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# Standing, Nominal Damages, and Nominal Damages “Workarounds” in Intellectual Property Law After *TransUnion*

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*In June 2021, the United States Supreme Court held, in TransUnion LLC v. Ramirez, that plaintiffs lack standing to assert claims for statutory damages under the Fair Credit Reporting Act unless they can demonstrate “concrete harm” arising from those violations. Although TransUnion was not a case involving intellectual property (“IP”) rights, if the rationale of the decision is that Congress cannot authorize federal courts to entertain claims for statutory damages unless the plaintiff shows that it has suffered actual harm, some common monetary awards for the infringement of IP rights — specifically, statutory damages, reasonable royalties, and (in design patent law) awards of the infringer’s total profit, all of which are intended to reduce the risk that IP owners otherwise would be left with nothing more than nominal damages — would appear to be in jeopardy. This Article argues, nonetheless, that these three remedies, which the Article refers to as nominal damages “workarounds,” rest on a sufficient footing to overcome the sort of jurisdictional objection at issue in TransUnion, for two reasons. The first is that, according to TransUnion itself, “history and tradition offer a meaningful guide to the types*

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of cases that Article III empowers federal courts to consider”; and history and tradition show that for over a hundred years courts have presumed that violations of IP rights cause harm, sufficient to sustain (at least) an award of nominal damages (or in the case of copyright, statutory penalties). Second, because the value of IP rights (unlike the rights at issue in *TransUnion*) often lies in the owner’s ability to license those rights to others who can exploit them more efficiently, from a functional perspective it often makes sense to conceive of infringement as causing harm when it deprives the owner of an opportunity to license.

The Article further argues three additional points: first, that reasonable royalties are generally superior to both statutory damages and total profit awards as a nominal damages workaround; second, that courts retain authority to award nominal damages, as opposed to awarding zero damages or dismissing a claim altogether, when IP owners fail to satisfy all of the necessary conditions to qualify for one of the workarounds; and third, that courts should award only nominal damages in two recurring situations, namely when the evidence shows that the IP in suit provided no advantage over the next-best available non-infringing alternative, or that the defendant manufactured or acquired the IP unlawfully but then failed to use it. The Article rejects the view, however, expressed by some scholars, that courts should award only nominal damages in patent infringement actions in cases brought by patent assertion entities.

#### TABLE OF CONTENTS

INTRODUCTION .....	1087
I. IP’S NOMINAL DAMAGES WORKAROUNDS .....	1094
A. <i>How the Workarounds Evolved</i> .....	1094
1. Utility Patents .....	1095
2. Design Patents .....	1102
3. Copyright .....	1105
4. Trademarks and Unfair Competition.....	1110
B. <i>Why the Workarounds Generally Survive TransUnion</i> .....	1115
II. REASONABLE ROYALTIES, STATUTORY DAMAGES, AND TOTAL PROFITS .....	1125
III. ARE COURTS AUTHORIZED TO AWARD NOMINAL DAMAGES FOR IP INFRINGEMENT? .....	1136
IV. NOMINAL DAMAGES AS A MATTER OF LAW?.....	1146
A. <i>Non-infringing Alternatives</i> .....	1147

B. *Manufacture or Acquisition Without Subsequent Use or Sale*...1151  
C. *Patent Assertion Entities*..... 1155  
CONCLUSION.....1162

INTRODUCTION

In June 2021, the United States Supreme Court held, in *TransUnion LLC v. Ramirez*,<sup>1</sup> that plaintiffs lack standing to assert claims for statutory damages under the Fair Credit Reporting Act (“FCRA”)<sup>2</sup> unless they can demonstrate “concrete harm” arising from those violations.<sup>3</sup>

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<sup>1</sup> 141 S. Ct. 2190 (2021). Although this Article critiques some aspects of the *TransUnion* majority’s reasoning — including its apparent tension with the Court’s decision three months earlier in *Uzuegbunam v. Preczewski*, 141 S. Ct. 792 (2021), that plaintiffs asserting a deprivation of their constitutional rights have standing to sue for nominal damages, regardless of any showing of harm apart from the deprivation itself — the Article focuses on, among other matters, the implications of *TransUnion* (and *Uzuegbunam*) for remedies in intellectual property law, and not on the persuasiveness, or lack thereof, of these two decisions themselves. For some early critiques of *TransUnion*, see, for example, Elizabeth Earle Beske, *Charting a Course Past Spokeo and TransUnion*, 29 GEO. MASON L. REV. 729, 734-36 (2022) (arguing, *inter alia*, that *TransUnion* “provides scant guidance to lower courts, invites them to substitute their own policy preferences for legislative will in frustration of the separation of powers, significantly curtails the deferential review of economic legislation the Court has employed since the New Deal, and circumscribes Congress’s ability to act proactively to prevent harms in the first place and react to novel challenges”); Danielle Keats Citron & Daniel J. Solove, *Privacy Harms*, 102 B.U.L. REV. 793, 806 (2022) (arguing that *TransUnion* “provided scant guidance about how close the relationship must be to traditionally recognized harm[,]” that “harm traditionally has not been required at all for violations of individual private rights,” and that “the harms that courts have recognized have evolved considerably in the common law”); Peter Ormerod, *Making Privacy Injuries Concrete*, 79 WASH. & LEE L. REV. 101, 105-06 (2022) (arguing that *TransUnion* and other cases fail to provide “a coherent way to discern which intangible injuries satisfy the injury in fact requirements and which do not” or “a persuasive justification for the now-routine practice of nullifying the product of political consensus”); Cass R. Sunstein, *Injury in Fact, Transformed*, 2021 SUP. CT. REV. 349, 352 (2022) (arguing that the injury-in-fact requirement is “foreign” to the Constitution).

<sup>2</sup> 15 U.S.C. § 1681 (2018). The relevant damages provision at issue in *TransUnion* reads “Any person who willfully fails to comply with any requirement imposed under this subchapter with respect to any consumer is liable to that consumer in an amount equal to the sum of . . . any actual damages sustained by the consumer as a result of the failure or damages of not less than \$100 and not more than \$1,000 . . .” *Id.* § 1681n(a)(1)(A).

<sup>3</sup> *TransUnion*, 141 S. Ct. at 2209 (holding that only those class members who could demonstrate that inaccuracies in credit reports caused them to suffer “concrete harm”

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Distinguishing between an “injury in law” and “injury in fact,” the Court concluded that Congress “may not simply enact an injury into existence,” but rather can only provide a remedy for concrete harms.<sup>4</sup> To be sure, these concrete harms are not necessarily limited to “physical or monetary injury,” and may include intangibles such as “reputational harms, disclosure of private information, and intrusion upon seclusion,” “harms specified by the Constitution itself,” and “emotional or psychological harm.”<sup>5</sup> In the context of the FCRA, however — where the defendant allegedly failed to employ reasonable procedures to ensure the accuracy of information included in the plaintiffs’ credit files, resulting in the false identification of the plaintiffs as potential terrorists — plaintiffs who were unable to show that the defendant had distributed this information to third parties had not suffered any concrete harm, and thus lacked standing to sue for statutory damages.<sup>6</sup>

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had standing). In addition, the Court held that (with the exception of the lead plaintiff, whose standing in this regard was not contested) the class plaintiffs lacked standing to assert a claim for statutory damages arising from two other alleged violations of the FCRA — relating to the formatting of certain mailings made by the defendant — because they similarly failed to demonstrate that these alleged violations caused them any concrete harm. *See id.* at 2213 n.8. The standing requirement, of course, derives from Article III of the Constitution. *See id.* at 2203 (stating that “Article III confines the federal judicial power to the resolution of ‘Cases’ and ‘Controversies,’” and requires a plaintiff to “show (i) that he suffered an injury in fact that is concrete, particularized, and actual or imminent; (ii) that the injury was likely caused by the defendant; and (iii) that the injury would likely be redressed by judicial relief” (citations omitted)).

<sup>4</sup> *Id.* at 2205.

<sup>5</sup> *Id.* at 2204, 2211 n.7 (stating that certain intangible harms, such as those noted in the text above, sometimes may be sufficiently “concrete” for Article III purposes).

<sup>6</sup> *See id.* at 2209-13. Since the plaintiffs themselves did not advance an emotional or psychological harm theory, the Court did not address whether emotional or psychological distress would be a cognizable harm for purposes of the FCRA (as it clearly is for certain other torts, such as intentional infliction of emotional distress). *See id.* at 2211 n.7 (stating that “plaintiffs here have not relied on such a theory of Article III harm”). The plaintiffs also were not seeking injunctive relief; and in any event, the Court made clear that “plaintiffs must demonstrate standing for . . . each form of relief that they seek (for example, injunctive relief and damages)[.]” and that “a plaintiff’s standing to seek injunctive relief does not necessarily mean that the plaintiff has standing to seek retrospective damages.” *Id.* at 2208, 2210.

Although *TransUnion* was not a case involving intellectual property (“IP”)<sup>7</sup> rights, if the rationale of the decision is that Congress cannot authorize the federal courts to entertain claims for statutory damages unless the plaintiff shows that it has suffered actual harm,<sup>8</sup> some common monetary awards for the infringement of IP rights might appear to be in jeopardy. Over the years, Congress has authorized courts to award a variety of remedies — including, depending on the type of IP at issue, not only statutory damages, but also reasonable royalties and awards of the infringer’s total profit<sup>9</sup> — specifically to reduce the risk

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<sup>7</sup> Throughout this article, I will use the term “intellectual property” or “IP” primarily to refer to the following six types of IP, in which the issues relevant to the article are most likely to arise: (1) patents (for present purposes, exclusive rights in novel, useful, and nonobvious inventions, and in novel, nonfunctional designs); (2) trade secrets (rights in secret commercial information); (3) copyrights (exclusive rights in original works of authorship); (4) moral rights (additional rights, including rights of attribution and integrity, that subsist in certain works of authorship); (5) trademarks (exclusive rights in distinctive, nonfunctional symbols that identify unique products or services); and (6) the right of publicity (a right to prevent the unauthorized use of one’s name, likeness, or other indicia of identity for purposes of trade).

<sup>8</sup> Reputational harm would suffice for trademarks but is rarely pled for patent infringement and may or may not be cognizable at all for copyright infringement; and emotional distress may not be a cognizable harm for any of these bodies of law, though it might suffice for purposes of state law moral rights and right of publicity violations. See Thomas F. Cotter, *Damages for Noneconomic Harm in Intellectual Property Law*, 72 HASTINGS L.J. 1055, 1080-87, 1089-91, 1095-98, 1107-12 (2021) [hereinafter *Damages for Noneconomic Harm*].

<sup>9</sup> Statutory damages are available for copyright violations, subject in most cases to the copyright owner having timely registered its claim to copyright. 17 U.S.C. §§ 412, 504(c)(1) (2018). The Lanham Act also provides for statutory damages for trademark counterfeiting and for cybersquatting, see 15 U.S.C. § 1117(c), (d) (2018), two topics beyond the scope of the present Article. Reasonable royalties are available for the infringement of patents, see 35 U.S.C. § 284 (2018), and for trade secret misappropriation, see 18 U.S.C. § 1836(b)(3)(B)(ii) (2018); see also UNIF. TRADE SECRETS ACT § 3(a) (UNIF. L. COMM’N 1985). Some courts have awarded them for copyright and trademark violations as well, but this practice has been contested. See *infra* notes 120, 167, 228 and accompanying text. An award of some or all of the defendant’s profit was a remedy for utility patent infringement until 1946 and remains one for copyright, trademark, and trade secret violations. See 15 U.S.C. § 1117(a) (2018); 17 U.S.C. § 504(a)(1), (b) (2018); 18 U.S.C. § 1836(b)(3)(B)(i)(II) (2018); UNIF. TRADE SECRETS ACT § 3(a) (NAT’L CONF. OF COMM’RS ON UNIF. STATE L. 1985); *infra* note 53 and accompanying text. Federal courts almost certainly have (or, in the case of utility patents, had) subject matter jurisdiction over claims for the infringer’s profits in these contexts. See, e.g., Brief of Restitution and

that IP owners otherwise would be left with nothing more than nominal damages.<sup>10</sup> To be sure, all three of these “nominal damages workarounds,” as this Article will refer to them, have been around for a long time; and it might seem odd to think that a 2021 Supreme Court decision, involving a different body of law, has suddenly called all of them into question. If not, though, why not? If the federal courts lack jurisdiction to entertain claims for statutory damages for violations of the FCRA, absent evidence of actual harm, how can they have jurisdiction to entertain claims for statutory damages for violations of the Copyright Act — or for an award of total profits for design patent infringement — absent evidence of actual harm?<sup>11</sup> Similarly, do the reasonable royalties often awarded for utility patent infringement (and occasionally for violation of other IP rights) get a pass just because we’re familiar with them, notwithstanding the courts’ long-time characterization of them as

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Remedies Scholars as Amici Curiae in Support of Respondent at \*13-14, \*25, *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540 (2016) (No. 13-1339), 2015 WL 5302537 (noting, *inter alia*, cases permitting the recovery of the infringer’s profits in trademark and copyright law, and stating that “[t]he basis for standing in claims for restitution of unjust enrichment is that defendant was enriched ‘at the expense of’ plaintiff, either in the sense of a corresponding loss to plaintiff and gain to defendant, or in the sense that defendant’s profits were derived from a violation of plaintiff’s legally protected rights”). For design patent infringement, however, Congress has authorized awards of the infringer’s *total* profit from the infringing article of manufacture (or a minimum payment of \$250), *see* 35 U.S.C. § 289 (2018); *Samsung Elecs. Co. v. Apple Inc.*, 580 U.S. 53, 58 (2016), and has done so specifically to reduce the risk that design patent owners otherwise might be unable to prove any actual damages or profits specifically attributable to an act of design patent infringement, *see infra* note 71 and accompanying text. This Article will not be discussing remedies afforded for other, less commonly asserted, IP rights such as rights in vessel hull designs, *see* 17 U.S.C. § 1323(a) (2018), or statutory licenses set by the non-Article III Copyright Royalty Board for certain uses of copyrighted works.

<sup>10</sup> *See infra* Part I. “Nominal damages” are damages in some minimal, but nonzero, amount, such as one dollar. *See* RESTATEMENT (SECOND) OF TORTS § 907 (AM. L. INST. 1977) (stating that “[n]ominal damages are a trivial sum of money awarded to a litigant who has established a cause of action but has not established that he is entitled to compensatory damages”).

<sup>11</sup> To be sure, one might respond by invoking the difference between fact of harm and amount of harm and concluding that the workarounds simply respond to the difficulty in proving the amount of harm. But this just begs the question of whether there *is* any harm in the absence of proof of, say, lost profits or harm to a cognizable injury to reputation. In *TransUnion*, apparently, there wasn’t.

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resting on the “legal fiction” of a “hypothetical bargain”?<sup>12</sup> Can a harm be both hypothetical and concrete at the same time?

Fortunately for IP owners, I will argue, *TransUnion* does not lead to such disquieting results, for two reasons. The first is that, according to *TransUnion* itself, “history and tradition offer a meaningful guide to the types of cases that Article III empowers federal courts to consider”;<sup>13</sup> and history and tradition show that courts have long presumed that violations of IP rights cause harm, sufficient to sustain at least an award of nominal damages (or in the case of copyright, statutory penalties).<sup>14</sup> The fact that they have been able to do so for over two centuries without provoking any Article III-based objection strongly suggests that a claim for one of the workarounds, asserted today under analogous circumstances, should not generate any standing problems either.<sup>15</sup>

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<sup>12</sup> For a classic statement to this effect, see *Panduit Corp. v. Stahlin Brothers Fibre Works, Inc.*, 575 F.2d 1152, 1159 (6th Cir. 1978):

Determination of a “reasonable royalty” after infringement, like many devices in the law, rests on a legal fiction. Created in an effort to “compensate” when profits are not provable, the “reasonable royalty” device conjures a “willing” licensor and licensee, who like Ghosts of Christmas Past, are dimly seen as “negotiating” a “license.” There is, of course, no actual willingness on either side, and no license to do anything.

<sup>13</sup> *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190, 2204 (2021).

<sup>14</sup> See *infra* Part I.A. Where the harm is prospective or irreparable, of course, injunctive relief might be appropriate, but as discussed herein federal courts presumed past harm, sufficient to support at least an award of nominal damages, even in the absence of any risk of future harm — for example, where a patent had expired — as well as in actions at law, prior to the merger of law and equity. See *infra* note 137 and accompanying text. To be sure, the presumption that violations of IP rights cause harm has more support in the patent and copyright case law than in the law of unfair competition (e.g., trademarks, trade secrets, and publicity rights). Moreover, prior to the twentieth century, unfair competition cases probably were more likely to be litigated in state court, under state law, rather than in federal courts applying federal law — and state courts “are not bound by the limitations of a case or controversy or other federal rules of justiciability even when they address issues of federal law.” *TransUnion*, 141 S. Ct. at 2224 n.9 (Thomas, J., dissenting) (quoting *ASARCO Inc. v. Kadish*, 490 U.S. 605, 617 (1989)). Nevertheless, for reasons discussed herein, I will argue that federal courts probably have subject matter jurisdiction to entertain unfair competition claims for nominal damages or (where available) for one of the workarounds. See *infra* Part II.

<sup>15</sup> See *infra* note 24 and accompanying text. Of course, there could be standing problems for other reasons, e.g., questions concerning whether the plaintiff has a

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Second, from a functional perspective, the value of IP rights often lies in the owner's ability to license those rights to others who can exploit them more efficiently. For this reason, it makes sense to conceive of infringement as causing harm<sup>16</sup> when it deprives the owner of an opportunity to license<sup>17</sup> — a loss which, today, often would be remedied by an award of reasonable royalties. By contrast, in many other contexts (including the fact pattern at issue in *TransUnion*) the law doesn't recognize the loss of an opportunity to authorize the defendant's conduct as a cognizable harm, for various reasons.<sup>18</sup>

In general, then, IP's three nominal damages workarounds would appear to rest on a sufficiently sound doctrinal footing to overcome the sort of jurisdictional objection at issue in *TransUnion*. A close analysis of the workarounds, however, and what they were intended to accomplish, leads to three additional questions that have remained underexplored in the scholarly literature. The first of these is whether each of the three workarounds is an appropriate response to the domain-specific problem it was intended to address — or alternatively, whether reasonable royalties would be the better workaround for *all* of the various forms of IP infringement. Drawing on my own and others' work, I will argue that, in general, reasonable royalties are a less bad choice as a nominal damages workaround than either statutory damages or an award of total

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sufficient ownership interest in the IP right in question. Further, there may be some exceptions to the general statement made in the text above. *See infra* note 154 and accompanying text (discussing, *inter alia*, the possible standing problems, post-*TransUnion*, concerning the “making available” right that a minority of courts have recognized in copyright law).

