaning or cement an early misinterpretation into an authoritative cast based on subsequent judicial gloss. With respect to congressional intent to exclude any disgorgement remedy for utility patent owners, the Supreme Court failed to grapple with the relevant legislative history that explicitly spoke of the remaining viability of a remedy based on the infringer’s profits. At minimum, this legislative history placeholder for a remedy based on the infringer’s profits renders it unclear whether Congress intended a complete elimination of a disgorgement of the infringer’s profits remedy. Yet Justice Brennan’s plurality determination in Aro II, that Congress intended to eliminate a remedy tied to the infringer’s profits, became authoritative through subsequent lower court opinions and Justice Marshall’s opinion in Devex. To date, neither Congress nor the Supreme Court have sufficiently examined whether a restitution remedy fails to serve valid goals of utility patent law.

106 Id. at 655, 657.
107 Id. at 634.
108 Id.
109 Id. at 655 (analyzing 35 U.S.C. § 284 and the corresponding House bill).
110 See generally Marbury v. Madison, 5 U.S. (1 Cranch) 137 (1803) (a dispute over a justice of the peace commission becomes the basis for judicial review).
111 See supra note 59 and accompanying text.
III. THE IMPORT OF GOALS: REMEDIES HELPING TO SHAPE THE RIGHT

A. Unjust Enrichment and the Disgorgement Remedy

Before the elimination of the disgorgement option, courts awarded disgorgement on the basis of unjust enrichment. The core tenet of unjust enrichment is that one cannot reap what another sows. The restitutionary award seeks to correct the imbalance created by the infringer retaining a benefit for which it would be unjust for the infringer to retain without paying the patent owner. The infringer wrongfully uses and profits from another’s patent without permission. Justice requires a recalibration to rectify the wrong. Early courts did not use the exact phrase “unjust enrichment,” but the reasoning given demonstrated the roots of unjust enrichment jurisprudence.\footnote{112}{1 PALMER, supra note 65, § 2.7, at 88 (“Although the Court sometimes explained this as a method for measuring the plaintiff’s damages, it was clear that the relief was based on unjust enrichment, as the Court later recognized.” (footnotes and internal citations omitted)).}

For example, the Supreme Court in 1888 awarded plaintiff recovery of the infringer’s profits on the ground that equity would not abide “the wrongdoer to profit by his own wrong.”\footnote{113}{Tilghman v. Proctor, 125 U.S. 136, 145 (1888); see also 1 PALMER, supra note 65, § 2.7, at 88.}

Later, the Court recognized that the rationale for disgorging an infringer’s profits was unjust enrichment.\footnote{114}{1 PALMER, supra note 65, § 2.7, at 88 (citing Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 399 (1940)).}

Congress and the Court have failed to examine the ways in which the goals of restitution may service the goals of patent law. For example, to the extent that certain applications of disgorgement might overcompensate a patent owner, would such a remedy serve a desired function of deterrence?\footnote{115}{For a provocative argument advocating unjust enrichment remedies to create proper deterrence in the trade secrets context, see Michael Risch, Why Do We Have Trade Secrets?, 11 MARQ. INTELL. PROP. L. REV. 1, 59 (2007) (noting that “the economic justification of trade secrets differs from the justification for patents and copyrights,” and providing that “disgorging unjust enrichment is important” as a remedy for trade secrets violations).} Such an inquiry is particularly relevant given that certain existing remedies—the judicially mediated reasonable royalty—foster an infringe-first mindset with the undeterred infringer awaiting a compulsory license. If the reasonable royalty will adequately compensate, the patent owner cannot prevent the trespass. Would a disgorgement remedy better serve to encourage desired bargaining behavior by a would-be infringer? Measuring the infringer’s profits may sometimes provide a useful proxy for assessing the patent owner’s compensatory loss. Would it benefit patent law to have access to disgorgement as a potential remedy against infringers who are conscious wrongdoers? Disgorgement, as it keys to the infringer’s wrongful gains, is
arguably more rational for willful infringement than randomly tripling damages under current patent law.\textsuperscript{116}

This Part sets forth the primary goals and functions of unjust enrichment and the disgorgement remedy so that any patent reform efforts can knowingly determine if complete elimination remains the proper course for utility patent law. Continued rejection of the disgorgement remedy should follow only if the goals of restitution run counter to the goals of utility patent law. Even assuming that certain challenges may flow with disgorgement, such as apportionment difficulties, whole-cloth elimination of the remedy on such administration grounds is unnecessary and flawed.

In an article articulating how a restitutionary disgorgement remedy for opportunistic breach of contract can coexist with mitigation principles, I offer this conceptualization of the relevant restitutionary concepts:

Restitutionary disgorgement lacks common meaning. In fact, any definition invites controversy among doctrinal purists. To be clear, however, I intend the word “restitution” to mean that unjust enrichment must exist to trigger the remedy. I use “restitutionary” as an adjective that modifies disgorgement. The key word for my purpose is “disgorgement” because it is the remedy. Access to the type of disgorgement at issue must be grounded in unjust enrichment as developed under the law of restitution. American law, unfortunately, has (mis)characterized restitution at times to have only a limited meaning, such as a deposit paid before a defendant’s breach of the contract. Pursuant to this limited meaning, a plaintiff receives a restitution remedy in the form of the deposit returned or restored to the plaintiff. Among international scholars and courts, the law of restitution tends to be conceptually much richer and broader. The broader unjust enrichment conception of restitution is intended in this Article. I prefer to think of the arena as the law of unjust enrichment, but not all scholars and other legal constituents agree on a common lexicon, so American law will retain both and thus speak in the language of the law of restitution and unjust enrichment.\textsuperscript{117}