<sup>16</sup> Or as unjustly enriching the defendant. *See supra* note 9 (noting that IP claims for unjust enrichment are immune from standing problems). Reasonable royalties sometimes are viewed as a restitutionary, rather than compensatory, remedy. *See* Thomas F. Cotter, John M. Golden, Oskar Liivak, Brian J. Love, Norman V. Siebrasse, Masabumi Suzuki & David O. Taylor, *Reasonable Royalties*, in 40 PATENT REMEDIES AND COMPLEX PRODUCTS: TOWARD A GLOBAL CONSENSUS 6, 9-10 (C. Bradford Biddle, Jorge L. Contreras, Brian J. Love & Norman V. Siebrasse eds., 2019).

<sup>17</sup> Some unauthorized uses of a plaintiff's IP do not deprive the plaintiff of a *cognizable* opportunity to license, however. The fair use of a copyrighted work of authorship, for example, is by definition one for which the owner has no legal right to demand compensation. *See infra* note 147 and accompanying text.

<sup>18</sup> *See infra* Part I.B.



profits.<sup>19</sup> A second question is whether courts retain authority to award nominal damages, as opposed to awarding zero damages or dismissing a claim altogether, when IP owners fail to satisfy all of the necessary conditions to qualify for one of the workarounds. I will argue, contrary to the opinion of some observers, that courts remain free — indeed, may be obligated — to award nominal damages under these circumstances.<sup>20</sup> A third question is whether there are any recurring fact patterns in which, as scholars occasionally have suggested, IP owners should recover only nominal damages, as a matter of law. I will argue that there are two such situations, namely when the evidence shows that the IP in suit provided no advantage over the next-best available non-infringing alternative, or that the defendant manufactured or acquired the IP unlawfully but then failed to use it.<sup>21</sup> I reject the view, however, expressed by some commentators that courts should award only nominal damages in patent infringement actions brought by patent assertion entities.<sup>22</sup>

Part I provides an overview of how IP law’s nominal damages workarounds have evolved over time and how they operate today and elaborates on why *TransUnion* leaves them largely undisturbed. Part II argues that reasonable royalties are, in general, a superior workaround to both statutory damages and total profits. Part III argues that, for better or worse, nominal damages remain a fallback in IP litigation, and Part IV addresses the three situations in which, it has sometimes been proposed, courts should award nominal or zero damages as a matter of law.

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<sup>19</sup> See *infra* Part II.

<sup>20</sup> See *infra* Part III.

<sup>21</sup> See *infra* Parts IV.A, B.

<sup>22</sup> See *infra* Part IV.C. Because this Article focuses on damages, it will not address other possible implications of *TransUnion* for IP litigation, such as the effect of the decision on standing to challenge administrative decisions of the Patent Trial and Appeal Board. For discussion of that specific issue, see Gwendolyn Tawresey, *High Court TransUnion Ruling May Enhance PTAB Autonomy*, LAW360 (Aug. 26, 2021, 2:33 PM EDT), <https://www.law360.com/articles/1416237/high-court-transunion-ruling-may-enhance-ptab-autonomy> [<https://perma.cc/4MDC-PZFM>] (arguing that *TransUnion*’s “effects . . . are broad-reaching and may insulate the Patent Trial and Appeal Board against challenges to its autonomy or bolster its existing autonomy”).

## I. IP'S NOMINAL DAMAGES WORKAROUNDS

This Part presents an overview of IP's nominal damages workarounds. Section A discusses the evolution of the workarounds, from the beginning to the present day, while Section B argues that *TransUnion* generally poses no obstacle to their continued use.

A. *How the Workarounds Evolved*

To understand just where the workarounds fit within the overall scheme of things, it helps to have a basic understanding of the long-standing distinction, prior to the merger of law and equity effected by the Federal Rules of Civil Procedure in 1938,<sup>23</sup> between actions at law and suits in equity. Without going into unnecessary detail, for present purposes it suffices to note that a plaintiff in an action at law could demand “legal” remedies such as compensatory damages, as well as trial by jury; courts sitting in equity, by contrast, could award “equitable” remedies, such as injunctions and accountings of profits.<sup>24</sup> A few vestiges of these distinctions, including the absence of a constitutional right to a trial by jury over purely equitable matters, remain in place today.<sup>25</sup>

The Subsections below present an overview of how, from the very beginning, Congress and the courts permitted nominal damages awards in IP actions and sought to develop alternatives.

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<sup>23</sup> See FED. R. CIV. P. 2 advisory committee's note 2 to 2007 amendment; *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 678 (2014).

<sup>24</sup> For discussion of the distinction as it related to monetary awards in patent cases, see *Birdsall v. Coolidge*, 93 U.S. 64, 69 (1876) (also noting that legislation enacted in 1870 authorized courts of equity to award compensatory damages in patent cases). Today, the remedy of an “accounting of profit” is often referred to as “disgorgement,” meaning that the defendant is required to “disgorge” some ill-gained profit. See *Liu v. SEC*, 140 S. Ct. 1936, 1942-43 (2020). Disgorgement is not necessarily the same as restitution, which historically was considered to be, in some contexts, a legal remedy, and in others an equitable remedy. See RESTATEMENT (THIRD) OF RESTITUTION § 4 cmts. c, d (2011). As noted above, there seems to be no doubt that plaintiffs seeking an award of profits attributable to an act of IP infringement had standing to assert such claims. See *supra* note 15.

<sup>25</sup> See, e.g., U.S. CONST. amend. VII (stating that “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved”); *Great-West Life & Annuity Ins. Co. v. Knudson*, 534 U.S. 204, 212 (2002) (where the relevant statute authorized only “equitable” claims, restitution of the type plaintiffs sought was not actionable because, “in the day of the divided bench,” it would have been considered legal, not equitable).

### 1. Utility Patents

The earliest federal patent statutes expressly authorized plaintiffs only to initiate actions at law for monetary damages.<sup>26</sup> In 1819, however, Congress conferred upon the federal courts original jurisdiction over patent (and copyright) cases “as well in equity as at law,” and explicitly conferred “authority to grant injunctions, according to the course and principles of courts of equity . . . .”<sup>27</sup> Legislation enacted in 1870, in turn, expressly permitted a court sitting in equity to award the patentee “in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby.”<sup>28</sup> (Fortunately, the courts did not interpret this language literally, but rather only allowed the plaintiff to recover the greater of its own actual damages or the defendant’s profits.<sup>29</sup>) Under this framework, prevailing patent owners could recover their lost profits on any sales they lost as a result of the infringement.<sup>30</sup> Alternatively, if the patent owner licensed the patent to others on standard terms, it might recover its “established” license fee from the

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<sup>26</sup> See Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 37, 38 (stating that infringers would be liable for at least “three times the actual damage sustained by the patentee”); Patent Act of 1793, ch. 11, § 5, 1 Stat. 318 (stating that the patentee would be entitled to a sum “at least equal to three times the price, for which the patentee has usually sold or licensed to other persons, the use of the said invention”); Patent Act of 1790, ch. 7, § 4, 1 Stat. 109 (repealed 1793) (stating that infringers “shall forfeit and pay . . . such damages as shall be assessed by a jury”).

<sup>27</sup> Act of Feb. 15, 1819, ch. 19, 3 Stat. 481, 481. Federal and state courts nevertheless had been awarding injunctions in some patent infringement actions prior to enactment of the statute. For discussion and citations, see *Root v. Ry. Co.*, 105 U.S. 189, 192-93 (1881); 3 WILLIAM C. ROBINSON, *THE LAW OF PATENTS FOR USEFUL INVENTIONS* 114, 383, 393-94 (1890).

<sup>28</sup> Act of July 8, 1870, ch. 230, §§ 55, 59, 16 Stat. 198, 206 [hereinafter 1870 Act]. In 1897, Congress authorized law courts hearing patent cases to issue injunctions as well. Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694; *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442 (Fed. Cir. 1998).

<sup>29</sup> See *Birdsall*, 93 U.S. at 69; *Nike*, 138 F.3d at 1440.

<sup>30</sup> See, e.g., *Yale Lock Mfg. Co. v. Sargent*, 117 U.S. 536, 552-53 (1886) (recognizing lost profits and losses resulting from price erosion as cognizable actual damages, in a patent infringement action brought by a practicing entity against a competitor).

defendant;<sup>31</sup> or, in a suit in equity, the patent owner could demand the infringer's profit in lieu of its own actual damages.<sup>32</sup>

If, however, the owner did not or could not establish any actual damages in the form of a lost profit or established royalty — or any advantages accruing to the defendant as a result of the infringement — it risked receiving only a nominal award.<sup>33</sup> To be sure, courts sometimes mitigated these difficulties by allowing the trier of fact to consider the profit the defendant made from the infringement as a sort of proxy for the plaintiff's own harm.<sup>34</sup> Further, an 1865 Supreme Court decision, *Suffolk Co. v. Hayden*,<sup>35</sup> appeared to countenance an award of what would today be called a reasonable royalty, in a case in which the plaintiff did

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<sup>31</sup> See, e.g., *Rude v. Westcott*, 130 U.S. 152, 165 (1889) (stating that “where there has been such a number of sales by a patentee of licenses to make, use, and sell his patents as to establish a regular price for a license, that price may be taken as a measure of damages against infringers[,]” and that for a royalty to “be accepted as a measure of damages against an infringer, who is a stranger to the license establishing it, it must be paid or secured before the infringement complained of; it must be paid by such a number of persons as to indicate a general acquiescence in its reasonableness by those who have occasion to use the invention; and it must be uniform at the places where the licenses are issued”) (citations omitted)). If these conditions were met, a court could award an established royalty in the form of a lump-sum, covering the entire remaining term of the patent, see ROBINSON, *supra* note 27, at 331. In which case there would be no basis for granting an injunction, see *id.* at 359, 398.

<sup>32</sup> See *Birdsall*, 93 U.S. at 68; *Littlefield v. Perry*, 88 U.S. 205, 229 (1874).

<sup>33</sup> See, e.g., *Rude*, 130 U.S. at 165-67 (in a case in which the evidence did not substantiate the plaintiff's claim for actual damages, remanding for the entry of nominal damages); *Black v. Thorne*, 111 U.S. 122, 124 (1884) (affirming award of nominal damages, in a case in which there was insufficient proof that the defendants had made any profit from the infringement). For citations to other cases, see 7 DONALD S. CHISUM, CHISUM ON PATENTS, § 20.02[1][e][2], at 14 (rev. ed. 2021).

<sup>34</sup> See ROBINSON, *supra* note 27, § 1063, at 351 (citing cases). Courts also realized, however, that in many cases the defendant's profits do not provide an accurate approximation of the plaintiff's own lost profit, see *id.* at 351-53, and that to accurately measure the harm or benefit resulting from infringement it is sometimes necessary to apportion the profit earned from the use of the patented subject matter from the profit attributable to other factors or product features, see *Garretson v. Clark*, 111 U.S. 120, 121 (1884); *Philp v. Nock*, 84 U.S. 460, 462 (1873); *Seymour v. McCormick*, 57 U.S. 480, 489-91 (1853), and from the profit that might have been earned from the use of a non-infringing alternative, see *Black*, 111 U.S. at 124; *Littlefield*, 88 U.S. at 228-29; *Mowry v. Whitney*, 81 U.S. 620, 651 (1871); *Suffolk Mfg. Co. v. Hayden*, 70 U.S. 315, 320 (1865); *Calkins v. Bertrand*, 8 F. 755, 760 (C.C.N.D. Ill. 1881).

<sup>35</sup> 70 U.S. 315 (1865).

not have an established licensing program. More precisely, the Court approved of the use of “general evidence,” consisting “of the utility and advantage of the invention over the old modes or devices that had been used for working out similar results,” which would enable the jury “to ascertain . . . the loss to the patentee or owner, by the piracy, instead of the purchase of the use of the invention.”<sup>36</sup>

The Supreme Court’s 1895 decision in *Coupe v. Royer*<sup>37</sup> nevertheless was interpreted by some courts<sup>38</sup> as foreclosing awards of reasonable, as opposed to established, royalties. The patent at issue in *Coupe*, claiming a machine for tanning hides, had expired when the plaintiffs filed an action at law against the defendants, seeking monetary judgments for the defendants’ alleged use of the invention during the patent term.<sup>39</sup> The plaintiffs used the patented invention in their own business, but offered no evidence that the defendants’ alleged infringement had deprived them of any sales, or that the plaintiffs had any sort of established licensing program in place.<sup>40</sup> They presented evidence, however, that the defendants had used the claimed invention to tan 66,000 hides; and one of the plaintiffs testified that, in his opinion, “there would be a saving of four or five dollars a hide by using his machine over what it would cost to soften hides by any other method, and that he knew that the difference between the cost of softening the raw hide by mechanical action in his machine and doing the same work by hand or by any other devices known would be more than one dollar a hide.”<sup>41</sup> Apparently on this basis, the jury had awarded \$18,000 in damages — about \$0.27 per hide, if the plaintiffs’ evidence as to the scope of the infringement is credited.<sup>42</sup> The Supreme

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<sup>36</sup> *Id.* at 320.

<sup>37</sup> 155 U.S. 565 (1895).

<sup>38</sup> See CHISUM, *supra* note 33, § 20.02[2][c], at 18-19 (citing cases). On the other hand, the Court itself does not appear to have questioned the Court of Claims’ use of the reasonable royalty concept to award compensation to owners whose patents the U.S. government had used in breach of an implied license. See *United States v. Berdan Firearms Mfg. Co.*, 156 U.S. 552, 561 (1895); *United States v. Palmer*, 128 U.S. 262, 272 (1888); see also *McKeever v. United States*, 14 Ct. Cl. 396, 425 (Ct. Cl. 1878).

<sup>39</sup> See *Coupe*, 155 U.S. at 566.

<sup>40</sup> See *id.* at 583.

<sup>41</sup> *Id.* at 581.

<sup>42</sup> See *id.* at 566.

Court reversed the judgment on liability and remanded for a new trial,<sup>43</sup> but cautioned that on the evidence presented at the first trial the plaintiffs would have been entitled to nominal damages only.<sup>44</sup>

The tide began to turn, nonetheless, just a few years later. Seizing on the weakness of the plaintiff's evidence of what a reasonable license fee would have been in *Coupe v. Royer* — the testimony of one, clearly interested, witness — a few courts, including the Sixth Circuit in the much-cited *United States Frumentum Co. v. Lauhoff*,<sup>45</sup> concluded that a plaintiff *could* recover a “reasonable royalty” or “general damage[s],” at least on the basis of better evidence than was presented in *Coupe*. One year later, the Supreme Court in *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*<sup>46</sup> agreed, stating that in the absence of an established royalty it is “permissible to show the value by proving what would have been a reasonable royalty, considering the nature of the invention, its utility and advantages, and the extent of the use involved”<sup>47</sup> — though on the facts presented, ironically, “no proof upon that subject was presented.”<sup>48</sup>

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<sup>43</sup> More specifically, the Court held that the defendants were entitled to a new trial on infringement. *See id.* at 579-80.

<sup>44</sup> *Id.* at 583 (stating that “the evidence disclosing the existence of no license fee, no impairment of the plaintiffs’ market, — in short, no damages of any kind, — we think the court should have instructed the jury that, if they found for the plaintiffs at all, to find nominal damages only”).

<sup>45</sup> 216 F. 610, 625 (6th Cir. 1914).

<sup>46</sup> *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641 (1915). The Court cited, among other cases, *Suffolk* and *Frumentum*, and distinguished *Coupe v. Royer* as a failure of proof case. *See id.* at 648-50.

<sup>47</sup> *Id.* at 648.

<sup>48</sup> *Id.* at 650. In between *Coupe* and *Dowagiac*, moreover, the Court had come up with yet another way to reduce the risk of sending patent plaintiffs home empty-handed: by, in effect, reallocating the burden of proof to the defendant, in a case in which the plaintiff sought to recover the defendant's profit. More specifically the Court has concluded that, where the patent “plaintiff has proved the existence of profits attributable to his invention, and demonstrated that they are impossible of accurate or approximate apportionment[.]” “the burden of separation is cast on the defendant, it is one which justly should be borne by him, as he wrought the confusion.” *Westinghouse Elec. & Mfg. Co. v. Wagner Elec. & Mfg. Co.*, 225 U.S. 604, 622 (1912). In so holding, the Court conformed the rule applicable in patent cases to the rule in copyright and other bodies of law, *see id.* at 618-22 (citing, *inter alia*, *Callaghan v. Myers*, 128 U.S. 617, 665-66 (1888) (a copyright case)), and it distinguished earlier patent cases which appeared to place the burden of apportionment on the patent owner, on the ground that in those cases the

Congress followed up in 1922 by amending the Patent Act expressly to permit courts to award “general damages.”<sup>49</sup> Commentators generally agree that the lower courts viewed the amendment as a codification of *Frumentum* and *Dowagiac*.<sup>50</sup>

Congress revised the statute again in 1946 — this time using, for the first time, the term “reasonable royalty” — to read, in relevant part, “upon 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 . . . .”<sup>51</sup> The legislative history of the statute restates the general principle as permitting “general damages as due compensation for infringing either or any of the rights secured to the patent owner by his patent,”<sup>52</sup> and states further that the statute was intended to preclude the need for courts of equity to undertake the complex, time-consuming, and expensive task of apportioning profits.<sup>53</sup>

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patentee had not satisfied (what the Court now viewed as) its initial burden of proving that it was unable to separate the profits. *See id.* at 620-21. Three years later, the Court in *Dowagiac*, having found that the patent owner had presented insufficient evidence to sustain a reasonable royalty award, remanded for the lower court to determine if the plaintiff nevertheless was entitled to an accounting of profits in accordance with *Westinghouse*. *See Dowagiac*, 235 U.S. at 650-51.

<sup>49</sup> Act of Feb. 21, 1922, ch. 58, § 8, 42 Stat. 389, 392. “General damages” are usually defined as damages that do not need to be pleaded; moreover, “[i]n many cases in which there can be recovery for general damages, there need be no proof of the extent of the harm, since the existence of the harm may be assumed and its extent is inferred as a matter of common knowledge from the existence of the injury as described. In other cases, however, the existence of a particular harm must be proved, although it need not be specifically alleged.” RESTATEMENT (SECOND) OF TORTS § 904 & cmt. a (AM. L. INST. 1979).

<sup>50</sup> *See* CHISUM, *supra* note 33, § 20.02[2][d], at 21 n.29; Oskar Liivak, *When Nominal Is Reasonable: Damages for the Unpracticed Patent*, 56 B.C. L. REV. 1031, 1055-56 (2015).

<sup>51</sup> Act of Aug. 1, 1946, ch. 726, § 1, 60 Stat. 778.

<sup>52</sup> H.R. REP. NO. 79-1587, at 1 (1946); *see also* S. REP. NO. 79-1503, at 2 (1946) (adopting the exact language of the House Report).

<sup>53</sup> *See* H.R. REP. NO. 79-1587, at 2 (1946) (stating, however, that “the bill would not preclude the recovery of profits as an element of general damages”). The Report did not elaborate on “the recovery of profits as an element of general damages,” but the statute (as further revised in 1952) has long been interpreted to preclude courts from awarding an accounting of profits for utility patent infringement. *See, e.g., Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505-07 (1964) (Brennan, J.) (plurality

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Finally, when Congress in 1952 enacted its first general revision to the Patent Act since 1870, it revised the above language into its present form, which states that “[u]pon 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.”<sup>54</sup> The House Report accompanying the 1952 Act nevertheless does not provide any specific reason<sup>55</sup> for changing “general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty” to “reasonable royalty for the use made of the invention by the infringer.”

Congress may have intended to simplify the process of compensating patent owners when it replaced awards of infringer’s profits with awards of general damages or reasonable royalties, but if so, things did not work out quite as planned. The dominant approach courts and litigants apply today involves constructing the hypothetical license the parties would have agreed to ex ante — that is, before the defendant began infringing.<sup>56</sup> To this end, parties often present expert testimony on some or all of the fifteen *Georgia-Pacific* factors — so named after the 1970 decision in which they were first compiled<sup>57</sup> — though in practice the most important, aside from the fifteenth factor which restates the

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opinion) (stating that the “purpose of the change was precisely to eliminate the recovery of profits as such and allow recovery of damages only”).

<sup>54</sup> 35 U.S.C. § 284 (2018).

<sup>55</sup> See H.R. REP. NO. 82-1923, at 10 (1952) (stating simply that the sections relating to remedies “replace present statutes . . . with a good deal of reorganization in language to clarify the statement of the statutes”).

<sup>56</sup> See *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (Fed. Cir. 2009):

The hypothetical negotiation tries, as best as possible, to recreate the ex ante licensing negotiation scenario and to describe the resulting agreement. In other words, if infringement had not occurred, willing parties would have executed a license agreement specifying a certain royalty payment scheme. The hypothetical negotiation also assumes that the asserted patent claims are valid and infringed.

<sup>57</sup> *Georgia-Pacific Co. v. U.S. Plywood Co.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified*, 446 F.2d 295 (2d Cir. 1971).



hypothetical bargain framework,<sup>58</sup> are comparable licenses;<sup>59</sup> evidence relating to the value to the defendant of the patented invention;<sup>60</sup> and apportionment, that is, “the portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.”<sup>61</sup> Calculating a reasonable royalty using factors such as these is not necessarily any simpler or cheaper than calculating the portion of the infringer’s profit attributable to the use of the technology.<sup>62</sup> Critics often charge, moreover, that under current practice the *Georgia-Pacific* factors can be costly, unpredictable, and not susceptible to meaningful appellate review.<sup>63</sup> Simplifying the factors may help, however, as may certain procedural reforms; moreover, some of these criticisms may not apply

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<sup>58</sup> See *id.* (setting forth as factor fifteen “[t]he amount that a licensor (such as the patentee) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee — who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention — would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license”).

<sup>59</sup> See *id.* (setting forth as factor two “[t]he rates paid by the licensee for the use of other patents comparable to the patent in suit”).

<sup>60</sup> See *id.* (setting forth, as factors eight through ten, “[t]he established profitability of the product made under the patent; its commercial success; and its current popularity”; “[t]he utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results”; “[t]he nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention”).

<sup>61</sup> *Id.* (factor thirteen). There have been various proposals in recent years for simplifying the *Georgia-Pacific* factors by concentrating on the factors listed in the text above or variations thereof. For discussion, see Cotter et al., *supra* note 16, at 13-19.

<sup>62</sup> See Christopher B. Seaman, Thomas F. Cotter, Brian J. Love, Norman V. Siebrasse & Masabumi Suzuki, *Lost Profits and Disgorgement*, in PATENT REMEDIES AND COMPLEX PRODUCTS, *supra* note 16, at 50, 87.

<sup>63</sup> See Cotter et al., *supra* note 16, at 14-15; see also Michael Risch, *(Un)Reasonable Royalties*, 98 B.U. L. REV. 187, 218-27 (2018) (arguing that the hypothetical negotiation framework “is inconsistent with historical practice” and subject to other limitations); David O. Taylor, *Using Reasonable Royalties to Value Patented Technologies*, 49 GA. L. REV. 79, 126-28 (2014) (arguing that the hypothetical negotiation construct risks valuing patent rights, as opposed to patented technologies).

with as much force to other bodies of IP law, where the plausible range of royalties are likely to be smaller.<sup>64</sup> I return to these issues in Part III below.

## 2. Design Patents

Congress first enacted statutory protection for novel designs in 1842,<sup>65</sup> with subsequent amendments in 1861 and 1870.<sup>66</sup> Subject to certain exceptions, design patents were (and still are) governed by the same standards that apply to utility patents.<sup>67</sup> In the early days of the design patent system, therefore, both utility and design patent owners could seek damages in a court of law, or an injunction and an accounting of profit (or, after 1870, actual damages), in a court of equity. The rules relating to damages and profits, however, also were the same as those that applied with respect to utility patents — meaning, among other things, that design patent plaintiffs could recover only the portion of their damages or the infringer’s profits that were attributable to the infringement. Failing to prove what portion of the infringer’s sales were the result of the infringement and what portion were attributable to other factors, such as price, could therefore result in the prevailing design patent owner recovering only nominal damages — which is precisely what happened in two cases that made their way to the Supreme Court in the 1880s, *Dobson v. Dornan*<sup>68</sup> and *Dobson v. Hartford Carpet Co.*<sup>69</sup>

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<sup>64</sup> See *infra* note 168 and accompanying text.

<sup>65</sup> Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543, 543-44.

<sup>66</sup> See 1870 Act, *supra* note 28, §§ 71-76; Act of Mar. 2, 1861, ch. 88, § 11, 12 Stat. 246, 248. For discussion of the development of design patent protection in the United States, see generally Jason J. Du Mont, *A Non-Obvious Design: Reexamining the Origins of the Design Patent Standard*, 45 GONZ. L. REV. 531 (2010); see also Jason J. Du Mont & Mark D. Janis, *The Origins of American Design Patent Protection*, 88 IND. L.J. 837 (2013).

<sup>67</sup> See 35 U.S.C. § 171(b) (2018) (“The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.”); 1870 Act, *supra* note 28, § 76; Act of Aug. 29 § 3.

<sup>68</sup> 118 U.S. 10 (1886).

<sup>69</sup> 114 U.S. 439 (1885). One might wonder whether these two cases would have come out the same way, had they been decided after the Court’s 1912 decision in *Westinghouse* shifted some of the burden to the defendant. See *supra* note 48 (discussing *Westinghouse Elec. & Mfg. Co. v. Wagner Elec. & Mfg. Co.*, 225 U.S. 604 (1912)).

Congress responded shortly after the second of these two decisions by enacting a new statute providing that, in cases involving “knowing” design patent infringement, the defendant “shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars.”<sup>70</sup> According to the legislative history, the amendment would ensure that design patent owners recovered more than nominal damages in future cases.<sup>71</sup> Since 1887, then, courts have awarded prevailing design patent owners the infringer’s total profit from the infringing article<sup>72</sup> — a practice that has continued even after the 1952 recodification deleted the requirement that infringement be “knowing,”<sup>73</sup> and the Patent Office and courts came around to the view

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<sup>70</sup> Act of Feb. 4, 1887, ch. 105, §§ 1-2, 24 Stat. 387, 387-88.

<sup>71</sup> See S. REP. NO. 49-206, at 1-2 (1886) (stating that after *Dobson v. Hartford*, “the design patent laws provide no remedy for consummated infringement[,]” and that apportionment of the damages or profits “directly due to the *appearance* of those articles, as distinguished from their material, their fabric, their utility, & . . . can never be furnished” (emphasis in original)); H.R. REP. NO. 49-1966, at 1, 3 (1886) (similar, and stating in addition that the damage “is not apportionable” because “it is the design that sells the article”).

<sup>72</sup> See, e.g., *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441-43 (Fed. Cir. 1998) (recounting the origin and evolution of 35 U.S.C. § 289); *Bush & Lane Piano Co. v. Becker Brothers*, 222 F. 902 (2d Cir. 1915) (holding that the plaintiff was entitled to recover the entire profit attributable to an infringing piano case).

<sup>73</sup> See 35 U.S.C. § 289 (2018):

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, 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 or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties.

This provision has remained unchanged since 1952.

that applicants may obtain multiple design patents covering different aspects of the same article.<sup>74</sup>

More recently, the Supreme Court in *Samsung Elecs. Co. v. Apple Inc.*<sup>75</sup> affirmed that the prevailing plaintiff is entitled to recover the total profit from the infringing article of manufacture — which, however, may be less than an entire end product — though the Court declined to adopt any specific test for determining what the relevant article of manufacture is.<sup>76</sup> In the reported decisions since *Samsung*, courts have adopted, applied, or instructed juries to consider, four factors initially proposed in an amicus brief the United States filed in *Samsung* for determining the article of manufacture;<sup>77</sup> and in those that have proceeded to a jury

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<sup>74</sup> See Sarah Burstein, *The “Article of Manufacture” in 1887*, 32 BERKELEY TECH. L.J. 1, 8-10 (2017) [hereinafter *1887 Article of Manufacture*] (noting that, since *In re Zahn*, 617 F.2d 261 (C.C.P.A. 1980), design patents can read on fragments of larger products, rather than “an entire configuration or surface ornamentation design”). For a critique of *Zahn* and its effect on § 289, see Sarah Burstein, *How Design Patent Law Lost Its Shape*, 41 CARDOZO L. REV. 555, 608 (2019) [hereinafter *Design Patent Law*].

<sup>75</sup> 580 U.S. 53 (2016).

<sup>76</sup> See *id.* at 434 (holding that the determination of an award under 35 U.S.C. § 289 “involves two steps. First, identify the ‘article of manufacture’ to which the infringed design has been applied. Second, calculate the infringer’s total profit made on that article of manufacture”). In so holding, the Court reversed the Federal Circuit’s conclusion that Samsung’s entire smartphone was “the only permissible ‘article of manufacture’ for the purpose of calculating § 289 damages because consumers could not separately purchase components of the smartphones.” *Id.* at 432.

<sup>77</sup> See *Nordock Inc. v. Sys. Inc.*, No. 11-cv-118, 2017 WL 5633114, at \*6 (E.D. Wis. Nov. 21, 2017); *Apple, Inc. v. Samsung Elecs. Co.*, No. 11-cv-01846, 2017 WL 4776443, at \*11-12 (N.D. Cal. Oct. 22, 2017); Sarah Burstein, *The “Article of Manufacture” Today*, 31 HARV. J.L. & TECH. 781, 783 n.9 (2018) (citing Jury Instructions at No. 10, Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, Inc., No. 17-cv-01781 (S.D. Cal. Sept. 29, 2017)); see also *Panasonic Corp. v. Getac Tech. Corp.*, No. SA CV 19-01118, 2022 WL 1599634, at \*10 (C.D. Cal. Feb. 28, 2022); *Red Carpet Studios v. Midwest Trading Grp., Inc.*, No. 12cv501, 2021 WL 1172218, at \*4 (S.D. Ohio Mar. 29, 2021); *Junker v. Med. Components, Inc.*, No. 13-4606, 2021 WL 131340, at \*32-34 (E.D. Pa. Jan. 14, 2021), *rev’d on other grounds*, 25 F.4th 1027 (Fed. Cir. 2022) (No. 13-4606, 2021 Term; renumbered No. 2021-1649, 2022 Term); *Nike, Inc. v. Skechers U.S.A., Inc.*, No. LA CV17-08509, 2020 WL 10486482, at \*17 (C.D. Cal. Oct. 26, 2020). The four factors are (1) “the scope of the design claimed in the plaintiff’s patent;” (2) “the relative prominence of the design within the product as a whole;” (3) “whether the design is conceptually distinct from the product as a whole;” and (4) “the physical relationship between the patented design and the rest of the product.” Brief for the U.S. as Amicus Curiae Supporting Neither Party at 27-28, *Samsung Elecs. Co., v. Apple, Inc.*, 137 S. Ct. 429 (2016) (No. 15-777), 2016 WL 3194218.

verdict, the jury appears to have concluded that the relevant article was, in fact, the entire end product.<sup>78</sup> Indeed, on remand from the Supreme Court, the district court in *Samsung* entered judgment following a jury verdict awarding Apple \$533 million in profits for the infringement of three smartphone-related design patents — apparently, Samsung’s entire profit on the infringing devices.<sup>79</sup>

### 3. Copyright

Patterned after England’s Statute of Anne, the first federal copyright statutes differed from their patent-law counterparts by authorizing actions at law to recover statutory penalties, rather than actual damages, for the infringement of copyrighted works.<sup>80</sup> Like the early patent laws, however, these copyright statutes said nothing about injunctions, though as noted above Congress expressly authorized injunctions in both patent and copyright matters in 1819.<sup>81</sup> Subsequent statutes amplified the

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<sup>78</sup> See Pamela Samuelson & Mark Gergen, *The Disgorgement Remedy in Design Patent Law*, 108 CALIF. L. REV. 183, 225, n.216 (2020) (referencing jury verdicts in *Apple Inc. v. Samsung Elecs. Co.*, No. 11-CV-01846 (May 24, 2018), ECF No. 3806, and *Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories*, No. 17-cv-01781 (S.D. Cal. 2017)). In the other two cases cited *supra* note 77, the court itself concluded that the relevant article of manufacture was the entire product. See *Red Carpet Studios*, 2021 WL 1172218, at \*6; *Junker*, 2021 WL 131340, at \*34.

<sup>79</sup> See Jury Verdict at 2, *Apple Inc. v. Samsung Elecs. Co.*, 580 U.S. 53 (2018) (No. 11-cv-01846); Thomas F. Cotter, *Jury Awards Apple \$533 Million for Design Patent Infringement*, COMPAR. PAT. REMEDIES BLOG (May 25, 2018), <http://comparativepatentremedies.blogspot.com/2018/05/jury-awards-apple-539-million-for.html> [https://perma.cc/VD6U-T5TU] (noting that this amount was higher than the \$399 million judgment entered after the first trial, as adjusted by the district court judge). The case thereafter settled.

<sup>80</sup> See Copyright Act of 1790, ch. 15, §§ 2, 6, 1 Stat. 124 (repealed 1831) (providing for the forfeiture of infringing copies; a penalty of fifty cents per infringing sheet, half payable to the United States and half to the author or proprietor; and, for the unauthorized printing and publishing of “manuscripts,” “all damages occasioned by such injury, to be recovered by a special action on the case”); Copyright Act of 1802, ch. 36, § 3, 2 Stat. 171 (repealed 1831) (providing for forfeiture and \$1 penalty for unauthorized prints). The term “manuscript” appears to mean, in this context, an unpublished work that would have been protected, at that time, under common-law copyright. See *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 351 (1998).

<sup>81</sup> See *supra* note 27 and accompanying text. At least one court, however, had awarded an injunction and monetary relief prior to 1819. See John D. Gordan, III, *Morse v. Reid*:

statutory penalties for the infringement of copyrighted works<sup>82</sup> and, eventually, authorized awards of damages as well for the infringement of works subject to federal copyright protection.<sup>83</sup> Given the availability of the statutory penalties even after these latter amendments, there do not appear to be many reported decisions in which courts addressed the availability of damages, as distinct from penalties, for copyright infringement — though there are a few reported decisions in which courts suggested that the plaintiffs, had they prevailed on the merits, might have been entitled only to nominal awards.<sup>84</sup>

The 1909 Copyright Act altered the landscape by eliminating the statutory penalties and authorizing courts to award “such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement . . . or in lieu of actual damages and profits such damages as to the court shall appear to be just,” ranging from \$250 to \$5,000 for most works.<sup>85</sup> The ambiguous wording of the statute generated several interpretive puzzles, however. First off, a literal construction of the statutory language would appear to allow aggrieved plaintiffs to recover both their own damages and the defendant’s profits. Although the House

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*The First Reported Federal Copyright Case*, 11 LAW & HIST. REV. 21, 28, 33 (1993) (discussing a report of *Morse v. Reid* in 5 COLLECTIONS OF THE MASSACHUSETTS HISTORICAL SOCIETY 123 (1798)).

<sup>82</sup> See Act of Feb. 3, 1831, ch. 16, §§ 7, 9, 4 Stat. 436; Act of Aug. 18, 1856, ch. 169, 11 Stat. 138 [hereinafter 1856 Act]; 1870 Act, *supra* note 28, §§ 99-101; Act of Mar. 2, 1895, ch. 194, 28 Stat. 965.

<sup>83</sup> The 1856 Act (for plays) and the 1870 Act (more generally) were the first to make awards of damages, as distinct from the statutory penalties, available for works protected by federal statutory copyright. See EATON S. DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES 486 & n.5 (1879); R. Anthony Reese, *Innocent Infringement in U.S. Copyright Law: A History*, 30 COLUM. J.L. & ARTS 133, 174 (2007).

<sup>84</sup> See *Harper v. Shoppell*, 26 F. 519, 519 (S.D.N.Y. 1886); *Chase v. Sanborn*, 5 F. Cas. 521, 522 (N.H. 1874); see also *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935) (stating that, under earlier law, “[i]n many [unnamed] cases plaintiffs, though proving infringement, were able to recover only nominal damages, in spite of the fact that preparation and trial of the case imposed substantial expense and inconvenience”). Until the enactment of the 1909 Copyright Act, U.S. copyright law also exempted innocent infringers from monetary liability. See Reese, *supra* note 83, at 159 (noting, however, some ambiguity in the statutory text).

<sup>85</sup> Copyright Act of 1909, ch. 320, § 25, 35 Stat. 1075 (repealed 1976).

Report expressed the view that courts should interpret the language in the same way they had interpreted similar language relating to patents in the 1870 Act and award only the greater of the two,<sup>86</sup> courts sometimes awarded duplicative recoveries nonetheless.<sup>87</sup> Second, courts initially reached different conclusions over whether the statute required — or even permitted — them to award “in lieu of” damages absent any proof of injury, though the majority view appears to have been that “in lieu of” damages were mandatory.<sup>88</sup> Third, courts initially were split over whether they could award “in lieu of” damages if there was record evidence of either the plaintiff’s actual damages or the defendant’s profits.<sup>89</sup> Eventually the Supreme Court held that they could.<sup>90</sup> Fourth, courts disagreed over whether they could award “in lieu of” damages despite the existence of evidence of *both* actual damages and profits, though the majority appear to have concluded that the statutory text precluded “in lieu of” damages under these circumstances.<sup>91</sup>

In the next major revision of the Copyright Act in 1976, Congress replaced “in lieu of” damages with “statutory” damages, and clarified that the plaintiff had the option of recovering these damages as an

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<sup>86</sup> See H.R. REP. NO. 60-2222, at 15 (1909) (stating that “courts have usually construed” similar language in the 1870 Act “to mean that the owner of the patent might have one or the other, whichever was the greater”).