The arena is simple in its fairness roots, but muddied by judicial interpretations and an imprecise lexicon. Yet the disgorgement at issue


simply seeks to deprive the infringer of wrongfully earned profits that the patent owner was entitled to make. The disgorgement remedy is rooted in the notion that the wrongdoer must be divested of his unjust enrichment. Straightforward examples that justify restitutionary recovery include instances in which a plaintiff provides a requested service to a defendant who will not pay or a defendant who wrongfully converts plaintiff’s property without paying. In both classic examples, it is basic justice, as Aristotle viewed it, that demands that defendant restore the item to plaintiff or pay its value. Conceptually more challenging are restitutionary examples, such as here, where defendant gains value from a wrongful use of plaintiff’s property—such gains that the plaintiff had a right to make or at least a right to have the opportunity to make. Disgorgement for infringement thus seeks to frustrate the infringer and enhance the stability of the patent right by deterring the infringement and encouraging bargaining for licenses to the patented material.

B. Patent Law

This Article challenges the unnecessary elimination of an important unjust enrichment remedy: disgorgement. Because remedies help shape and serve substantive law goals, the full utility and desirability of a disgorgement remedy for patent law depends on the goals of patent law. Rich debate exists regarding the purpose and nature of patent law.[^120] This Article will not resolve that contested debate. Rather, this Article necessarily relies on certain assumptions about patent law goals with an eye towards patent scholars and legislators ultimately tailoring a disgorgement remedy to service their desired patent goals. For the purposes of illustration, this Part will explore competing conceptions of patent law offered by patent scholars such as Professors Mark Lemley and Adam Mossoff. Disgorgement will be more desirable to those seeking robust patent protection.

The Constitution empowered Congress to establish a framework of patent law to protect an inventor’s exclusive rights to her invention for a


[^119]: See L.L. Fuller & William R. Perdue, Jr., The Reliance Interest in Contract Damages, 46 YALE L.J. 52, 56 (1936) (explaining in contract law that the “restitution interest,” involving a combination of unjust impoverishment with unjust gain, presents the strongest case for relief if the goal is Aristotle’s justice, where one seeks to maintain “an equilibrium of goods among members of society”).

limited time.\textsuperscript{121} Congress created a patent system providing protections and a comprehensive remedial scheme to an inventor whose invention is new, useful, and nonobvious.\textsuperscript{122} Conventional thinking casts the protection as a special monopoly created by statutes that privilege patent inventions for a limited time without creating property rights.\textsuperscript{123} Alternatively, Professor Mossoff offers compelling historical analysis to demonstrate that early use of the description “privilege” constituted “a legal term of art in the eighteenth and nineteenth centuries that referred to a civil right justified by natural rights philosophy.”\textsuperscript{124} Under this conception, the grounding for protecting patent “civil rights” is “the same policy that justifies natural rights in property—securing to each person the fruits of his labors.”\textsuperscript{125} A conception of the patent system as protection of the fruits of one’s labor\textsuperscript{126} resonates with the underlying basis for restitution and unjust enrichment remedies.

Generally, the patent protection system incentivizes and rewards creativity and invention; the limited time period maintains free market competition.\textsuperscript{127} To support the limited exclusivity, patent law seeks to

\textsuperscript{121} U.S. CONST. art. I, § 8, cl. 8 (providing congressional power “[t]o promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).

\textsuperscript{122} 35 U.S.C. §§ 1–376 (2006). The inventor must seek a patent with the Patent and Trademark Office, but the Federal Circuit resolves ultimate patent infringement issues, which may involve a final determination on the validity of the patent. 2 DOBBS, supra note 8, § 6.2(1), at 32–33. See also Michael Risch, Everything Is Patentable, 75 TENN. L. REV. 591, 591 (2008) (suggesting that discoveries that meet the Patent Act’s requirements of category, utility, novelty, nonobviousness, and specification should be patentable without regard to non-statutory subject matter restrictions such as the prohibitions against mathematical algorithms and natural phenomena). For a thoughtful critique of the existing patent fraud enforcement mechanism that seeks to prevent patentees from engaging in fraud to obtain a significant monopoly, see Kali Murray & Dmitriy Vinarov, Rethinking Patent Fraud Enforcement in a Reform Era, 13 MARQ. INT’L PROP. L. REV. 263 (2009). During the current period of patent reform, Professor Murray and Dr. Vinarov urge that, rather than piecemeal reform, the patent community should ask itself the more significant question: “[W]hat kind of patent system do we want to have?” Id. at 283.


\textsuperscript{124} Mossoff, supra note 123, at 958, 992.

\textsuperscript{125} Id. at 989 (emphasis added).

\textsuperscript{126} Id. at 991 (“Patents were privileges—civil rights securing to inventors ‘the fruition of their labors’ for which this ‘privilege is granted.’”).