<sup>87</sup> See *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 512 & n.5 (9th Cir. 1985) (noting a division of authority on this issue).

<sup>88</sup> See MELVILLE B. NIMMER & DAVID NIMMER, 4 NIMMER ON COPYRIGHT § 14.01[A] & nn.11–12 (1978) (citing cases); see also *id.* at § 14.04[F][1][a] (citing cases). On occasion, however, courts continued to award nominal (or even zero) damages on the view that “in lieu of” damages were discretionary. See, e.g., *Robinson v. Bantam Books, Inc.*, 339 F. Supp. 150, 157 (S.D.N.Y. 1972) (awarding \$0.10 per copy sold or distributed); *Rudolf Lesch Fine Arts, Inc. v. Metal*, 51 F. Supp. 69, 71 (S.D.N.Y. 1943) (awarding \$1 in nominal damages because no infringing copies had been sold and all other infringing copies had been destroyed); see also *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236, 241–42 (9th Cir. 1966) (affirming no monetary relief for the sale of one single “fake” book).

<sup>89</sup> See NIMMER, *supra* note 88, § 14.04[F][1][c] & n.605 (citing cases).

<sup>90</sup> See *F.W. Woolworth Co. v. Contemp. Arts, Inc.*, 344 U.S. 228, 233 (1952).

<sup>91</sup> See NIMMER, *supra* note 88, § 14.04[F][1][d] (citing cases).

alternative to either actual damages or profits.<sup>92</sup> As a compromise,<sup>93</sup> however, Congress required copyright owners to register their claims to copyright — either before the infringement began or within a specified grace period — as a precondition to an award of statutory damages (and attorneys’ fees).<sup>94</sup> As a result, the question sometimes arises whether plaintiffs who fail to register and therefore are not eligible for statutory damages, and who do not prove any actual damages or profits, can recover either a reasonable royalty or, failing that, nominal damages — or whether their claims should simply be dismissed. I return to these issues in Parts II and III.

An exception to the registration requirement pertains to the federal moral rights of attribution and integrity conferred under the Visual Artists Rights Act (“VARA”) of 1990.<sup>95</sup> Although there is some debate over whether damages of any type are available for violation of the

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<sup>92</sup> See Act for the General Revision of the Copyright Law, Pub. L. No. 94-553, § 504(a), (c)(1), 90 Stat. 2541, 2584 (1976) (codified as amended at 17 U.S.C. § 504 (2018)). The statutory damages range has been increased twice, and under current law falls within “a sum of not less than \$750 or more than \$30,000 . . .” 17 U.S.C. § 504(c)(1) (2018). Section 504(c)(2) allows courts to increase the amount of statutory damages, up to \$150,000, for willful infringement, or to decrease it to as little as \$200 for innocent infringement. See *id.* § 504(c)(2). Section 502(b), stating that “[t]he copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages[,]” was intended to clarify that the plaintiff could recover either damages or profits but not both. NIMMER, *supra* note 88, § 14.04[A].

<sup>93</sup> For discussion of the legislative history, see David Nimmer, *Investigating the Hypothetical “Reasonable Royalty” for Copyright Infringement*, 99 B.U. L. REV. 1, 22-25 (2019). The registration requirement was a compromise in the sense that the 1976 Act, unlike previous acts, conferred copyright protection on unpublished works from the date of creation; but in return, copyright owners could obtain statutory damages only if they timely registered their claim to copyright. See *id.*

<sup>94</sup> See 17 U.S.C. § 412 (2018).

<sup>95</sup> Visual Artists Rights Act of 1990 (VARA), Pub. L. No. 101-650, §§ 601-610, 104 Stat. 5089, 5128-33 (codified as amended in scattered sections of 17 U.S.C.). Specifically, VARA confers rights of attribution and integrity upon qualifying works of visual art. See 17 U.S.C. § 101 (2018) (defining “work of visual art”); *id.* § 106A(a) (conferring qualified rights of attribution and integrity in these works). These rights are, roughly, consistent with the requirements of the Berne Convention, of which the United States became a member in 1989. See Berne Convention for the Protection of Literary and Artistic Works art. 6bis (1), July 24, 1971, 1161 U.N.T.S. 31.



attribution right,<sup>96</sup> for the violation of the integrity right courts may award damages, profits, *or* statutory damages, regardless of whether the author has registered her claim to copyright.<sup>97</sup> In one recent case, for example, the Second Circuit affirmed a judgment of \$6.75 million for the willful violation of authors’ rights of integrity in forty-five works of graffiti art.<sup>98</sup> Absent statutory damages, moreover, it is not clear what sort of monetary recovery, if any, would be available for VARA violations, insofar as moral rights violations may not cause authors to suffer any quantifiable commercial injury (or defendants to incur any quantifiable commercial benefit), and U.S. courts for the most part have expressed doubt whether injuries such as emotional harm or mental distress are cognizable under federal copyright law.<sup>99</sup>

U.S. courts applying state moral rights laws which do not provide a statutory damages option — as well as foreign courts applying foreign moral rights laws — also occasionally have awarded nominal damages for violations of authors’ moral rights.<sup>100</sup>

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<sup>96</sup> Compare *Mass. Museum of Contemp. Art Found. v. Büchel*, 593 F.3d 38, 55-56 (1st Cir. 2010) (citing *NIMMER*, *supra* note 88, § 8D.06[B][1]) (holding that damages are not available for violation of the attribution right), with 5 *WILLIAM F. PATRY, PATRY ON COPYRIGHT* § 16:46 (rev. ed. 2021) (arguing that this is an overly literal interpretation of 17 U.S.C. § 106A(a)(1), (2) (2018)).

<sup>97</sup> See 17 U.S.C. § 412 (2018) (providing that claims under § 106A(a) do not have to be registered within the statutory timeframe to qualify for statutory damages and fees). Section 412 also permits awards of statutory damages and fees for qualifying works that are preregistered under § 408(f) or, alternatively, for works that “consist[ ] of sounds, images, or both, the first fixation of which is made simultaneously with [their] transmission,” and are registered within a specified term of first publication or transmission. *Id.* § 411(c). Finally, the 2020 Copyright Alternative in Small-Claims Enforcement (CASE) Act establishes an administrative small-claims tribunal for certain copyright matters, and permits these tribunals to award statutory damages of up to \$7,500 for works not registered before infringement. See Consolidated Appropriations Act of 2021, Pub. L. 116-260, § 212, 134 Stat. 1182, 2183 (2020) (enacting 17 U.S.C. §§ 1501-11 (2018)).

<sup>98</sup> See *Castillo v. G&M Realty L.P.*, 950 F.3d 155, 164, 170-73 (2d Cir. 2020), *cert. denied*, 141 S. Ct. 363 (2020).

<sup>99</sup> See *Cotter, Damages for Noneconomic Harm*, *supra* note 8, at 1090-93.

<sup>100</sup> See *Wojnarowicz v. Am. Fam. Ass’n.*, 745 F. Supp. 130, 149 (S.D.N.Y. 1990) (awarding \$1 in nominal damages for violation of New York’s moral rights law); *Cotter, Damages for Noneconomic Harm*, *supra* note 8, at 1100-01 & n.260 (discussing foreign cases).

#### 4. Trademarks and Unfair Competition

There was no federal statutory protection for trademarks until the same 1870 statute that amended the patent and copyright laws also created the first system for the federal registration of trademarks.<sup>101</sup> The statute also authorized actions at law and suits in equity for the infringement of federally registered trademarks.<sup>102</sup> In the 1879 *Trade-Mark Cases*,<sup>103</sup> however, the Supreme Court held that, in enacting these provisions relating to trademarks, Congress had overstepped its authority under the Commerce Clause (as it was then understood),<sup>104</sup> and so for many decades before and after remedies for trademark infringement were largely a matter of state law. As evidenced by the nineteenth and early twentieth century trademark law treatises, claims for trademark infringement and other forms of unfair competition were most often heard in courts of equity, which had the power to grant injunctions and, at least in cases of willful or deliberate infringement, awards of the infringer's profits.<sup>105</sup> Alternatively, a claimant could bring an action at law for damages in the form of lost profits or injury to reputation, but proving the amount of such damages was difficult.<sup>106</sup> In

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<sup>101</sup> See 1870 Act, *supra* note 28, § 77.

<sup>102</sup> See *id.* § 79.

<sup>103</sup> 100 U.S. 82 (1879).

<sup>104</sup> See *id.* at 96-97.

<sup>105</sup> See, e.g., JAMES LOVE HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES, AND UNFAIR COMPETITION* § 185, at 423-24 (4th ed. 1924) (explaining why trademark cases were often heard in courts of equity, and equity's power to grant awards of profits for bad faith infringement); HARRY DWIGHT NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* § 421, at 716 (2d ed. 1917) ("Most suits for unfair competition are brought in equity"). Courts awarding profits for willful trademark infringement normally awarded the entire profit — a practice that persists today. See HOPKINS, *supra*, § 192, at 456-58; NIMS, *supra*, § 422, at 718. The practice may be justifiable when there is reason to believe that all or most of the profit is attributable to the infringement, as it might be in the context of willful trademark infringement. See BARTON BEEBE, THOMAS F. COTTER, MARK A. LEMLEY, PETER S. MENELL & ROBERT P. MERGES, *TRADEMARKS, UNFAIR COMPETITION, AND BUSINESS TORTS* 393 (2d ed. 2016); Pamela Samuelson, John M. Golden & Mark P. Gergen, *Recalibrating the Disgorgement Remedy in Intellectual Property Cases*, 101 B.U. L. REV. 1999, 2005, 2057-58 (2020).

<sup>106</sup> See HOPKINS, *supra* note 105, § 184, at 421; NIMS, *supra* note 105, § 422, at 717.

the event no actual damages (or profits) were proven, though, courts could, and sometimes did, award nominal damages.<sup>107</sup>

Subsequent legislation, including most importantly the federal Lanham Act of 1946, more or less codified these existing remedies. Thus, for trademark infringement and other forms of unfair competition actionable under the Lanham Act, courts may award injunctions,<sup>108</sup> as well as damages and profits.<sup>109</sup> Damages may include, among other things, lost profits, expenses incurred to counteract the infringement, and general damages for harm to the owner’s reputation.<sup>110</sup> Until recently, moreover, courts generally followed the traditional practice of awarding the infringer’s own profits only in cases of intentional or willful infringement, though in 2020 the Supreme Court held that the text of Lanham Act § 35 does not condition awards of profits on evidence of willful infringement.<sup>111</sup> Finally, as in copyright and patent law, plaintiffs are not entitled to duplicative awards, and so typically must elect between damages and profits.<sup>112</sup>

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<sup>107</sup> See HOPKINS, *supra* note 105, § 184, at 419; NIMS, *supra* note 105, § 421, at 716.

<sup>108</sup> See 15 U.S.C. § 1116(a) (2018) (authorizing courts to award injunctions “according to the principles of equity and upon such terms as the court may deem reasonable”); see also *id.* § 1118 (authorizing destruction orders); Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, § 226, 134 Stat. 1182, 2208 (2020) (amending 15 U.S.C. § 1116(a) (2018) to include a rebuttable presumption of irreparable harm).

<sup>109</sup> See 15 U.S.C. § 1117(a) (2018).

<sup>110</sup> See, e.g., RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. d (AM. L. INST. 1995); 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, §§ 30:79-87 (rev. ed. 2021) (discussing varieties of actual damages available for trademark infringement).

<sup>111</sup> See *Romag Fasteners, Inc. v. Fossil Grp., Inc.*, 140 S. Ct. 1492, 1494, 1497 (2020) (stating that, while “a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate[,]” there is no “categorical rule” that willful infringement is a precondition to an award of profits).

<sup>112</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. c (AM. L. INST. 2015); MCCARTHY, *supra* note 110, § 30:73. The Act prescribes some additional remedies for counterfeiting, defined in 15 U.S.C. § 1116(d)(1)(B)(ii), and for “cyberpiracy” (cybersquatting), defined in 15 U.S.C. § 1125(d)(1)(A), which I will not take up here. See 15 U.S.C. §§ 1116(d)(1)(A), 1117(b)-(d), 1118, 1125(d)(1)(C) (2018) (providing recovery in the form of ex parte seizures, treble damages, statutory damages, destruction, and forfeiture of domain name, respectively); see also 18 U.S.C. § 2320 (2018) (criminal penalties for trafficking in counterfeit goods or services).

By contrast, for trademark dilution — defined as the use of a mark that, by reason of its association with a “famous” mark, is likely to impair the distinctiveness or harm the reputation of that famous mark<sup>113</sup> — the statute authorizes injunctions but restricts the recovery of damages or profits to cases involving willful dilution.<sup>114</sup> The legislative history of these provisions does not indicate the rationale for the damages limitation, though as I have suggested elsewhere it may be attributable to “the inherent difficulty of quantifying a reduction in a mark’s ‘selling power’” or the risk of otherwise over-deterring lawful conduct.<sup>115</sup> There have been only a couple of decisions awarding damages of any sort for trademark dilution.<sup>116</sup>

Courts have continued to award nominal damages in trademark cases in which there are no quantifiable actual damages or profits resulting from the infringement.<sup>117</sup> These cases do not appear to be common, however, and perhaps for this reason there does not appear to have been much pressure to adopt nominal damages workarounds of the type deployed in utility and design patent law and in copyright law.<sup>118</sup> On occasion, however, and despite the absence of any express statutory authorization, courts *have* awarded reasonable royalties for trademark infringement. Most of these cases involve holdover franchisees, who

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<sup>113</sup> See 15 U.S.C. § 1125(c)(2)(B), (C) (2018).

<sup>114</sup> *Id.* § 1125(c)(1), (5).

<sup>115</sup> Cotter, *Damages for Noneconomic Harm*, *supra* note 8, at 1084.

<sup>116</sup> See *id.* at 1084-85, 1085 nn.150-52.

<sup>117</sup> See, e.g., *Belmonts v. DiMucci*, Nos. 95-7580, 95-7620, 1996 WL 280473, at \*1-2 (2d Cir. May 21, 1996) (unpublished opinion affirming judgment for, *inter alia*, \$1 in nominal damages for trademark infringement); *Downtowner/Passport Int’l Hotel Corp. v. Norlew, Inc.*, 841 F.2d 214, 220 (8th Cir. 1988) (remanding “for entry of nominal damages only” on Lanham Act claim); *Vallavista Corp. v. Vera Bradley Designs, Inc.*, No. C 10-00120 JW, 2011 WL 7462065, at \*3 (N.D. Cal. Apr. 20, 2011) (awarding \$1 in nominal damages, plus \$5,738 in fees and costs). *But see Lindy Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d 1400, 1407-09 (9th Cir. 1993) (affirming judgment of no damages, where plaintiff failed to prove the amount of its damages).

<sup>118</sup> As noted above, however, statutory damages are available for trademark counterfeiting. These range from \$1,000 to \$200,000 “per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just,” and up to \$2,000,000 for willful counterfeiting. 15 U.S.C. § 1117(b), (c) (2018). For cybersquatting, statutory damages can range from \$1,000 to \$100,000 per domain name. *Id.* § 1117(d). As noted previously, this Article will not be addressing these topics.

sometimes are ordered to pay, as damages for past infringement, the royalty they were obligated to pay during the term of their licenses,<sup>119</sup> though there are a few cases awarding reasonable royalties in other contexts.<sup>120</sup>

For other unfair competition torts, including trade secret misappropriation and violations of the right of publicity, courts historically awarded the standard remedies of actual damages, defendant’s profits, and injunctions, where appropriate;<sup>121</sup> and, where no damages or profits were proven, nominal damages.<sup>122</sup> Subsequent

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<sup>119</sup> See MCCARTHY, *supra* note 110, §§ 30:85, 30:86 (citing cases).

<sup>120</sup> See Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 963 (7th Cir. 1992); Boston Pro. Hockey Ass’n v. Dallas Cap & Emblem Mfg., Inc., 597 F.2d 71, 76-78 (5th Cir. 1979); *cf.* Bandag, Inc. v. Al Bolser’s Tire Stores, Inc., 750 F.2d 903, 920 (Fed. Cir. 1984) (stating that the *Boston Professional Hockey* court “certainly did not ‘rule’ in any unqualified sense that ‘royalties normally received for the use of a mark are the proper measure of damages for misuse of those marks[,]’” although “[r]oyalties normally received for the use of a mark may be a proper measure, if that measure comports with the equitable limitations of section 1117 and bears a rational relationship to the rights appropriated”). The Fifth Circuit itself has subsequently cited with approval of the Federal Circuit’s reading of *Boston Professional Hockey*, see *Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc.*, 851 F.3d 440, 460-61 (5th Cir. 2017), while the Ninth Circuit has reserved judgment regarding whether reasonable royalties are an available remedy for trademark infringement. See *M2 Software Inc. v. Viacom Inc.*, 223 F. Appx. 653, 655 (9th Cir. 2007).

<sup>121</sup> For trade secret misappropriation, see RESTATEMENT OF TORTS § 757 cmt. e (AM. L. INST. 1939); NIMS, *supra* note 105, § 158; HOPKINS, *supra* note 105, § 111. For the right of publicity — which, in states where it is recognized, protects against the unauthorized use of a person’s name, image, or other indicia of identity under either a privacy or property-based theory — see generally RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 49(1) (AM. L. INST. 1995) (stating that “[o]ne who is liable for an appropriation of the commercial value of another’s identity . . . is[,]” in general, “liable for the pecuniary loss to the other caused by the appropriation or for the actor’s own pecuniary gain resulting from the appropriation, whichever is greater”); RESTATEMENT (SECOND) OF TORTS § 652H (AM. L. INST. 1977) (stating that “[o]ne who has established a cause of action for invasion of his privacy[,]” including for appropriation of name or likeness, “is entitled to recover damages for (a) the harm to his interest in privacy resulting from the invasion; (b) his mental distress proved to have been suffered if it is of a kind that normally results from such an invasion; and (c) special damage of which the invasion is a legal cause”).

<sup>122</sup> See HOPKINS, *supra* note 105, § 111, at 265b (citing *Roystone v. John H. Woodbury Dermatological Inst.*, 122 N.Y.S. 444 (Ap. Div. 1910) as authority for awarding nominal damages for trade secret misappropriation); MCCARTHY, *supra* note 110, § 28:7 n.3 (citing right of publicity cases); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 45 cmt. a, § 46

codifications of trade secret law, however, have altered the common law to some extent by, among other things, permitting awards of reasonable royalties as an alternative to actual damages or profits,<sup>123</sup> and (according to some authorities) disposing of nominal damages.<sup>124</sup> In addition, both the Uniform Trade Secrets Act (“UTSA”), the initial version of which was first published in 1979, and the federal Defend Trade Secrets Act (“DTSA”), which was enacted in 2016, define the wrongful acquisition of another’s trade secret as a type of misappropriation,<sup>125</sup> but neither statute expressly authorizes any damages award for wrongful acquisition unless the defendant subsequently discloses or uses the subject information.<sup>126</sup> In *Huawei Technologies Co. v. Huang*, for example, a federal district court entered judgment for counterclaim-defendant Huawei following a jury

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cmts. a, c (AM. L. INST. 1995) (stating that “[t]he general rules relating to the recovery of compensatory damages in tort actions apply in actions for the appropriation of trade secrets[,]” and for “infringement of the right of publicity[,]” including “Restatement, Second, of Torts . . . § 907 stating the rule for recovery of nominal damages,” and citing cases awarding nominal damages for publicity violations); cf. *Alphamed Pharms. Corp. v. Arriva Pharms., Inc.*, 432 F. Supp. 2d 1319, 1338 & n.34 (S.D. Fla. 2006) (noting that, at common law, some courts awarded nominal damages for trade secret misappropriation, but that under Texas common law special damages were an element of the tort).

<sup>123</sup> UNIF. TRADE SECRETS ACT § 3(a) (UNIF. L. COMM’N 1985); see also 18 U.S.C. § 1836(b)(3)(B)(ii) (2018) (substantially identical). Both statutes also permit awards of enhanced damages for willful violations. See UNIF. TRADE SECRETS ACT § 3(b) (UNIF. L. COMM’N 1985); 18 U.S.C. § 1836(b)(3)(C) (2018).

<sup>124</sup> See *Alphamed*, 432 F. Supp. 2d at 1335-38 (reasoning that, in accordance with the “*expressio unius est exclusio alterius*” maxim, the legislature’s explicit inclusion of awards of “minimum damages” for certain other causes of action, and UTSA case law from other states, the Florida UTSA’s list of monetary remedies for trade secret misappropriation is exclusive); ROGER D. MILGRIM, MILGRIM ON TRADE SECRETS § 15.02, at [3][a] & n.216 (4th ed. 2021) (stating that “[n]ominal damages asserted under the UTSA . . . are likely to be unavailable”) (citing *Alphamed*).

<sup>125</sup> See 18 U.S.C. § 1839(5)(a) (2018); UNIF. TRADE SECRETS ACT § 1(2)(i) (UNIF. L. COMM’N 1985). The rationale for the inclusion of these provisions, which depart from the common law of trade secrets, is obscure. See Sharon K. Sandeen, *Out of Thin Air: Trade Secrets, Cybersecurity, and the Wrongful Acquisition Tort*, 19 MINN. J.L. SCI. & TECH. 373, 380-92 (2018).

<sup>126</sup> UNIF. TRADE SECRETS ACT § 3(a) (UNIF. L. COMM’N 1985) (stating that “[i]n lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator’s unauthorized disclosure or use of a trade secret” (emphasis added)); see also 18 U.S.C. § 1836(b)(3)(B)(ii) (2018) (substantially identical).

verdict finding that, although Huawei had unlawfully acquired a trade secret belonging to counterclaimant CNEX, Huawei never used or disclosed the information, and therefore was liable for \$0 in damages.<sup>127</sup>

Courts also occasionally award reasonable royalties for violation of the right of publicity.<sup>128</sup>

### B. *Why the Workarounds Generally Survive TransUnion*

As noted in the Introduction, the Supreme Court in *TransUnion* held that Congress “may not simply enact an injury into existence,”<sup>129</sup> but rather that “history and tradition offer a meaningful guide to the types to cases that Article III empowers federal courts to consider.”<sup>130</sup> To state that history and tradition are important, however, is not the same as explaining *why* the judgments of early legislatures and courts concerning what sorts of injuries are sufficiently “concrete” for federal adjudication are themselves defensible. One might wonder, for example, why federal courts could adjudicate claims for (for example) statutory penalties for copyright infringement in 1790, regardless of any evidence of actual harm, but could not adjudicate claims for statutory penalties for FCRA violations, absent proof of actual harm, in 2021.<sup>131</sup>

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<sup>127</sup> Jury Verdict at Questions 39-42, *Huawei Techs. Co. v. Huang* (2019) (No. 17-CV-893), 2019 WL 2746306; Judgment on Jury Verdict, *Huawei Techs. Co. v. Huang* (2019) (No. 17-CV-893), 2019 WL 2746306.

<sup>128</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 49 cmt. d (AM. L. INST. 1995). For representative cases, see *id.* Reporters Note to cmt. d, para. 2; see also *Capdeboscq v. Francis*, No. 03-0556, 2004 U.S. Dist. LEXIS 11631 (E.D. La. June 23, 2004). The Florida right of publicity statute expressly permits awards of reasonable royalties for publicity violations. See FLA. STAT. § 540.08(2) (2022); *Ji v. Bose Corp.*, 626 F.3d 116, 121-24 (1st Cir. 2010) (discussing the Florida statute).

<sup>129</sup> *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190, 2205 (2021).

<sup>130</sup> *Id.* at 2204.

<sup>131</sup> See *id.* at 2217 (Thomas, J., dissenting) (making this point). One possible point of distinction is that the 1790 Copyright Act was one of several “qui tam” statutes enacted by the First Congress, under which the claimant — in the case of copyright, “the author or proprietor” — was required to share half of its recovery with the federal government. See Evan Caminker, *The Constitutionality of Qui Tam Actions*, 99 YALE L.J. 341, 342 n.3 (1989) (citing, *inter alia*, Copyright Act of 1790, ch. 15, § 2, 1 Stat. 124). This feature was retained in several successor copyright statutes up until the 1909 Act. See Act of Mar. 2, 1895, ch. 194, 28 Stat. 965; 1870 Act, *supra* note 28, § 100; Copyright Act of 1831, ch. 16, § 7, 4 Stat. 436; Copyright Act of 1802, ch. 36, § 3, 2 Stat. 171. The Supreme Court has held that

Perhaps the distinction is based more on pragmatism than on principle. Elsewhere in the opinion, the *TransUnion* majority suggests that there must be *some* limit to Congress' power to enact injuries into existence, else it "could authorize virtually any citizen to bring a statutory damages suit against virtually any defendant who violated virtually any federal law."<sup>132</sup> Principled or not, an inquiry into "whether plaintiffs have identified a close historical or common-law analogue to their asserted injury"<sup>133</sup> arguably provides such a limit — as well as a rationale for the outcome of the case, given the apparent lack of any historical or common-law analogue to the *TransUnion* claimants' asserted injury from the generation of false but un-disseminated information. Alternatively, maybe the answer lies in some version of originalism — an assumption that the types of injuries courts recognized as sufficiently concrete in the eighteenth and nineteenth centuries were, more or less, the same types of injuries the framers had in mind when they included the words "cases" and "controversies" in Article III — though in other, more morally or emotionally charged contexts, it is an open question whether the Court would necessarily defer to the specific practices the framers' generation may have deemed consistent with constitutional norms.<sup>134</sup> A slightly more nuanced alternative, suggested

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qui tam plaintiffs satisfy Article III's injury in fact requirement, even if they *personally* have suffered no injury in fact, by virtue of the United States having an interest that is deemed partially assigned to the relator. *See* *Vt. Agency of Nat. Res. v. U.S. ex rel. Stevens*, 529 U.S. 765, 773-74 (2000).

<sup>132</sup> *TransUnion*, 141 S. Ct. at 2206. Among the possible rebuttals to this argument are, first, that the need for *some* limit does not require the specific limit the Court adopted. One could imagine, for example, a rule allowing the *TransUnion* plaintiffs redress for the misuse of *their own data*, without necessarily permitting them to sue for the misuse of *someone else's* data. Alternatively, if qui tam actions are constitutional, *see supra* note 131, the Court's premise that Congress cannot "authorize virtually any citizen to bring a statutory damages suit against virtually any defendant who violated virtually any federal law" is, at least in that context, incorrect.

<sup>133</sup> *TransUnion*, 141 S. Ct. at 2204.

<sup>134</sup> *See, e.g.,* *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 273-76 (1964) (noting the "broad consensus," as of 1964, that the Sedition Act of 1798 violated the First Amendment); Antonin Scalia, *Originalism: The Lesser Evil*, 57 U. CIN. L. REV. 849, 861 (1989) (stating that, "[e]ven if it could be demonstrated unequivocally" that punishments such as "public lashing, or branding" "were not cruel and unusual in 1791," it is doubtful that "any federal judge — even among the many who consider themselves originalists — would sustain them against an eighth amendment challenge"). Whether these observations regarding



by the Court’s repeated invocation of the common law in *Uzuegbunam v. Preczewski*,<sup>135</sup> might be that the framers intended the text of the Constitution to be interpreted against a common-law baseline.<sup>136</sup> For this reason, violations of common-law property rights — one of the principal examples cited by the Court in *Uzuegbunam* in support of the proposition that “every violation imports damages”<sup>137</sup> — are presumed to cause

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the Court’s willingness to depart from the specific practices contemplated by the framers are consistent with the Court’s recent decisions in *Dobbs v. Jackson Women’s Health Org.*, 142 S. Ct. 2228 (2022) (overruling *Roe v. Wade*, 410 U.S. 113 (1973)) and *N.Y. State Rifle & Pistol Ass’n v. Bruen*, 142 S. Ct. 2111 (2022) (finding New York’s “proper cause” requirement to violate the Second Amendment), is a matter I leave to the reader’s judgment. *Cf.* Sunstein, *supra* note 1, at 369-70 (stating that while “*TransUnion* makes some brisk gestures in the direction of originalism . . . it makes no effort to ground its holding in the original understanding. That would have been exceedingly difficult to do”).

<sup>135</sup> *Uzuegbunam v. Preczewski*, 141 S. Ct. 792, 797-99, 801-02 (2021) (holding that plaintiffs asserting a deprivation of their constitutional rights have standing to sue for nominal damages, regardless of any showing of harm apart from the deprivation itself).

<sup>136</sup> *See, e.g.*, CASS R. SUNSTEIN, *THE PARTIAL CONSTITUTION* 74, 89, 124 (1993) (critiquing the Court’s use of a “common law baseline” in interpreting constitutional provisions). Adherence to some sort of status quo baseline is evident in *Uzuegbunam*, which quotes other case law stating that “Article III’s restriction of the judicial power to ‘Cases’ and ‘Controversies’ is properly understood to mean ‘cases and controversies of the sort traditionally amenable to, and resolved by, the judicial process.’” *Uzuegbunam*, 141 S. Ct. at 798 (citations omitted). Elsewhere, Justice Thomas has invoked what he perceives as the distinction between “public” and “private rights” as one of the touchstones for determining standing, *see Spokeo, Inc. v. Robins*, 578 U.S. 330, 348-349 (2016) (Thomas, J., concurring), and has characterized “[m]any traditional remedies for private-rights causes of action — such as for trespass, *infringement of intellectual property*, and unjust enrichment — are not contingent on a plaintiff’s allegation of damages beyond the violation of his private legal right[.]” *id.* at 1551 (emphasis added); *see also* F. Andrew Hessick, *Standing, Injury in Fact, and Private Rights*, 93 CORNELL L. REV. 275, 286 n.55 (2008) (suggesting that nineteenth century courts implicitly characterized patent infringement actions as involving private rights).

<sup>137</sup> *Uzuegbunam*, 141 S. Ct. at 799 (quoting *Webb v. Portland Mfg. Co.*, 29 F. Cas 506, 509 (C.C. Me. 1838)). *Webb* was a common-law property case, as were at least four other cases cited in *Uzuegbunam*. *id.* at 798-800 (citing *Blanchard v. Baker*, 8 Me. 253 (1832), *Whipple v. Cumberland Mfg. Co.*, 29 F. Cas. 934 (C.C. Me. 1843), *Parker v. Griswold*, 17 Conn. 288 (1845), and *Hecht v. Harrison*, 40 P.306 (Wyo. 1895)). Contemporary law largely adheres to the proposition that invasions of real property are presumed to cause harm, *see, e.g.*, RESTATEMENT (SECOND) OF TORTS § 163 (AM. L. INST. 1977); *id.* Reporter’s Note to cmt. d (citing cases awarding nominal damages for trespass to land that causes no harm), though this principle does not necessarily hold for invasions of personal property. *See Intel Corp. v. Hamidi*, 71 P.3d 296, 300 (Cal. 2003) (holding that actual harm

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concrete harm, remediable by (at least) nominal damages, whereas the violation of statutory rights lacking a common-law analogue does not.<sup>138</sup>

In any event, if history and tradition are a guide, then as the preceding Section demonstrates there would appear to be no constitutional impediment if courts were to continue awarding nominal damages or penalties for the infringement of patent or copyright rights today. And if federal courts may adjudicate claims for nominal damages or statutory penalties for patent or copyright infringement, it is hard to envision any constitutional objection to the adjudication of a claim for one of the workarounds that Congress has chosen to substitute for these earlier remedies, either. For these reasons, awards of reasonable royalties, the infringer's total profit, or statutory damages for the infringement of patent and copyrights would appear to be on solid doctrinal footing, even after *TransUnion*.

History and tradition also provide some support for federal courts' power to adjudicate claims for nominal damages in unfair competition cases — though until recent decades most such claims probably would have been litigated in state court under state common law — as does the *Uzuegbunam* Court's citation to common-law property cases, given that trademark, trade secrets, and (some versions of) publicity rights share

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is an element of the tort of trespass to chattels under California law). The *Uzuegbunam* Court cited other common-law examples of courts awarding nominal damages, including for breach of contract, but (curiously) did not spell out the common-law analogue to a claim for nominal damages, asserted under 42 U.S.C. § 1983 (2018), for violations of constitutional rights.

<sup>138</sup> To date, courts generally have resisted characterizing personal data as a form of property. See Bernard Chao, *Privacy Losses as Wrongful Gains*, 106 IOWA L. REV. 555, 563 & n.32, 585, 595 (2020) (citing cases standing for the proposition that “unaggregated personal information has no value” to the individual victim of a data breach, but arguing that “companies that promise reasonable data security and then fail to deliver” could be required to disgorge the “savings made” from such “skimped services[,]” and that plaintiffs may have standing “to bootstrap unjust enrichment to gain standing to recover statutory damages”). For an overview of the privacy-as-property debate, see Lauren Henry Scholz, *Privacy Remedies*, 94 IND. L.J. 653, 660-63 (2019). Whether Congress could (or should) overrule *TransUnion*, either by expressly defining personal data as a form of property for purposes of the FCRA, or by requiring firms like *TransUnion* to disgorge the benefits, if any, they accrue by breaching their duties of care, are matters beyond the scope of this Article.

many of the characteristics of common-law property rights.<sup>139</sup> The fact that many, probably most, of these claims today are litigated as violations of statutory rights probably doesn’t affect the constitutional analysis either, given the historical practice of awarding nominal damages or penalties for the violation of statutory patent and copyright rights,<sup>140</sup> which also historically have been viewed as a form of property.<sup>141</sup> Finally, as with patents and copyrights, if nominal damages are permissible awards for unfair competition violations, it stands to reason that courts face no constitutional obstacle to awarding nominal damages

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<sup>139</sup> See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1001-04 (1984) (holding that trade secrets are a form of property for purposes of the Fifth Amendment); *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562, 573 (1977) (“[T]he State’s interest in permitting a ‘right of publicity’ is in protecting the proprietary interest of the individual in his act . . . .”); Thomas F. Cotter, *Do Federal Uses of Intellectual Property Implicate the Fifth Amendment?*, 50 FLA. L. REV. 529, 566-68 (1998) (arguing that, under the reasoning in *Ruckelshaus*, trademarks qualify as a type of property).

<sup>140</sup> Patents are not common-law rights; and while there was (and still is) a residuum of common-law copyright protection for certain works, see 17 U.S.C. § 301(b) (2018), there is no reason to doubt that the vast majority of litigated copyright cases have involved statutory copyright rights. See, e.g., *Birnbaum v. U.S.*, 436 F. Supp. 967, 981, 987 (E.D.N.Y. 1977) (acknowledging the existence of common-law copyright in unpublished correspondence under New York law, while noting that “appropriate damages for common law copyright are rarely discussed”).

<sup>141</sup> See 35 U.S.C. § 261 (2018) (“[P]atents shall have the attributes of personal property.”); *Allen v. Cooper*, 140 S. Ct. 994, 1004 (2020) (stating that “[c]opyrights are a form of property”); *Brown v. Duchesne*, 60 U.S. 183, 197 (1856) (stating that “the rights of a party under a patent are his private property”). This does not necessarily mean, however, that courts should treat patents and copyrights precisely the same as real or personal property. See, e.g., *Jim Olive Photography v. Univ. of Hous. Sys.*, 624 S.W.3d 764 (Tex. 2021) (noting that copyrights are treated as property for some purposes, but reserving the question whether they constitute property for purposes of the Takings Clause). Nor does it mean that all IP rights are readily classifiable as property. As noted above, for example, some states ground the right of publicity in privacy law, while moral rights in copyright protect something more akin to a reputational interest. See *supra* notes 8 and 121. At common law, however, offenses against dignitary and reputational interests are often viewed as presumptively harmful, and thus remediable by (at least) an award of nominal damages. See, e.g., RESTATEMENT (THIRD) OF TORTS: INTENTIONAL TORTS AGAINST PERSONS § 7 cmt. h (AM. L. INST., Tentative Draft No. 2 2017) (noting the availability of nominal damages for dignitary injuries); RESTATEMENT (SECOND) OF TORTS § 620 & cmt. c (AM. L. INST. 1979) (same).

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workarounds, if such workarounds are available under the relevant substantive law.<sup>142</sup>

As a matter of policy, the adjudication of nominal damages workarounds in IP law makes sense as well, for a couple of reasons. First, absent nominal damages workarounds, IP owners would sometimes recover (at most) only nominal damages for past infringement. To be sure, such an outcome is not necessarily wrong. It might simply reflect the fact that there is not any loss to compensate or benefit to disgorge — or, as in the context of trademark dilution, a judgment that in most cases the risk of over-detering lawful conduct looms too large.<sup>143</sup> At least in some cases, however, such an outcome might have a negative impact on prospective IP owners' incentives to invest in socially productive activities, or (as with moral rights) undermine statutory protection altogether.<sup>144</sup>

Second, and relatedly, in the context of IP rights it often makes sense to consider a lost opportunity to license as a cognizable harm for IP infringement, because licensing is often necessary to the efficient exploitation of IP rights.<sup>145</sup> In this regard, a reasonable royalty, reflecting to some degree the terms of what a voluntarily concluded license between the parties would have looked like, seems the most straightforward way of remedying this harm — though in theory, statutory damages or even disgorgement of total profits may serve this purpose as well.