\textsuperscript{127} See, e.g., 7 CHISUM, supra note 13; 2 DOBBS, supra note 8, § 6.2(1), at 32–33.
protect valid patents from infringing behavior that occurs when one makes, uses, or sells a patented invention.\textsuperscript{128} Patent litigation also serves the public function of patent law.\textsuperscript{129} Injunctive relief, which the statute authorizes, may be the most critical relief because the court orders the defendant to stop ongoing infringement of any right under the patent.\textsuperscript{130} The statutory system also permits monetary remedies for past harms, including damages that are “adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention.”\textsuperscript{131} The panoply of available statutory remedies for patent infringement also includes: interest, costs, attorney fees, and treble damages.\textsuperscript{132} Under current interpretation, as explored above, the Patent Act does not permit the recovery of restitutionary disgorgement of the infringer’s profits.\textsuperscript{133} Accordingly, it is important to examine the goals that Congress seeks to serve with the existing monetary remedies.

The traditional goal for monetary awards for patent infringement is complete compensation to the patent holder.\textsuperscript{134} Accordingly, the law seeks to reach a monetary award that is the “best approximation of the amount necessary to restore the owner to the financial position he would have enjoyed had the infringer not engaged in unauthorized acts in violation of the owner’s exclusive patent rights.”\textsuperscript{135} Regardless of which remedy ideally advances patent law goals, the patent right is finite in duration and thus its remedies limited to the protected period. But what are the goals of patent law during the protected period? Should the law provide robust protection, including absolute exclusion, or should it protect the patent only to the extent necessary to encourage innovation while balancing free-market competition?

Under a limited conception supported by Professor Lemley, “the proper goal of intellectual property law is to give as little protection as possible consistent with encouraging innovation.”\textsuperscript{136} In keeping with this conception, intellectual property protections historically have been

\begin{itemize}
\item \textsuperscript{128} 35 U.S.C. § 271 (2006).
\item \textsuperscript{129} Gen. Motors Corp. v. Devex Corp., 461 U.S. 648, 658 (1983) (Stevens, J., concurring) (noting the public function and that “[i]t is as important to the public that competition should not be repressed by worthless patents, as that the patentee of really valuable invention should be protected in his monopoly” (citation omitted)).
\item \textsuperscript{130} 35 U.S.C. § 283.
\item \textsuperscript{131} Id. § 284.
\item \textsuperscript{132} See supra note 2.
\item \textsuperscript{133} See supra Part II.C.
\item \textsuperscript{134} 7 Chisum, supra note 13, § 20.01.
\item \textsuperscript{135} Id.
\end{itemize}
“limited in time, limited in scope, and granted only to authors and inventors who met certain minimum requirements.”

Professor Lemley laments the “sustained attack” of this Jeffersonian principle: “Congress, the courts, and commentators increasingly treat intellectual property not as a limited exception to the principle of market competition, but as a good in and of itself.” Under this flawed construction, according to Professor Lemley, proponents use rhetoric of real property and free riding to achieve their goal of absolute protection via protection of exclusion and elimination of free riding. Regarding patent law, he notes Judge Frank Easterbrook’s adoption of the real property analogy: “Patents give a right to exclude, just as the law of trespass does with real property.”

Overall Professor Lemley resists the need to analogize intellectual property law to any “physical-world analogy” such as real property. If any analogy is necessary, he reasons that “treating intellectual property as a form of government subsidy is more likely to get people to understand the tradeoffs involved than treating it as real property.” Professor Lemley favors a narrow utilitarian framework that “at least attempts to strike an appropriate balance between control by inventors and creators and the baseline norm of competition.”

Pursuant to Professor Lemley’s critique, courts and scholars err when they use a real property analogy and seek to service property goals.

---

137 Id.
138 Id. at 1031 & n.1 (offering that Thomas Jefferson maintained that “[i]nventions . . . cannot, in nature, be a subject of property;” rather, to Jefferson, “the question was whether the benefit of encouraging innovation was ’worth to the public the embarrassment of an exclusive patent’” (quoting Letter from Thomas Jefferson to Isaac McPherson (Aug. 13, 1813), in BASIC WRITINGS OF THOMAS JEFFERSON 708, 712–13 (Philip S. Foner ed., 1944), quoted in Graham v. John Deere Co. of Kan. City, 383 U.S. 1, 8–9 & n.2 (1966))). For a provocative debunking of the “historical myth” of the “Jeffersonian story of patent law,” see generally Mossoff, supra note 123.
139 Lemley, supra note 136, at 1031.
140 Id. at 1031–32. Pursuant to an externality-reducing conception of property, courts and scholars have sought to focus on the elimination of free riders—those who “obtain a benefit from someone else’s investment” without paying for it—because free riders undermine property law goals. Id. at 1039–40.
141 Id. at 1036 (quoting Frank H. Easterbrook, Intellectual Property Is Still Property, 13 HARV. J.L. & PUB. POL’Y 108, 109 (1990)). The phrase “intellectual property” embeds its symbolic, if not tangible, association with property. Professor Lemley offers three reasons for the increase and popularity of the phrase: (i) it may possess sex appeal at cocktail parties versus, for example, the practice of patent law; (ii) it “promises to unify discrete areas of discipline dealing with exclusive rights in intangible information[;]” and (iii) it “promises a connection to the rich and venerable legal and academic tradition of property law.” Id. at 1034.
142 Id. at 1032; see also Michael A. Carrier, Cabining Intellectual Property Through a Property Paradigm, 54 DURE L.J. 1 (2004) (approving the real property analogy for intellectual property).
143 Lemley, supra note 136, at 1032.
144 Id.
by eliminating free riding.\textsuperscript{145} Disdain for free riding resonates with the foundation of restitution law because restitutionary remedies seek to correct the Aristotelian imbalance created by a defendant unjustly retaining an enrichment. The term “free riding” connotes that one is benefiting from another’s enterprise without paying for it. If it is unjust to retain the benefit without paying for it, restitution law supports rectifying the injustice via a restitutionary remedy.

Professor Lemley retorts, “The assumption that intellectual property owners should be entitled to capture the full social surplus of their invention runs counter to our economic intuitions in every other segment of the economy.”\textsuperscript{146} “The focus on free riding,” according to Professor Lemley, “leads to an assumption on the part of courts that all enrichment derived from use of an intellectual property right is necessarily unjust.”\textsuperscript{147} He focuses on two remedies that courts have utilized to diminish free riding: injunctions and disgorgement.\textsuperscript{148} Professor Lemley views the goal of eliminating free riding, via injunctive relief or disgorgement, as fundamentally flawed. He asserts that the goal possesses an incorrect premise that “creators will not have sufficient incentive to invent unless they are legally entitled to capture the full social value of their inventions.”\textsuperscript{149}

Consistent with this free riding principle, courts historically adopted a “strong presumptive entitlement to injunctive relief in intellectual property.”\textsuperscript{150} The Supreme Court’s 2006 decision in \textit{eBay Inc. v. MercExchange, L.L.C.}\textsuperscript{151} altered this landscape by clarifying that courts must evaluate the four-factor injunction standard rather than automatically or quasi-automatically granting injunctive relief upon a finding of patent infringement.\textsuperscript{152} In the post-\textit{eBay} world, judges amenable to the real property analogy and loath to free riding may well conduct the required injunction analysis with a subconscious eye towards granting relief.

Eradicating free riding, whether via injunction or disgorgement, is problematic according to Professor Lemley because the underlying rationale is flawed. Professor Lemley regrets that the focus is generally not on the intellectual property owner’s harm, but instead on benefits derived by defendants “taking something that doesn’t belong to them.”\textsuperscript{153} “Disgorgement,” according to Professor Lemley, “is the remedy most

\textsuperscript{145} Id. at 1043.
\textsuperscript{146} Id. at 1046.
\textsuperscript{147} Id. at 1044.
\textsuperscript{148} Id. at 1044–46.
\textsuperscript{149} Id. at 1031.
\textsuperscript{150} Id. at 1044.
\textsuperscript{151} 547 U.S. 388 (2006).
\textsuperscript{152} Id. at 393–94. For a provocative discussion of the meaning of judicial equitable discretion in granting or denying injunctions post-\textit{eBay}, see Doug Rendleman, \textit{The Trial Judge’s Equitable Discretion Following eBay v. MercExchange}, 27 REV. LITIG. 63 (2007).
\textsuperscript{153} Lemley, \textit{supra} note 136, at 1045.
clearly connected to free riding." For example, disgorgement strips the benefit from the infringer and renders it to the intellectual property owner. He notes that disgorgement aims to deter—it “helps intellectual property owners internalize the positive externalities of their invention by preventing unauthorized uses and therefore encouraging licensing.” Overall, Professor Lemley views the aim of eradicating free riding through disgorgement as misguided and too broad. He maintains that owners are not entitled to capture full social value of their property and, accordingly, disgorgement overcompensates owners.

Ultimately, Professor Lemley desires a conception of intellectual property law that is bounded by utilitarian principles rather than expanded on the basis of property and free riding rhetoric. He flatly rejects an analogy of real property with its mistaken emphasis on eliminating externalities and free riders and its illogical extension of an absolute right to exclude. In search of replacement analogies, Professor Lemley also rejects tort law, although he admits that tort law is consistent with the economic lessons he posits in that tort law’s principal aim is to compensate the injured party. He maintains that tort law is an imperfect analogy because it also focuses on the blameworthiness of the defendant’s behavior. In his view, “a significant branch of tort law is built around the concept of unjust enrichment[, which aims] to recapture—or at least to deny the tortfeasor—positive externalities or spillovers.” For reasons parallel to Professor Lemley’s rationale for rejecting the aim of disgorgement, he views tort law’s interest in rectifying unjust enrichment as “inappropriate in an intellectual property case” because it focuses on the wrongdoer’s gain rather than the owner’s compensation—“a move in precisely the wrong direction.”

Professor Lemley’s characterization and conception of unjust enrichment is overly narrow. Even still, are there no counterarguments supporting the option of a restitutionary disgorgement remedy for utility

---

154 Id.
155 Id. at 1045–46.
156 Id. at 1046. Professor Lemley notes, “Patent law emphasizes deterrence least among the intellectual property regimes[, and] [i]t does not require disgorgement of profits or criminal liability, though it does provide for attorney’s fees and treble damages for willful infringement.” Id. at 1045 (footnotes omitted).
157 Id. at 1046.
158 Id. at 1058.
159 Id. at 1071.
160 Id. at 1072.
161 Id.
162 Id. Professor Lemley favors moving beyond analogies and suggests starting by framing the arena as “IP” law as a gradual way to move away from flawed property rhetoric. Id. at 1075. He concludes that, if an analogy is necessary, the closest analogy is a government-created subsidy, but even that analogy he admits would require caveats and cause new problems. Id. at 1072–73.
163 See infra Part IV (providing a more robust conception of unjust enrichment and advocating access to restitutionary disgorgement as a remedy that would service patent goals).
patent infringement? Is there a way to narrow the application depending upon changing conceptions of what is “unjust”? Would even limited access to disgorgement for deliberate patent infringement fail to serve legitimate goals of patent law? Part IV advances grounds in support of unjust enrichment and restitutionary disgorgement for utility patent infringement from the perspective of a remedies scholar.