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<sup>142</sup> As noted above, both the UTSA and the DTSA authorize awards of reasonable royalties for trade secret misappropriation. *See supra* note 123 and accompanying text. Courts occasionally award reasonable royalties for trademark infringement and for violations of the right of publicity, though the remedy appears somewhat more controversial for the former. *See supra* notes 119–20 and accompanying text.

<sup>143</sup> *See supra* note 115 and accompanying text.

<sup>144</sup> For example, where the defendant has destroyed the plaintiff's work in violation of her moral right of integrity, an injunction would be futile. *See Cotter, Damages for Noneconomic Harm, supra* note 8, at 1108.

<sup>145</sup> *See* THOMAS F. COTTER, PATENT WARS: HOW PATENTS IMPACT OUR DAILY LIVES 210 (2018). Licensing is not always socially beneficial, of course, as when patent assertion entities assert patents of questionable validity for the purpose of extracting nuisance settlements. *See infra* note 302 and accompanying text. Further, as discussed in Parts IV.A and IV.B, there may be some contexts in which an infringement causes neither actual harm nor any loss of a licensing opportunity, in which case justiciability would appear to hinge on the first, historical-analogy, argument alone.

To be sure, this does not mean that IP owners *should* be compensated for every possible loss of licensing revenue. In the context of copyright’s fair use doctrine, for example, in evaluating “the effect of the use upon the value, actual or potential, of the copyrighted work,”<sup>146</sup> it is not enough for a court to consider whether the defendant’s use deprived the plaintiff of potential licensing revenue. Rather, courts must consider the preliminary question of whether the plaintiff is entitled to a royalty for the type of use at issue — or to put it another way, whether the deprivation of a license fee, under the circumstances of the case, is a cognizable harm.<sup>147</sup> The “lost licensing revenue” theory also might not be a good fit for some other bodies of law, in which the plaintiff’s entitlement is considered, for moral, efficiency, or distributional reasons, to be inalienable;<sup>148</sup> or the law considers the defendant’s obligation to be the restoration of the thing taken (or its value);<sup>149</sup> or because a hypothetical royalty would not be any more accurate than more conventional methods for valuing the loss of an entitlement.<sup>150</sup> Indeed, in *TransUnion* itself, an argument that the defendant harmed the plaintiffs by depriving them of an opportunity to negotiate a fee, in

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<sup>146</sup> 17 U.S.C. § 107 (2018).

<sup>147</sup> For example, perhaps some users of copyrighted works would be willing to pay for permission to copy portions of a copyrighted work for purposes of critique or commentary; but to afford copyright owners with a right to demand such payment would undermine the purpose of copyright as a vehicle for freedom of expression, by enabling owners to veto critiques of which they disapprove. See Thomas F. Cotter, *Transformative Use and Cognizable Harm*, 12 VAND. J. ENT. & TECH. L. 701, 739 (2010).

<sup>148</sup> See, e.g., Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1111-15 (1972) (discussing inalienable entitlements).

<sup>149</sup> See, e.g., Samuelson & Gergen, *supra* note 78, at 217 n.193 (stating that “when the defendant deliberately uses the plaintiff’s tangible property to make a profit, the defendant is generally not allowed to argue the counter-factual in which the defendant negotiated for a license. The law may bar this counter-factual to punish the defendant for taking what it should have bought” (citing Mark P. Gergen, *Causation in Disgorgement*, 92 B.U. L. REV. 827, 835-36 (2012))).

<sup>150</sup> Cf. *Morris-Garner v. One Step Ltd.* (2018) UKSC 20 (appeal from Eng.) (concluding that the hypothetical royalty the defendant would have paid in return for a release from a noncompete agreement is not an appropriate remedy for the breach of such an agreement).

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exchange for the defendant's not taking due care to ensure the accuracy of plaintiffs' information, would have seemed rather odd.<sup>151</sup>

Moreover, even within IP law, the lost licensing opportunity theory may not be equally applicable to all of the various rights that contemporary IP law offers. For IP rights that protect the owner's reputation or goodwill, for example — including the moral right of integrity in copyright and right against tarnishment in trademark law — it is difficult to conceive of the harm suffered by the IP owner as a loss of licensing revenue. Monetary remedies for the violation of these rights, even in the absence of proof of actual harm, nevertheless probably are on solid ground by way of analogy to general or presumed damages for reputational or dignitary harms in other bodies of law.<sup>152</sup>

That said, after *TransUnion*, the federal courts' authority to adjudicate damages claims in certain atypical IP cases might be open to question. Consider, for example, the “deemed distribution” or “making available” right under which, according to a minority of courts, a defendant who makes a copyrighted work of authorship available to others without authorization of the copyright owner — e.g., by uploading copyrighted sound recordings to a peer-to-peer network — violates the copyright owner's exclusive right to distribute copies of the work,<sup>153</sup> regardless of

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<sup>151</sup> As noted above, however, perhaps one could argue that firms like *TransUnion* should be required to disgorge the benefits, if any, they accrue by breaching their duties of care. *See supra* note 138. Alternatively, a partial disgorgement of these benefits would be functionally equivalent to a notional release payment for the breach of duty — the sort of remedy the plaintiffs (unsuccessfully) sought for breach of contract in *Morris-Garner*, *see supra* note 150. Or perhaps Congress could simply define data of the type at issue in *TransUnion* as a property interest, *see supra* note 138. A thorough engagement with this reasoning as it applies to data breaches is beyond the scope of this Article.

<sup>152</sup> *See Cotter, Damages for Noneconomic Harm, supra* note 8, at 1067-69, 1115.

<sup>153</sup> *See* 17 U.S.C. § 106(3) (2018) (stating that, subject to certain exceptions, the copyright owner has the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending”). The most important exception limiting the distribution right is the “first-sale” or “exhaustion” doctrine, under which the owner of a lawfully made copy may distribute that copy to others without the copyright owner's permission. *See id.* § 109(a); *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 523 (2013). The “deemed distribution” or “making available” right noted in the text above therefore can apply, assuming it exists at all, only when the first-sale doctrine does not apply — for example, in one of the situations in which the statute renders the exhaustion doctrine inapplicable, *see* 17 U.S.C. § 109(b) (2018), or where the defendant makes available an unlawfully made copy.

whether the plaintiff proves that anyone accessed the unauthorized copy.<sup>154</sup> Until such time, if any, that a third party accesses the uploaded work, the defendant’s act of making the work available (as distinct from the initial, unlawful reproduction) may not seem any more harmful than *TransUnion*’s mere creation of non-disseminated credit reports. Moreover, even if the better interpretation of § 106(3) is that it prohibits making works available,<sup>155</sup> without more, that right is not so easy to link back to pre-1976 practice, and therefore cannot rest on appeals to tradition and history.<sup>156</sup>

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<sup>154</sup> The leading case adopting this interpretation of the distribution right is *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 203 (4th Cir. 1997). Most U.S. courts have rejected the *Hotaling* court’s expansive reading of the distribution right, however. See, e.g., *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1225 (D. Minn. 2008) (rejecting the “deemed-disseminated theory based on *Hotaling*”); 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 7.5.1.1, at 7.129 (3d ed. 2022) (stating that “most courts today continue to cling to the rule that, for the public distribution right to be infringed, copies or phonorecords must be physically distributed”); PATRY, *supra* note 96, §§ 13:9, 13:11.50 (noting that most U.S. courts, correctly in Patry’s view, have rejected the making available right). *But see* NIMMER, *supra* note 88, § 8.11[B][4][d], [D] (arguing in favor of the expansive interpretation).

<sup>155</sup> See NIMMER, *supra* note 88, § 8.11[B][4][d] (arguing that the making available right arises under the definitions of “publication” and “distribution” under the 1976 Act, interpreted in light of the act’s legislative history). It is true that an offer to distribute a work constituted a divestive publication under pre-1976 practice, meaning that if the work lacked the requisite formalities it fell into the public domain. See *Brown v. Tabb*, 714 F.2d 1088, 1091-92 (11th Cir. 1983). I am not aware of any cases, however, holding that a defendant infringed a copyright owner’s exclusive right to publish a work merely by offering a copy to the public — let alone awarding damages for such conduct.

<sup>156</sup> Another possible problem area involves awards of statutory damages for violations of the anti-circumvention and “copyright management information” (“CMI”) provisions of the Digital Millennium Copyright Act (“DMCA”). 17 U.S.C. § 1203(c)(3) (2018). The removal or alteration of CMI is actionable, for example, if *inter alia* it “conceal[s] infringement” of one of the owner’s rights under § 106, *see id.* § 1202(a), (b), but one can imagine some cases in which such removal or alteration causes neither actual harm in the *TransUnion* sense nor any loss of a licensing opportunity — in which case the lack of a historical pedigree might result in a lack of justiciability. By contrast, the vindication of authors’ *moral* rights by means of statutory damages, even in the absence of any quantifiable harm, probably is permissible after *TransUnion* to the extent these rights protect a reputational or dignitary interest. See *supra* note 152 and accompanying text. In a similar vein, consider *Lenz v. Universal Music Corp.*, 815 F.3d 1145, 1156-58 (9th Cir. 2015), in which the court held that a copyright owner may be required to *pay* nominal damages for falsely accusing someone, in violation of 17 U.S.C. § 512(f) (2018), of uploading

Perhaps, though, as in other contexts noted above,<sup>157</sup> one could argue that the defendant's conduct harmed the plaintiff by depriving the latter of an opportunity to license the former to make the work available, for a price. So stated, the question is similar to one I consider in Part IV.B below, namely whether patent owners can demand royalties for the unauthorized manufacture of a patented invention, absent proof of any subsequent use or sale — the principal difference being that in the patent context, the right to recover (at least) nominal damages for unauthorized manufacture has an (albeit thin) historical pedigree that the making available right lacks.<sup>158</sup> In Part IV.B I will argue below that, as a constitutional matter, that historical pedigree probably *permits* courts to award reasonable royalties for unauthorized manufacture — but that, as a matter of economic logic and policy, patent courts *should* follow the lead of trade secret law<sup>159</sup> and award nominal (or zero) damages in such cases. By contrast, the lack of historical precedent may suffice to deprive federal courts of power to award any relief for violation of merely making copyrighted works available — though if not, then conversely these courts would appear to lack authority to decline awarding statutory damages, given that Copyright Act § 504(c) requires courts to award such damages, when requested, for violation of any of the copyright owner's exclusive rights.<sup>160</sup>

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infringing content. In reaching this conclusion, the court noted the availability of nominal damages for intentional physical torts, trespass to land, and defamation; and arguably the defamation analogy — or an analogy to some other common law tort such as abuse of process or malicious prosecution, both of which also permit nominal relief, *see In re Solfanelli*, 206 B.R. 699, 703-04 (M.D. Pa. 1996) (abuse of process); RESTATEMENT (FIRST) OF TORTS § 907 cmt. b (AM. L. INST. 1939) (malicious prosecution) — continues to provide a sufficient basis for nominal relief, even if it doesn't in a case like *TransUnion* where the false information is not communicated to third parties.

<sup>157</sup> See *supra* note 145 and accompanying text.

<sup>158</sup> See *infra* Part IV.A.

<sup>159</sup> See *supra* note 126 and accompanying text (noting that, in trade secret law, courts award nothing for the unauthorized acquisition of a trade secret absent proof of subsequent disclosure or use).

<sup>160</sup> 17 U.S.C. § 504(c) (2018).



## II. REASONABLE ROYALTIES, STATUTORY DAMAGES, AND TOTAL PROFITS

In the previous Part I argued that, as far as Article III is concerned, reasonable royalties, awards of total profits, and statutory damages are all generally permissible remedies for the infringement of IP rights, regardless of whether the IP owner has suffered any actual harm in the sense of lost profits or other out-of-pocket losses, or the infringer has gained any quantifiable benefit. In this Part, however, I argue that *as a matter of policy* it would make sense to eliminate statutory damages in copyright and awards of total profits in design patent cases. Courts instead should award reasonable royalties (or, where the evidence permits, actual damages); and if awards of profits are permitted at all, they should be limited to the profit attributable to the infringement, not the infringer’s total profit.<sup>161</sup>

At first blush, this thesis might seem surprising, given the criticisms, noted above, that application of the *Georgia-Pacific* factors to determine reasonable royalties for patent infringement can be costly, unpredictable, and practically unreviewable on appeal.<sup>162</sup> This body of law nevertheless has its redeeming features as well, even if the often unstructured nature of the analysis can be unhelpful and misleading. Viewed in their best light, the *Georgia-Pacific* factors that tend to be the most important in practice — including comparable licenses, evidence of the value the defendant derives from the invention, and apportionment — really *are* the most relevant, if the purpose of the endeavor is to isolate the value of the invention in comparison with alternatives; and the hypothetical bargain construct, awkward though it may seem, rightly focuses on estimating that value before the defendant

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<sup>161</sup> For present purposes, therefore, I am not taking a position on whether reasonable royalties are always superior to an award of the infringer’s profit *attributable to the infringement*, an issue that has been discussed by myself and others elsewhere. *See, e.g.,* Cotter et al., *supra* note 16, at 50, 72-73 (discussing theoretical justifications for the disgorgement remedy). Nor am I saying that it is necessarily wrong to award the total profit, for example under an unjust enrichment theory, when there is reason to believe that all or most of the profit really is attributable to the infringement, as it might be in the context of willful trademark infringement. *See supra* note 105 and accompanying text. What I *am* saying is that the total profit rule in design patent law — as well as statutory damages — are both inferior to the reasonable royalty alternative.

<sup>162</sup> *See supra* note 63 and accompanying text.

has become “locked in” and therefore potentially vulnerable to the extraction of “holdup” rents.<sup>163</sup>

In addition, as I and others have discussed elsewhere, some of the problems surrounding the calculation of reasonable royalties in patent litigation — including the sometimes extreme gaps between competing experts’ damages estimates<sup>164</sup> — could be reduced through procedural reforms<sup>165</sup> and the use, where appropriate, of damages heuristics (shortcuts) that trade off some degree of accuracy for simplicity.<sup>166</sup> Even

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<sup>163</sup> See, e.g., Cotter et al., *supra* note 16, at 15-19, 28-30 (discussing the issues stated in the text above). The hypothetical bargain also is premised on the assumption that, at the time the bargain is conducted, the parties know the patent to be valid and infringed. This counterfactual assumption avoids a double discounting problem that otherwise would underestimate patent value. See *id.* at 22-23.

<sup>164</sup> See, e.g., John C. Jarosz & Michael J. Chapman, *The Hypothetical Negotiation and Reasonable Royalty Damages: The Tail Wagging the Dog*, 16 STAN. TECH. L. REV. 769, 809 (2013) (stating that “for opinions issued since 1978 in which a suggested royalty rate was reported for both the patent holder and the infringer, the range has been as high as three hundred to one[,]” and that “[i]n many cases, the difference has been more than twenty to one. And the range has not declined over time”).

<sup>165</sup> These might include, for example, early disclosure of the parties’ theories and evidence on damages, see, e.g., N.D. Cal., Patent L. R. 3-8 (2020) (requiring parties to identify the categories of damages sought, as well as provide theories of recovery (with factual support) and computations of damages); more frequent bifurcation of liability and damages determinations, see, e.g., PETER S. MENELL, LYNN H. PASAHOW, JAMES POOLEY, MATTHEW D. POWERS, STEVEN C. CARLSON, JEFFREY G. HOMRIG, GEORGE F. PAPPAS, CAROLYN CHANG, COLETTE REINER MAYER & MARC DAVID PETERS, PATENT CASE MANAGEMENT JUDICIAL GUIDE § 8.1.1.3 (3d. ed. 2018) (discussing bifurcation); requiring earlier disclosure of comparable licenses, see Colleen V. Chien & Eric Schulman, *Patent Semi-Comparables*, 25 TEX. INTELL. PROP. L.J. 215, 241 (2018); cf. *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823, 2013 WL 2111217 (W.D. Wash. Apr. 25, 2013) (constructing a royalty rate in part by adjusting the rates charged by two patent pools), *aff’d*, 795 F.3d 1024 (9th Cir. 2015); simplifying jury instructions on damages, see, e.g., Cotter et al., *supra* note 16, at 15-19 (proposing jury instructions on the *Georgia-Pacific* factors); cf. RICHARD A. POSNER, REFLECTIONS ON JUDGING 315-28 (2013) (recommending that judges use everyday language to craft their own instructions); and, perhaps, more liberal use of special interrogatories requiring juries to indicate how they calculate damages, to facilitate appellate review, see FED. R. CIV. P. 49(b); MENELL ET AL., *supra*, § 8.3.3.2 (recommending use of special interrogatories when the jury is charged with determining obviousness).

<sup>166</sup> See Thomas F. Cotter, *Patent Damages Heuristics*, 25 TEX. INTELL. PROP. L.J. 159 *passim* (2018) [hereinafter *Patent Damages Heuristics*]; John M. Golden, *Judicial Policing of Patent Damages Experts*, 98 TEX. L. REV. 1307, 1328 (2020); see also Tun-Jen Chiang, *The Information-Forcing Dilemma in Damages Law*, 59 WM. & MARY L. REV. 81, 133 (2017)

now, when courts award lost royalties or reasonable royalties in copyright cases,<sup>167</sup> anecdotal evidence suggests that — as one would expect, given the typically lower stakes in dispute<sup>168</sup> — litigants generally

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(proposing that “[c]ourts should require a party to produce damages information” if “the social benefit of having additional information on some issue . . . outweigh[s] the social cost of collecting the information and presenting it in court[,]” and that “courts should impose the burden of proof on the party that can more cheaply produce the information required”); DANIEL KAHNEMANN, OLIVIER SIBONY & CASS R. SUNSTEIN, NOISE: A FLAW IN HUMAN JUDGMENT 348 (2021) (noting that, despite some “appealing arguments” in favor of flexibility in judging over adherence to rigid rules, sometimes rigidity “might be the best way of reducing noise and eliminating bias and error”).

<sup>167</sup> There is a division of authority on the question of whether 17 U.S.C. § 504 (2018) permits awards of lost or reasonable royalties. The Seventh Circuit has held that copyright plaintiffs may recover, as an element of the defendant’s profit, the “value of use” to the defendant from having used the copyrighted work without payment. *See Deltak, Inc. v. Advanced Sys., Inc.*, 767 F.2d 357, 361–63 (7th Cir. 1985). The Second Circuit has rejected this theory, *see Bus. Trends Analysts, Inc. v. Freedonia Grp., Inc.*, 887 F.2d 399, 405–07 (2d Cir. 1989), but in a later decision concluded that plaintiffs may recover a lost royalty — calculated in view of, for example, comparable licenses — as a type of actual damages, *see On Davis v. The Gap Inc.*, 246 F.3d 152, 163, 167 (2d Cir. 2001). *See NIMMER, supra* note 88, § 14:05[D], [E] (surveying other appellate and district court decisions). Nimmer himself argues that the 1976 Act precludes awards of reasonable royalties, for reasons discussed *infra* note 228 and accompanying text.