IV. REASONS SUPPORTING RESTITUTIONARY DISGORGEMENT IN PATENT LAW

It is inevitable, and perhaps even “indispensable to a vital society,” that individuals be permitted “to use the ideas of others even though that results in economic gain to themselves.”¹⁶⁴ The vexing issue is whether and when such gain becomes unjust.¹⁶⁵ Restitution should be made only when and to the extent that the gain constitutes an unjust enrichment.¹⁶⁶ For example, under U.S. patent law, one can profit by using the ideas of an expired patent, and the gain would not constitute an unjust benefit that should be stripped. Assuming one infringes a live patent, should a restitutionary disgorgement remedy be permissible? If disgorgement is desirable, under what circumstances should the law permit it?

This Article submits that neither Congress nor the courts have rejected restitution on its merits. Traditional restitutionary principles essentially seek to correct injustice. Restitutionary theory simply constructed holds that, when one wrongfully uses an owner’s property and gains income, the law views the income as actually belonging to the owner. In other words, the true equitable owner of any wrongfully made gains is the original property owner.¹⁶⁷ Restitution prevents the wrongdoer’s unjust enrichment and returns the gains to the party who held the substantive right to make the income but was divested of that opportunity by the wrongdoer. Restitutionary disgorgement accordingly forces the wrongdoer to forfeit his gains to the owner of the property who produced the gains.¹⁶⁸ It is a beautiful, powerful remedy. The danger, as is often the case, lies in the misapplication and abuse of the remedy.

One template for a restitutionary disgorgement remedy in utility patent cases is the pending Restatement (Third) of Restitution and Unjust Enrichment.¹⁶⁹ The Restatement addresses intellectual property infringement generally and offers robust opportunities for disgorgement

¹⁶⁴ 1 PALMER, supra note 65, § 2.8, at 97. See also 1 id. § 2.8, at 97 n.1 (citing Zechariah Chafee, Unfair Competition, 53 HARV. L. REV. 1289, 1318 (1940) (“Most of us get along by developing the ideas of others. That is how the world progresses.”)).
¹⁶⁵ 1 Id. § 2.8, at 97.
¹⁶⁶ Id.
¹⁶⁷ 2 DOBBS, supra note 8, § 6.2(4), at 42.
¹⁶⁸ Id.
¹⁶⁹ RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 42 (Tentative Draft No. 4, 2005).
of an infringer’s profits.170 “As in every other case of profitable wrongdoing,” the Restatement comments explain, “restitution by the rule of § 42 allows the claimant to recover the benefits derived by the defendant from interference with the claimant’s rights.”171 Thus, “restitution authorizes the recovery of consequential gains derived from wrongful interference.”172 Disgorgement of the infringer’s profits stems from this “characteristic feature of restitution.”173

A successful infringement claimant would remain entitled to traditional damages for the claimant’s loss or could elect the infringer’s profits if § 42 applies to the infringement, but the claimant could not obtain both recoveries, as that would result in a punitive, double recovery.174 A patent owner will be drawn to the disgorgement remedy “whenever net profits attributable to the infringement exceed the damages recoverable for the same violation.”175

Notably, § 42 supports a restitutionary disgorgement remedy that keys to the infringer’s level of culpable intent.176 The existing “[s]tatutory remedies for infringement differ in the significance they attribute to the willfulness or deliberateness of the defendant’s conduct.”177 Section 42 explicitly authorizes disgorgement of all of the infringer’s gains from the wrongful behavior if the infringer is a “conscious wrongdoer.”178 If the infringer is “innocent or merely negligent,” the Restatement endorses disgorgement “only for the direct benefit derived from the wrongful transaction.”179 If assessing proper apportionment raises challenges, the

170 Id. The draft language of § 42 reads in full: “(1) A person who obtains a benefit by misappropriation or infringement of another’s legally protected rights in any idea, expression, information, image, or designation is accountable to the holder of such rights for the benefit so obtained. (2) The measure of recovery depends on the blameworthiness of the defendant’s conduct. As a general rule: (a) A conscious wrongdoer, or one who acts despite a known risk that the conduct in question violates the rights of the claimant, will be required to disgorge all gains (including consequential gains) derived from the wrongful transaction. (b) A person whose conduct is innocent or merely negligent will be liable only for the direct benefit derived from the wrongful transaction. Direct benefit may be measured, where such a measurement is available and appropriate, by a reasonable royalty or by the reasonable cost of a license.”
171 Id. § 42 cmt. d.
172 Id. § 42 cmt. g.
173 Id.
174 Id. § 42 cmt. d, illus. 2 (providing a hypothetical in which claimant’s recovery of both actual damages and disgorgement of profits would be impermissibly punitive rather than restitutionary).
175 Id. § 42 cmt. g.
176 Id. § 42(2).
177 Id. § 42 cmt. g (comparing disgorgement’s availability without a showing of deliberate intent for infringement of a design patent or a copyright, with disgorgement’s availability for trademark infringement under the Lanham Act limited to only cases of deliberate wrongdoing).
178 Id. § 42(2)(a).
179 Id. § 42(2)(b).
Restatement permits measuring direct benefit by “a reasonable royalty or by the reasonable cost of a license.”

The Restatement, of course, is by its nature nonbinding, persuasive authority, and it explicitly notes that overriding statutory law bounds its potential application. Pursuant to governing patent jurisprudence, the disgorgement remedy is unavailable for infringements of utility patents. The Restatement drafters are well aware of this conventional patent reality: “The most notable departure from restitution principles concerns the available remedies for patent infringement.”

The Restatement’s conception of disgorgement may also encounter proof problems, especially with respect to apportionment in cases of innocent infringement. Courts may encounter difficulties assessing the portion of profits (especially for complex businesses) that are attributable to the infringer’s interference with the patent owner’s legally protected rights. Yet, in theory, “[r]estitution proposes a clear starting point.”

Restitutionary based remedies seek only to undo defendant’s unjust enrichment. Accordingly, restitution, as “measured by unjust enrichment,” should not “require even a deliberate wrongdoer to surrender more than the net gain; nor [should] it require the

180 Id. The Restatement comments to § 42 provide helpful historical context for this allowance and explain the manner in which restitution measured by use value remains a component of existing patent law: “In the context of intellectual property, what is ‘taken’ is often an unauthorized use; the value of the use may often be determined—depending on the nature of the property—by a reasonable royalty or by the market price of a license. Restitution measured by the market value of an unauthorized use appeared at an early date as a remedy for patent infringement, in cases where the patentee was unable to prove either his own damages or the infringer’s profits. (Although such an award has always been denominated ‘damages’ in the context of patent infringement, it is more easily understood as a species of restitution for the value of a benefit wrongly obtained.) Unlike the accounting for the infringer’s profits, restitution measured by use value survives in the current Patent Act, which authorizes recovery of a ‘reasonable royalty’ as a form of statutory damages for infringement.”

181 Id. § 42 cmt. f. (citing 35 U.S.C. § 284 (2006)).

182 Id. § 42 cmt. c (noting that disgorgement is unavailable for profitable infringement of utility patents, although it remains viable for infringement of a design patent per 35 U.S.C. § 289).

183 Id.

184 Id. § 42 cmt. h (noting that “[t]he burden of making these calculations is generally thought to explain the elimination from the modern Patent Act of the patentee’s long-established right to an accounting for profits from infringement”). Such apportionment problems are not unique to patent law. See, e.g., id. (”Judicial attempts to deal with the problem continue to fill the treatises on remedies for copyright and trademark infringement.”).

185 Id.

186 Id. (“The overall object [in a trade secret case] is to render the ultimate recovery a sound reflection of the defendants’ unjust enrichment due to the exploitation of the secret, and no more.” (quoting USM Corp. v. Marson Fastener Corp., 467 N.E.2d 1271, 1276 (Mass. 1984))).
2010] RESTITUTION AND UNJUST ENRICHMENT REMEDIES 681

disgorgement of gains from sources not attributable to the defendant’s wrong.” 187 The trouble begins, however, when disgorgement in practice leaves the theoretical template of restitution, due to proof problems, and extends into gray areas that arguably include punitive elements. 188 In intellectual property law, the goal of restitution is not punitive even for the conscious infringer, as then restitution seeks to disgorge only the gains attributable to the wrongful transaction. 189

Disgorgement, as envisioned theoretically by the Restatement, if applicable to utility patent infringement cases, would provide better deterrence and incentives to bargain than standard compensatory measures of use value. 190 The potential knowing infringer would not be free to weigh the option of infringing while believing that retention of profits would be likely. The availability of exemplary or treble damages may enter the potential infringer’s calculation, but any deterrent effect stimulated by this remote likelihood could be bolstered by the reincorporation of restitutionary disgorgement as a viable patent owner remedial option. A recent empirical work by Professors Lemley and Christopher Cotropia reveals that most patent infringement cases do not involve copying, but only the defendant’s product falling within the scope of the patent. 191 If correct, the disgorgement remedy advanced by the Restatement would not cause the sky to fall in patent law. Culpability for unjust enrichment would foster the goals of restitution and, if limited to knowing infringers, disgorgement would be a powerful remedy in those exceptional cases.

The Restatement recognizes that § 42’s disgorgement remedy will have no traction under conventional wisdom. Regarding the governing jurisprudence, the drafters acknowledge the limitations:

The Patent Act of 1946 has been interpreted (though only since 1964) to foreclose a claim by the patentee to disgorgement of the infringer’s profits. Were it not for this statutory bar, the rule of this Section would authorize such a claim against a conscious infringer—as did previous versions of the Patent Act, and as did the current version as previously interpreted. 192

187 Id.
188 Id. (“Yet this starting proposition is frequently compromised in significant respects.”).
189 Cf. id. (“Even against a conscious wrongdoer, the court will not award the whole of the profit from the infringing work unless there is no evidence before the court that would permit a fair basis of apportionment.”). See also id. § 42 cmt. i (explaining that in intellectual property law, generally restitution “disavow[s] any punitive objective” and instead seeks to differentiate infringing and noninfringing elements of a defendant’s conduct).
190 See, e.g., id. § 42 cmt. g (maintaining that “a liability limited to the use value of the claimant’s property would provide inadequate incentive to bargain over the rights at issue”).
192 Restatement, supra note 169, § 42 cmt. c.
The Restatement drafters envision some continued relevance, however, for restitutionary goals: “Within limits, a court may still pursue the traditional objectives of restitution in cases of intentional patent infringement by an award of exemplary damages.”\(^{193}\) Restitutionary disgorgement, however, arguably provides more logical, rational relief than exemplary damages.