<sup>168</sup> The amount at stake in copyright cases probably is much lower, on average, than in patent cases. Lex Machina, for example, reports that from 2013 through 2020 aggregate patent damages awarded totaled \$12,639,474,008 in 438 cases, for an average award of \$28,857,246. *See* GENEVA CLARK, LEX MACHINA, LEX MACHINA PATENT LITIGATION REPORT 19 (2021). By contrast, monetary awards in copyright cases from 2011 through 2020 totaled \$5,754,793,705 — of which approximately \$2 billion is attributable to the statutory damages awarded by default judgment in one single case in 2018 — spread over 2,767 cases, for an average award of \$2,079,795. *See* RACHEL BAILEY, LEX MACHINA, LEX MACHINA COPYRIGHT AND TRADEMARK LITIGATION REPORT 28–29 (2021). The stakes are probably much lower, on average, in design patent cases than in utility patent cases as well, with *Apple v. Samsung* being an extreme outlier, in which \$533 million of profits were awarded. *See* Thomas F. Cotter, *Reining in Remedies in Patent Litigation: Three (Increasingly Immodest) Proposals*, 30 SANTA CLARA HIGH TECH. L.J. 1, 7, 19 (2013) (suggesting that the stakes are typically much lower in design patent than in utility patent litigation); David L. Schwartz & Xaviere Giroud, *An Empirical Study of Design Patent Litigation*, 72 ALA. L. REV. 417, 451–52 (2020) (finding that “more design-patent suits are brought by small or medium size entities, rather than large entities, compared to high-tech patent suits”).

do not engage in the sort of costly, time-consuming analysis that often prevails in patent cases.<sup>169</sup>

By contrast, many of the problems that arise in design patent and copyright law from, respectively, the total profits rule and the availability of statutory damages, seem unavoidable as long as these rules remain in place. I will start with an analysis of the problems inherent to statutory damages, of which four seem particularly salient.

The first is that statutory damages awards need not be proportionate to the plaintiff's actual harm. As noted above, statutory damages can range from \$750 to \$30,000 for each *work* infringed; for willful infringement, the ceiling increases to \$150,000 per work.<sup>170</sup> In theory, this amount could be grossly undercompensatory, for example in a case in which the defendant made multiple copies of just one, unusually valuable, work. Such cases should be rare, however, as long as the copyright owner retains the option of pursuing a lost profits or disgorgement remedy instead of statutory damages.<sup>171</sup> More problematic are cases in which the likely harm to the owner or gain to the defendant is substantially less than the statutory damages awarded. To illustrate, a little over a decade ago the recording industry commenced a series of lawsuits against individual consumers who allegedly had engaged in unlawful file sharing.<sup>172</sup> In these cases, the defendants' conduct may well have been unlawful, but the statutory amounts awarded in the ones that went to trial — amounting to five- and six-figures damages for individual

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<sup>169</sup> For a recent example, see *Juliff v. Headout, Inc.*, 20 Civ. 699, 2021 WL 3887764, at \*2 (S.D.N.Y. Aug. 31, 2021) (in a case involving the unauthorized use of a photographic image, stating that “[c]ourts in this Circuit have relied on several forms of evidence to arrive at a non-speculative estimate of the fair market value of an infringed license, including consulting benchmark license fees estimated by the price calculator tool on Getty Images’s website[,]” and that a court “may on its own adjust the parameters utilized by a plaintiff to arrive at a photograph’s appropriate market value” (citations omitted)).

<sup>170</sup> 17 U.S.C. § 504(c)(1), (2) (2018).

<sup>171</sup> Particularly since the owner can elect statutory damages even after the jury has determined actual damages or profits. *Id.* § 504(c)(1); *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 347 n.5 (1998).

<sup>172</sup> For an overview, see, for example, Peter S. Menell, *This American Copyright Life: Reflections on Re-Equilibrating Copyright for the Internet Age*, 61 J. COPYRIGHT SOC'Y U.S.A. 235, 259-64 (2014) (describing the recording industry's litigation against end users).

works<sup>173</sup> — surely were excessive in relation to the fair market value of a license.<sup>174</sup> Similarly, a work that combines copyrightable expression from multiple other works faces a risk of aggregate statutory damages that would far outweigh any actual injury (or aggregate gain to the defendant).<sup>175</sup> Yet another subset of cases involves actions by so-called copyright trolls, that is, assignees of copyright who have pursued actions against individuals allegedly involved in online sharing of motion picture works;<sup>176</sup> and there are other dubious examples besides these.<sup>177</sup> As others have noted, such disproportionate sanctions undermine the legitimacy of the copyright system,<sup>178</sup> encourage “dubious infringement claims,”<sup>179</sup>

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<sup>173</sup> See, e.g., *Sony BMG Music Ent. v. Tenenbaum*, 719 F.3d 67 (1st Cir. 2013) (affirming statutory damages award amounting to \$22,500 for each work infringed); *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899 (8th Cir. 2012) (reinstating statutory damages award amounting to \$9,250 for each work infringed).

<sup>174</sup> To be sure, a defendant who unlawfully shares the work with others could, in theory, be depriving the copyright owner of multiple license fees; even so, it would take a great many illegal downloads by third parties to add up to actual harm equal to the minimal statutory award of \$750.

<sup>175</sup> See Mark A. Lemley, *Should a Licensing Market Require Licensing?*, 70 LAW & CONTEMP. PROBS. 185, 197 (2007) [hereinafter *Should a Licensing Market*].

<sup>176</sup> See, e.g., Shyamkrishna Balganes, *The Uneasy Case Against Copyright Trolls*, 86 S. CAL. L. REV. 723, 732 (2013) (defining a copyright troll as “an entity whose business revolves around the systematic legal enforcement of copyrights in which it has acquired a limited ownership interest”). In some of these cases, because the works at issue were pornographic films, the plaintiffs could threaten not only to recover statutory damages but also to reveal the identities of defendants, who for obvious reasons would prefer anonymity. For discussion, see Menell, *supra* note 172, at 268.

<sup>177</sup> See, e.g., *UMG Recordings, Inc. v. MP3.com, Inc.*, No.00 Civ. 472, 2000 WL 1262568, at \*6 (S.D.N.Y. Sept. 6, 2000) (concluding that the appropriate award was \$25,000 per compact disc — amounting, based on an initial estimate of 4,700 discs infringed — to \$118 million). Several commentators have noted the potential for file-sharing cases to result in statutory damages vastly in excess of any coherent measure of actual damages. See, e.g., J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 TEX. L. REV. 525 (2004) (passim) (describing the punitive effect of even minimum statutory damages in the illegal file-sharing context).

<sup>178</sup> See Menell, *supra* note 172, at 264, 303–04.

<sup>179</sup> Ben Depoorter, *Copyright Enforcement in the Digital Age: When the Remedy Is the Wrong*, 66 UCLA L. REV. 400, 405 (2019) (citations omitted).

and coerce financially insecure defendants into settling on unfavorable terms.<sup>180</sup>

Second, statutory damages awards are not tethered to any justifiable deterrence rationale either. From a purely economic perspective, the optimal deterrent would be one that, discounted by the probability of detection, leaves the infringer marginally worse off from infringing and paying the award.<sup>181</sup> In practice, however, there is no guarantee that the amount of statutory damages awarded bear any relation to this hypothetical amount; as others have observed, they often do not.<sup>182</sup> Moreover, as noted above, even a substantial risk of a wrongful determination of willful infringement can induce defendants to settle on unfavorable, and undeserved, terms.<sup>183</sup> Critics also have objected to the use of statutory damages to effect *general*, as opposed to specific,

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<sup>180</sup> See *id.* at 408; see also Cotter, *Patent Damages Heuristics*, *supra* note 166, at 168 (stating that “the greater the range of possible outcomes (that is, the greater the variance around the expected mean), the smaller the probability that the parties will settle their dispute (thus raising administrative costs), and the greater the likelihood that the more risk-averse party will be willing to settle on unfavorable terms”).

<sup>181</sup> See, e.g., Roger D. Blair & Thomas F. Cotter, *An Economic Analysis of Damages Rules in Intellectual Property Law*, 39 WM. & MARY L. REV. 1585, 1639-41 (1998) (discussing optimal deterrence).

<sup>182</sup> See Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 500 (2009) (stating that “[c]ourts have too often . . . awarded statutory damages for willful infringement in ordinary infringement cases”); cf. Depoorter, *supra* note 179, at 417-38 (reporting, based on empirical study of copyright infringement actions pending between 2005 and 2008, that willful infringement was pleaded in about 70% of cases, that courts employ no uniform standard for determining willfulness, but that enhanced statutory damages are awarded in fewer than 10% of all cases resulting in a damages award). To be sure, it is possible that in some subset of cases, statutory damages awards approach the optimal deterrence goal, though if so it may be simply a matter of luck. See *Broadcast Music, Inc. v. Prana Hosp., Inc.*, 158 F.Supp.3d 184, 199 (S.D.N.Y. 2016) (stating that “Second Circuit case law — including numerous cases brought by BMI — reflects that courts in this Circuit commonly award, in cases of non-innocent infringement, statutory damages of between three and five times the cost of the licensing fees the defendant would have paid” (citations omitted)).

<sup>183</sup> See *supra* text accompanying notes 180 and 182.

deterrence,<sup>184</sup> insofar as this practice disproportionately punishes those infringers who are detected, for the purpose of discouraging others.<sup>185</sup>

Third, and related to both of the preceding points, statutory damages awards can be unpredictable and inconsistent.<sup>186</sup> While some commentators have discerned rough patterns in how judges determine statutory damages awards,<sup>187</sup> there is much less reason to expect such patterns to emerge when juries award statutory damages — as they have been allowed to do since 1998.<sup>188</sup> Similarly, while some circuits have established factors for judges to consider when setting statutory damages amounts,<sup>189</sup> there are no binding statutory guidelines.

Fourth, statutory damages are unnecessary.<sup>190</sup> To be sure, concerns that copyright owners sometimes would be left with nothing more than

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<sup>184</sup> For a classic statement of the distinction between general and specific deterrence, see Dan M. Kahan, *The Secret Ambition of Deterrence*, 113 HARV. L. REV. 413, 425 (1999) (stating that general deterrence “refers to the effect that punishing a particular offender has on the behavior of the population generally,” while specific deterrence “refers to the impact of a punishment on the offender’s own behavior” (citation omitted)).

<sup>185</sup> See Oren Bracha & Talha Syed, *The Wrongs of Copyright’s Statutory Damages*, 98 TEX. L. REV. 1219, 1254 (2020); Samuelson & Wheatland, *supra* note 182, at 507 & n.335.

<sup>186</sup> See Ioana Vasiu & Lucian Vasiu, *Cross-Jurisdictional Analysis of Damage Awards in Copyright Infringement Cases*, 28 J. INTELL. PROP. L. 93, 117 (2021) (stating that “[t]he wide statutory range . . . permits substantial discretion in setting the awards, which allows for significant levels of inconsistency or disparity[,]” and providing examples).

<sup>187</sup> See Blair & Cotter, *supra* note 181, at 1660-69.

<sup>188</sup> See *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 342 (1998) (holding that the Seventh Amendment guarantees a constitutional right to a jury determination of the amount of statutory damages).

<sup>189</sup> See *Castillo v. G&M Realty L.P.*, 950 F.3d 155, 172 (2d Cir. 2020), *cert. denied*, 141 S. Ct. 363 (2020) (advising courts to consider six factors: “(1) the infringer’s state of mind; (2) the expenses saved, and profits earned, by the infringer; (3) the revenue lost by the copyright holder; (4) the deterrent effect on the infringer and third parties; (5) the infringer’s cooperation in providing evidence concerning the value of the infringing material; and (6) the conduct and attitude of the parties”); *Fields v. Baseline Props. LLC*, Case No. CIV-19-864-D, 2021 WL 3686689, at \*3-5 (W.D. Okla. 2021) (discussing factors, generally similar to those considered in *Castillo*, considered by other courts). By contrast, some other countries that award statutory damages do include statutory factors for courts to consider. See Vasiu & Vasiu, *supra* note 186, at 98-99 (discussing Canadian and Singaporean law).

<sup>190</sup> One possible qualification to the statement in the text above is that reasonable royalties — conceived of, as is typically the case today, as the fee the plaintiff would have commanded for the voluntary licensing of the right at issue, rather than as a species of

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nominal damages, absent a right to recover statutory penalties or damages, may well have made sense in 1790, and even as late as 1909. As we have seen, up until the early twentieth century, standards of proof were such that *patent* owners often *did* recover nothing more than nominal damages,<sup>191</sup> and copyright owners too might have been shortchanged absent the statutory option.<sup>192</sup> Whether these concerns were still valid in 1976, however, much less today, is far less clear. As noted above, courts today sometimes award copyright owners damages based on the fair market value of a license to their works — though presumably only in situations in which this recovery would be more generous than statutory damages, or when statutory damages are unavailable due to lack of timely registration — and the burden of determining this value hardly seems beyond the expertise of the district courts.<sup>193</sup> For what it is worth, moreover, most other countries manage

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the more amorphous category of general damages — may not seem appropriate for the infringement of author’s moral rights, because these rights protect an interest that is more dignitary than commercial in nature. In other work, I have argued that general damages may be the optimal remedy for the violation of trademark rights, moral rights, and publicity rights, when such violations cause cognizable harm to reputation or to personal or dignitary interests; but that such damages should be modest, absent a willful violation. See Cotter, *Damages for Noneconomic Harm*, *supra* note 8, at 1115-16. Ideally, a statutory amendment that eliminates statutory damages as a remedy for copyright infringement also might expressly permit the recovery of general damages, subject to certain guidelines, for the infringement of federal moral rights.

<sup>191</sup> See *supra* Part I.A.1. As a general matter, nineteenth century discovery and evidentiary rules were much more restrictive than under contemporary practice. See generally Stephen N. Subrin, *Fishing Expeditions Allowed: The Historical Background of the 1938 Federal Discovery Rules*, 39 B.C. L. REV. 691, 698-701 (1998) (discussing federal discovery practice prior to the Federal Rules of Civil Procedure). Moreover, while the 1922 statute authorizing awards of reasonable royalties in patent cases expressly permitted the use of expert testimony to assist in determining royalties, see *supra* text accompanying note 49 — a condition reflected in the current statute as well, see 35 U.S.C. § 284 (2018) (stating that “[t]he court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances”), to my knowledge the use of experts for this purposes was not common before the twentieth century.

<sup>192</sup> But see *supra* note 48 (noting that the Supreme Court’s 1912 *Westinghouse* decision, which in effect shifted to the patent infringer the burden of showing what portion of its profits were not attributable to the infringement, conformed the rule in patent cases to that which already governed in copyright law).

<sup>193</sup> See *supra* note 169 and accompanying text.



to get by without offering copyright owners the option of recovering statutory damages.<sup>194</sup>

That said, one would expect copyright owners to object to the elimination of statutory damages, even if the statute were amended to expressly permit reasonable royalties as a substitute, on the ground that this would result in lower compensation, on average, and therefore would harm the incentive to create.<sup>195</sup> Moreover, if recovery were limited in some cases to a reasonable royalty, the argument goes, defendants would be no worse off if they infringed and, if detected, were obligated to pay damages, and thus the incentive to negotiate a voluntary license would be reduced — or, to put it another way, there would be nothing to deter prospective users from infringing. Similar arguments often have been made with regard to patent damages, however, and those arguments are no more persuasive in the present context than they are in that one.<sup>196</sup> Although the incentive-to-create argument might seem superficially appealing, there is no reason to think that compensating IP owners beyond the fair market value of their contributions is necessary to ensure an adequate supply of creative or inventive works; indeed, since IP is both an output and an input to future creativity, unnecessarily strong IP rights actually could inhibit more creativity than they induce.<sup>197</sup>

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<sup>194</sup> See Pamela Samuelson, Phil Hill & Tara Wheatland, *Statutory Damages: A Rarity in Copyright Laws Internationally, But for How Long?*, 60 J. COPYRIGHT SOC'Y U.S.A. 529, 534 (2013) (reporting that, as of February 2013, of 179 WIPO member states surveyed, only 24 awarded statutory damages for copyright infringement).

<sup>195</sup> It stands to reason that the substitution of reasonable royalties for statutory damages would result in awards that, on average, are lower than under current law, since owners can opt for an award of profits under current law when doing so promises them more than their expected statutory damages. Substituting reasonable royalties for total profits for design patent infringement should have a similar effect, because a reasonable royalty reflecting an ex ante hypothetical bargain between the IP owner and the infringer would generally not deprive the infringer of all the expected profits from the use of the protected subject matter, see Blair & Cotter, *supra* note 181, at 1650, while a royalty reflecting some portion of the actual (ex post) profits earned would, by definition, leave the infringer with some of those profits.

<sup>196</sup> For discussion, see Cotter et al., *supra* note 16, at 10-11.

<sup>197</sup> See, e.g., COTTER, *supra* note 145, at 39-47 (making this point with respect to patents, but the reasoning is applicable to copyright as well); see also Christopher Jon Sprigman, *Copyright and Creative Incentives: What We Know (And Don't)*, 55 HOUS. L. REV. 451, 457 (2017) (stating, on the basis of current empirical studies, that “the link between copyright

Similarly, the argument that reasonable royalties provide no disincentive to infringement ignores the many tools courts can deploy to ensure that infringement doesn't pay — including injunctive relief,<sup>198</sup> fee awards,<sup>199</sup> and enhanced damages for willful infringement. To be sure, the last of these does not exist in U.S. copyright law at present *outside* the context of statutory damages, but surely could be included in a statutory revision.<sup>200</sup> Again, for what it is worth, other countries that don't award statutory damages — and which generally shun punitive damages as well — often *do* award royalty enhancements in copyright cases.<sup>201</sup> Such a policy might make sense, to the extent it reduces the underdeterrence problem, and recognizes that real-world licensees often bear business risks that infringers do not.<sup>202</sup>

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and creative incentives is considerably less robust than theory may have led us to expect”).

<sup>198</sup> See 17 U.S.C. § 502 (2018).

<sup>199</sup> See *id.* § 505 (stating that “[e]xcept as otherwise provided by this title, the court may . . . award a reasonable attorney’s fee to the prevailing party”); *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994) (holding that courts have discretion to award fees to the prevailing plaintiff or defendant, as the case may be).