Increased damages may service restitutionary objectives, but they are not a substitute for the remedy of restitutionary disgorgement of the infringer’s profits. Complete resistance to evidence of an infringer’s profits is unnecessary under existing law. Further, reform efforts would be wise to consider some access to a restitutionary disgorgement remedy in order to serve patent goals and reconcile patent law with the rest of intellectual property law.

At minimum, even under existing law, reference to an infringer’s profits should be permissible in two circumstances: (i) as a potential proxy for the patent owner’s loss and (ii) as a contempt sanction against an infringer who violates a patent injunction. In the first category, a patent holder might offer evidence of a defendant’s gains as relevant towards establishing the owner’s lost profits or towards the reasonable royalty measure. Such evidence should be permissible, especially in the absence of direct proof. Neither evidentiary function would be geared to advance the restitutionary goal of prevention of unjust enrichment, although the resulting award might have that incidental effect to the extent the award approximates disgorgement of the infringer’s gain. The second category is closer to a pure restitutionary function in that it would reverse the infringer’s unjust enrichment. Disgorgement of the infringer’s profits as a contempt sanction, however, may say more about the court’s vindication of its authority in the face of the contemnor’s disrespect.\(^{194}\)

Often, the infringer’s profits will be relevant evidence of a patent owner’s loss.\(^{195}\) Ideal evidence for demonstrating a claimant’s lost profits—a special damage—is direct proof of the claimant’s “production capacity, market demand, and the absence of noninfringing substitutes, together with a basis for calculating profit margin.”\(^{196}\) Short of direct proof, however, a patent owner may resort to proving the infringer’s sales

\(^{193}\) Id.

\(^{194}\) If the motivation is court vindication rather than compensation of the patent owner, the disgorgement remedy arguably serves the public function of punishment and deterrence and requires criminal procedural safeguards that accompany a criminal contempt fine. See Doug Rendleman, Complex Litigation: Injunctions, Structural Remedies, and Contempt 865–66 (2010) (questioning whether a disgorgement of profits award in a contempt proceeding is actually a criminal contempt fine requiring criminal procedural safeguards). But cf. Leman v. Krentler-Arnold Hinge Last Co., 284 U.S. 448, 455–57 (1932) (characterizing a disgorgement of profits award as full compensation in a compensatory contempt proceeding, which is remedial for the private plaintiff and not penal).

\(^{195}\) 2 Dobbs, supra note 8, § 6.2(4), at 42.

\(^{196}\) 2 Id. § 6.2(3), at 38.
made from the infringing article. Such a comparison is relevant, for example, when customers would have bought the owner’s product were it not for the availability of the infringer’s product—“when customers would buy one or the other but not both, and when there are no substitutes.” Under such circumstances, “sales of the infringing item by the defendant tend to furnish evidence that an identifiable number of sales would be lost by the plaintiff, up to the limit of the plaintiff’s production capacity.” Such evidence should satisfy the reasonable degree of certainty required to calculate the plaintiff’s lost profits and, accordingly, create a sufficient basis to render compensation to the patent owner for the loss via reference to the infringer’s gain.

Proof of the infringer’s profits may also be relevant to demonstrate the reasonable royalty measure, especially where the reasonable royalty must come from a hypothetical royalty in the absence of an established market for the patented product. On this theory, a court may calculate the reasonable royalty by effectively “taking the infringer’s profits except for an allowance for its work in producing the infringing item.” If an infringer’s profits may have relevant bearing on calculating a reasonable royalty, a court should be free to admit such evidence.

More controversially, an infringer’s profits may serve as the basis of contempt sanctions for violating a patent injunction. Prior to the Patent Act of 1946, a possible contempt sanction was a court order mandating that the defendant disgorge his profits. The post- Aro II viability of such a contempt order remains unclear.

However, a strong counterargument exists. Courts exercising equitable discretion in whether to award contempt fines are exercising “inherent” powers that exist “free[ly], independent of the statute, to construct such sanctions for contempt as seem fitting.” Court opinions are split on the issue of whether to award disgorgement as a contempt sanction or to

---

197 2 Id. § 6.2(3), at 38–39.
198 2 Id. § 6.2(3), at 39.
199 Id.
200 2 Id. § 6.2(4), at 42. See also 2 id. § 6.2(4), at 42 n.10 (discussing TWM Mfg. Co. v. Dura Corp., 789 F.2d 895, 899 (Fed. Cir. 1986), in which the court calculated the royalty by ascertaining the infringer’s profit rate after deducting overhead expenses, then deducting the “industry standard net profit,” and finally assigning the remaining profits of 30% as the reasonable royalty).
201 2 Id. § 6.2(4), at 42 & n.11 (citing Leman v. Krentler-Arnold Hinge Last Co., 284 U.S. 448 (1932) (permitting a civil contempt award of disgorgement of the infringer’s profits on the basis that the award did not punish the infringer but instead insured full compensation to the injured patent owner for the violation of the injunction)).
202 2 Id. § 6.2(4), at 42.
203 Id.
204 Id. (providing a basis for such a counterargument, although not endorsing either platform).
205 2 Id. § 6.2(4), at 43.
assume that use of an infringer’s profits is no longer viable under the modern patent statute as interpreted by the Supreme Court.\textsuperscript{207} A contempt sanction as measured by disgorgement of an infringer’s profits has as a by-product the service of restitutionary principles, but such a sanction would also function as the court’s protecting its own dignity and authority.

In the main, lawmakers should reconsider existing statutory barriers because there is nothing about the intellectual property protected by means of a patent that suggests it should be treated differently than other forms of intellectual property. During the period of a patent’s monopolistic life, the goal of exclusion exists. It follows that one who infringes a valid patent should not be able to capture profits that a patent owner would otherwise be able to attain. A restitutionary disgorgement remedy would correct such unjust enrichment.

The existing damage remedies may compensate a patent owner, but under-deter a prospective infringer. Utter elimination of a restitutionary disgorgement remedy may cause a prospective infringer to assume that she will be subject only to compensatory harms and thus may be able to afford to pay the compensatory amount and still profit from the infringement. Including restitutionary disgorgement as a powerful remedy in a patent owner’s arsenal would make infringement for profit a risky gamble.

Instead, restitutionary disgorgement would encourage bargaining between the potential infringer and the patent owner. There is the danger that patent owners might abuse access to this remedy by threatening the remedy to exact exorbitant licensing fees,\textsuperscript{208} but this behavior should not foreclose the avenue to an otherwise desirable remedy. The risk should work only to moderate access if necessary. If the patent owner seeks exclusion, disgorgement will aid this goal. If patent owners are wielding their ownership improperly, perhaps reforms should diminish the right. The right, as it exists, however, should be advanced by

\textsuperscript{206} Kiwi Coders Corp. v. Arco Tool & Die Works, 250 F.2d 562 (7th Cir. 1957). The Kiwi Coders court rendered its contempt order after the relevant statutory patent amendments but before the decision in \textit{Aro II}. 2 Dobbs, supra note 8, § 6.2(4), at 43 n.13 (citing trademark cases that continue to cite prior decisions utilizing infringer’s profits as a sanction for contempt in patent cases, but noting that such citations “do not imply the continued validity of that practice in patent cases because recovery of the infringer’s profits in trademark cases is approved by statute”).

\textsuperscript{207} Panduit Corp. v. Stahlin Bros. Fibre Works, Inc., 575 F.2d 1152, 1156 (6th Cir. 1978) (quoting \textit{Aro II} for the proposition that an infringer’s gains are essentially no longer relevant).

\textsuperscript{208} Some of the Justices in \textit{eBay} feared that essentially automatic injunctions for patent infringement may have generated improper leveraging. \textit{eBay Inc. v. MercExchange, L.L.C.}, 547 U.S. 388, 396–97 (2006) (Kennedy, J., concurring) (“When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”).
full remedial firepower so that the right actually means what it claims it offers—the exclusive right to the patented material and the gains it generates for the finite statutory period. The current nonexistence of a restitutionary disgorgement remedy constitutes a “historical lacuna that Congress should fill.” Modern patent damage reform efforts involve a fight over narrowing patent rights to model contract liability rules or ensuring that patents constitute a broad property right. In sum, a remedy authorizing disgorgement of the infringer’s profits derived from the infringement would help to shape robust patent protection during the life of the patent.

V. CONCLUSION

A patent owner should have access to a restitutionary disgorgement remedy. The goals served by the remedy could operate to benefit patent law aims. Depending upon the desired parameters, the remedy could serve to prevent the infringer’s unjust enrichment, recapture wrongful gains to the owner who lost an opportunity to gain, deter infringement, and encourage bargaining for licenses.

Congress’s deletion of the infringer’s profits from the Patent Act and the Supreme Court’s interpretation of congressional intent as an outright elimination of the remedy do not render restitutionary principles incompatible with patent law. Even pursuant to the Court’s flawed interpretation of congressional intent, an infringer’s gain is permissible evidence of a patent owner’s loss in appropriate cases. Also, existing law does not foreclose the option of disgorgement as a contempt sanction.

To protect the limited monopoly established through a valid patent, Congress should reform the Patent Act to reauthorize a restitutionary disgorgement remedy. In keeping with disgorgement’s equitable roots, disgorgement could be reserved for cases in which legal damages are inadequate. Congress also could choose to limit disgorgement’s availability to instances of conscious infringement. Of course, Congress could determine that patent law’s goals are distinct from the goals of other intellectual property and that restitutionary principles do not foster the intended patent law aims. At least then elimination would be clear and access to the remedy would be denied on substantive grounds.

209 David W. Opderbeck, Patent Damages Reform and the Shape of Patent Law, 89 B.U. L. REV. 127, 132 (2009) (arguing that disgorgement “would promote results that are both economically efficient and socially desirable as it would help skew innovation incentives towards ‘necessary’ goods for which there is relatively inelastic demand”).

210 Id. at 150, 159–60 (favoring damage reform efforts that include restitution remedies that would shape the patent grant right towards a property rule rather than a liability rule).