<sup>200</sup> See Samuelson & Wheatland, *supra* note 182, at 510.

<sup>201</sup> See, e.g., *Analysis of the Application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights in the Member States*, at 24, SEC (2010) 1589 final (Dec. 22, 2010) (stating that, as of 2010, “in respect of specific infringements (mostly infringements of copyright and rights related to copyright), a significant number of” European Union member states permitted “lump sum damages set as multiple (mostly double) amounts of royalties (licensing fees) due”).

Alternatively, Congress could consider other reforms, including the adoption of binding guidelines for determining the amount of statutory damages, *see* Depoorter, *supra* note 179, at 443-44; Menell, *supra* note 172, at 307, or a reduction in the amount available, at least in certain cases, *see* Lemley, *Should a Licensing Market*, *supra* note 175, at 198-99; Menell, *supra* note 172, at 306-07; Samuelson & Wheatland, *supra* note 182, at 502 n.313; *see also* Balganes, *supra* note 176, at 775 (arguing that “courts ought to satisfy themselves as to the need for such damages before proceeding to its computation within the prescribed range”); Sande Buhai, *Statutory Damages: Drafting and Interpreting*, 66 KANSAS L. REV. 523, 553-55 (2018) (recommending, *inter alia*, that juries specify how much of a statutory damages award is for each of compensation, providing an incentive to litigate, and punishment; and that statutory damages be scaled based on blameworthiness); Depoorter, *supra* note 179, at 441-46 (proposing, in addition to some of the foregoing, that Congress authorize courts to award fees to the losing party, if the prevailing plaintiff exaggerates its claim to statutory damages).

<sup>202</sup> See Cotter et al., *supra* note 16, at 14.

Similar reasoning applies to the total profits rule in design patent cases. Conceivably, the rule made sense when it was enacted, given that, under the law as it existed in 1887, (1) the courts and USPTO did not, as they now do, permit applicants to obtain design patent rights on “fragments” of complete articles;<sup>203</sup> (2) providing non-speculative evidence of the design patent owner’s own lost profit, if any, resulting from an act of infringement was difficult to accomplish under the evidentiary conventions of the day;<sup>204</sup> (3) patent owners seeking an award of the infringer’s profit attributable to the infringement bore the burden of apportionment;<sup>205</sup> and (4) the reasonable royalty concept was not yet widely accepted.<sup>206</sup> None of these conditions is (or needs to be) true today, however, while the drawbacks of the total profits rule mirror those of statutory damages. In particular, awards of total profits are impossible to justify on compensatory, unjust enrichment, or deterrence grounds — particularly where the defendant’s product embodies multiple profit-generating features and, perhaps, multiple design patents. The rule also cannot be defended as providing consistency and predictability, given the lack of appellate court guidance on how to determine the relevant article of manufacture.<sup>207</sup> (To be sure, all of the district court decisions post-*Samsung* have adopted the government’s proposed four-factor test, and so far the two cases actually applying it have awarded the entire profit from sales of infringing goods.<sup>208</sup> That may be predictable, but not necessarily in a good way; and even then, the difference between the first and second judgments applying that rule in *Apple v. Samsung* differed in the amount of \$134 million.<sup>209</sup>) Thus, while a rational reform of U.S. design patent law might permit awards of profits attributable to the infringement — as many other countries do, and as U.S. courts themselves do in copyright and trade secret matters — as well as lost profits or reasonable royalties, it is hard to imagine a contemporary legislature adopting a total profits rule as a means for

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<sup>203</sup> See *supra* note 74 and accompanying text.

<sup>204</sup> See *supra* note 191 and accompanying text.

<sup>205</sup> See *supra* note 69 and accompanying text.

<sup>206</sup> See *supra* note 51 and accompanying text.

<sup>207</sup> See *supra* note 76 and accompanying text.

<sup>208</sup> See *supra* note 77 and accompanying text.

<sup>209</sup> See *supra* note 79 and accompanying text.

ensuring that design patent owners are left with nothing more than nominal damages.<sup>210</sup>

### III. ARE COURTS AUTHORIZED TO AWARD NOMINAL DAMAGES FOR IP INFRINGEMENT?

As discussed in Part I.A, in the nineteenth century it was fairly common for courts to award nominal damages for patent infringement. Courts and commentators also assumed that nominal damages were available, in appropriate cases, for copyright infringement and for unfair competition torts such as trademark infringement. In recent years, observers have expressed differing views over whether statutory reforms enacted in the mid-twentieth century render nominal damages unavailable for patent and copyright infringement and for trade secret misappropriation. More precisely, the question is whether copyright and trade secret owners who fail to prove entitlement to at least one of the forms of monetary relief set forth in the relevant statute are entitled to nominal or zero damages — or whether courts should dismiss their claims altogether.<sup>211</sup> For patents, the question is whether courts can

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<sup>210</sup> Professor Mark Janis is less sanguine than I in that courts could craft a lost profits or reasonable royalty award at acceptable adjudicative cost and proposes instead a statutory damages regime “where the range is defined to reflect the objectives of (1) roughly approximating the compensatory damages that the design patent owner would have received; and (2) providing a modest deterrent against future infringements, especially by the same party.” Mark D. Janis, *How Should Damages Be Calculated for Design Patent Infringement*, 37 REV. LITIG. 241, 271 (2018). I agree that this would be an improvement over the total profits rule, but I’m left asking why, if the goal of “roughly approximating the compensatory damages that the design patent owner would have received” — plus a modest kicker for deterrence — is an attainable one, we shouldn’t just award *that* and leave statutory damages alone. Cf. Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN. TECH. L. REV. 219, 237 (2013) (noting that “[c]ourts in copyright and utility patent cases have managed complex apportionment cases pretty well when they actually apply the doctrine, and — unlike *Dobson* — they put the burden of proof on the defendant, not the plaintiff”); Samuelson & Gergen, *supra* note 78, at 227 (noting that “reasonable approximations that serve unjust enrichment goals have long been accepted” in other bodies of law,” and that “rules of evidence about wrongdoer profits and harms from infringement in IP cases in the modern era are more relaxed than they were in 1887, when the precursor to § 289 was enacted”).

<sup>211</sup> Curiously, courts do not appear to have addressed these questions in connection with trademark infringement, but rather to have assumed that they retain authority to award nominal relief. See *supra* note 107 and accompanying text.

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award nominal (or zero) damages to patent owners who prevail on the merits but fail to prove entitlement to any monetary relief, or alternatively must award some nontrivial reasonable royalty in accordance with § 284.

A preliminary question, though, is whether any of this really matters, given how trivial the difference between zero damages and nominal damages might seem. The answer is yes, for a couple of reasons. The first hinges on the fact that, under *Uzuegbunam*,<sup>212</sup> the availability of an award of at least nominal damages should suffice to keep a claim in federal court, even if the plaintiff is not seeking or is not entitled to an injunction — whereas the prospect of an award of zero damages should result in the action being dismissed for lack of justiciability (and possibly on substantive grounds as well, if actual or likely injury to the plaintiff or gain to the defendant is considered an element, as it is for some torts).<sup>213</sup> And, as in *Uzuegbunam*, staying in federal court might be important for some plaintiffs, even if they are entitled only to nominal damages — in particular, those plaintiffs seeking the vindication of having a court find in their favor on liability<sup>214</sup> and perhaps establish a precedent; or expecting that even a nominal damages judgment will enable them to obtain some collateral benefit, such as entitlement to attorneys’ fees or the ability to assert other claims, such as claims for damages for the infringement of foreign copyright rights, under a supplemental jurisdiction theory.<sup>215</sup> Second, however, and less laudable, some plaintiffs

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<sup>212</sup> 141 S. Ct. 792 (2021).

<sup>213</sup> For example, common-law negligence claims. See RESTATEMENT (SECOND) OF TORTS § 907 cmt. a (AM. L. INST. 1977) (stating that “[i]f actual damage is necessary to the cause of action, as in negligence, nominal damages are not awarded”).

<sup>214</sup> A declaratory judgment of infringement might work just as well for these purposes, but for this form of relief to be available there still must be an Article III case or controversy.

<sup>215</sup> I discuss this last possibility in Thomas F. Cotter, *Extraterritorial Damages in Copyright Law*, 74 FLA. L. REV. 123, 162-66 (2022) [hereinafter *Extraterritorial Damages*]. This strategy probably would not work for patents, though, given the U.S. courts’ reluctance to adjudicate claims for the infringement of foreign patent rights, even when validity is not in issue. See *Voda v. Cordis Corp.*, 476 F.3d 887, 897-905 (Fed. Cir. 2007). To be sure, these reasons for wanting to stay in federal court despite not being able to recover a significant damages award are unlikely to motivate a *great* many IP plaintiffs. One might expect vindication and precedent-setting standing alone, for example, to be substantially less important to IP owners than to persons (like the plaintiffs in

may wish to assert technically valid claims for infringement, even if for one reason or another they cannot recover an award in excess of nominal damages, simply to harass potential competitors. In *Eagle Services Corp. v. H2O Industrial Services, Inc.*,<sup>216</sup> for example, Judge Posner accused the plaintiff copyright owner of doing precisely that.<sup>217</sup> Cases in which IP owners assert claims having no monetary value therefore do arise from time to time, so in the interest of completeness the following paragraphs describe the existing state of the law and propose some statutory clarifications.

First off, then, there is some authority standing for the proposition that nominal damages are not an available remedy under the 1976 Copyright Act or modern statutory trade secret law. In the copyright sphere, William Patry — author of one of the three leading copyright treatises — flatly asserts that “[t]here is no such concept as ‘nominal’ damages in copyright law.”<sup>218</sup> Patry reasons that, because “Congress has provided very generous remedies” (i.e., statutory damages) under § 504(c), Congress intended that plaintiffs whose failure to register within the time frame set out in § 412, and who cannot prove any actual damages or profits either, are disqualified from obtaining any monetary remedy at all.<sup>219</sup> As far as case law support is concerned, however, Patry cites only two decisions — one of them being *Eagle*, which itself cited an

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*Uzuegbunam*) asserting violations of their constitutional rights — though perhaps for owners of moral rights or publicity rights, vindication might be a reasonably compelling interest in some cases. In copyright cases, moreover, other than those involving assertions of moral rights, entitlement to attorneys’ fees is dependent on timely registration, *see* 17 U.S.C. § 412 (2018), so owners who fail to register and therefore cannot obtain statutory damages cannot obtain fees either. And the number of cases, to date, in which IP owners have sought to assert supplemental claims for violation of foreign IP rights is vanishingly small, although that could change.

<sup>216</sup> 532 F.3d 620 (7th Cir. 2008).

<sup>217</sup> *Id.* at 623 (stating that the lawsuit “was frivolous even if there was a copyright violation[,]” having been “filed in order to cramp the style of a competitor and perhaps warn off any other employee of Eagle who might have the temerity to set up in competition with it”). The plaintiff in *Eagle* claimed copyright in a safety manual, which the defendant — a competing firm established by two former employees of the plaintiff — had copied. Apparently, the plaintiff was not entitled to statutory damages, however, and it did not prove any actual damages or profits. *See id.*

<sup>218</sup> PATRY, *supra* note 96, § 22:124.

<sup>219</sup> *See id.*

earlier edition of the Patry treatise for the proposition that “there is no right to nominal damages . . . in a copyright suit.”<sup>220</sup> On the other hand, several courts have applied the “*expressio unius est exclusio alterius*” canon to interpret § 3(a) of the Uniform Trade Secrets Act (“UTSA”)<sup>221</sup> in a similar fashion, that is, as providing an exclusive list of monetary remedies including actual damages, profits, or reasonable royalties, failure to prove any of which must result in a verdict of \$0 (or dismissal of the claim altogether).<sup>222</sup>

The conclusion that nominal damages are not available may be preferable as a matter of policy, to avoid nuisance suits — though even in cases like *Eagle*, plaintiffs may have a sufficiently nontrivial argument that they are entitled to *some* monetary award, to remain in federal court through the entry of judgment.<sup>223</sup> As a matter of doctrine, however, the matter depends on how strong the inference should be that the statutes’ express mention of certain remedies for infringement implicitly excludes

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<sup>220</sup> The other decision is *PAR Microsystems, Inc. v. Pinnacle Dev. Corp.*, 995 F. Supp. 658, 663 (N.D. Tex. 1998). There also are a small number of decisions in which courts, without expressly addressing the availability of nominal damages, have dismissed claims for copyright infringement on a motion for summary judgment, based on the plaintiff’s failing to come forward with evidence of any actual damages, profits, or entitlement to statutory damages. See *Fey v. Panacea Mgmt. Grp. LLC*, 261 F. Supp. 3d 1297, 1311 (N.D. Ga. 2017); *EsNtion Recs., Inc. v. TritonTM, Inc.*, No. 07-CV-2027, 2009 WL3805827, at \*6-8 (N.D. Tex. Nov. 13, 2009); *Nw. Airlines, Inc. v. Am. Airlines, Inc.*, 870 F. Supp. 1504, 1513 (D. Minn. 1994). *But see* *Infogroup, Inc. v. DatabaseUSA.com*, No. 14-CV-49, 2018 WL 6624217, at \*18-19 (D. Neb. Dec. 18, 2018) (stating, albeit in the context of denying a post-trial motion to vacate a \$39.6 million award of the infringer’s profits, that “in the context of copyright infringement, a nominal damage instruction is appropriate when there is evidence suggesting that the infringer’s costs unrelated to its infringement would reduce damages to zero”); *Strauss v. Hearst Corp.*, No. 85 Civ. 10017, 1988 WL 18932, at \*6 (S.D.N.Y. Feb. 19, 1988) (stating that joint owner might not be able to recover more than \$1 in nominal damages).

<sup>221</sup> UNIF. TRADE SECRETS ACT, § 3(a) (UNIF. L. COMM’N 1985); see 18 U.S.C. § 1836(b)(3)(B)(ii) (2018) (substantially identical).

<sup>222</sup> See *supra* note 124 and accompanying text (citing cases holding, in effect, that the statutory words “can include” implicitly mean “can *only* include”).

<sup>223</sup> See *Eagle Servs. Corp. v. H2O Industrial Services, Inc.*, 532 F.3d 620, 623 (7th Cir. 2008) (concluding that the plaintiff’s theory that, absent the infringement, the defendant would have shut down, was “groundless,” and that even if proven, it was “doubtful” this theory would have entitled the plaintiff to defendant’s profit from operations, while suggesting that plaintiff could have sought “recovery of the negligible profit that H2O made by avoiding for a time th[e] trivial expense” of writing its own safety manual).

the possibility of nominal damages.<sup>224</sup> Unfortunately, there is nothing in the official comments to § 3(a) of the UTSA that addresses the matter at all, and to my knowledge the legislative histories of the UTSA and the 1976 Copyright Act provide no clear answer either.<sup>225</sup> To be sure, as far as copyright is concerned, one *could* make an argument against nominal damages in parallel with David Nimmer’s thesis that courts lack authority to award reasonable royalties for copyright infringement.<sup>226</sup> More specifically, Nimmer reads the legislative history of the 1976 Act as supporting the proposition that Congress intended for statutory damages to serve as an alternative to actual damages or profits; but that if plaintiffs fail to qualify for statutory damages for lack of timely registration, courts are not free to fashion a non-statutory reasonable royalty to ensure that plaintiffs who cannot prove actual damages or profits recover something.<sup>227</sup> Perhaps, then, if Congress disapproved of the reasonable royalty alternative for litigants who do not qualify for statutory damages, it would have disapproved of nominal damages too. According to Nimmer, however, the reasons that Congress conditioned statutory damages on registration were to encourage registration, by withholding a potential benefit for dilatory registrants, and also to minimize the discrepancy with previous law under which owners of common-law (unregistered) copyrights could not recover “in lieu of”

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<sup>224</sup> See, e.g., *N.L.R.B. v. SW Gen., Inc.*, 580 U.S. 288, 290 (2017) (noting that the *exclusio unius* canon applies “only when ‘circumstances support [ ] a sensible inference that the term left out must have been meant to be excluded’” (citation omitted)); ANTONIN SCALIA & BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 107 (2012) (stating that “[t]he doctrine properly applies only when the *unius* (or technically, *unum*, the thing specified) can reasonably be thought to be an expression of *all* that shares in the grant or prohibition involved,” and that “[c]ommon sense often suggests when this is or is not so”).

<sup>225</sup> It is probably the case that statutory damages, like “in lieu of” damages before them, were intended to substitute for nominal damages. See, e.g., WILLIAM S. STRAUSS, *STUDY NO. 22: THE DAMAGE PROVISIONS OF THE COPYRIGHT LAW* 8 (1956) (quoting HARRY P. WARNER, *RADIO AND TELEVISION RIGHTS* 662 (1953), as stating that statutory damages “prohibit the award of merely nominal damages because of the difficulty in proving actual damages and profits”). But that does not necessarily mean that Congress intended for nominal damages to be unavailable when statutory damages, actual damages, and profits are *all* unprovable.

<sup>226</sup> See Nimmer, *supra* note 93, at 32-33.

<sup>227</sup> *Id.* at 33.



damages.<sup>228</sup> But even if Nimmer’s inference about reasonable royalties is correct, neither of these stated rationales provides strong support for withholding merely nominal damages, given that the relative desirability of statutory over nominal damages would continue to encourage registration, as well as the availability of nominal damages for common law copyright infringement pre-1976. Nimmer’s argument that § 504 does not permit awards of reasonable royalties also depends in part on the Copyright Act’s express authorization for royalties in various other provisions of the act that establish compulsory licensing schemes, e.g., for licenses to make “cover” recordings of previously recorded musical works.<sup>229</sup> Although I take no position here whether Nimmer is correct, the inference he draws based on the express mentions of reasonable royalties elsewhere in the statute is at least plausible. No similar inference, however, can be made about nominal damages, which are not mentioned anywhere in the statutory text.

Two further pieces of evidence, moreover, suggest that nominal damages probably do remain an option in both copyright and trade secret law. First, as noted previously, courts in trademark cases on occasion have continued to award nominal damages,<sup>230</sup> apparently without provoking objection based on the *expressio unius* canon — which suggests that courts and commentators objecting to awards of nominal damages in copyright and trade secret law may be reading too much into the statutory enumerations of remedies.<sup>231</sup> Second, and more importantly, *Uzuegbunam* flatly describes nominal damages as “the damages awarded by default until the plaintiff establishes entitlement to some other form of damages, such as compensatory or statutory damages,” and as providing some (albeit minimal) “actual benefit” to the plaintiff.<sup>232</sup> And while this holding may be qualified somewhat by the Court’s subsequent

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<sup>228</sup> *Id.* at 23-25.

<sup>229</sup> *See id.* at 20-21, 47-51 (citing, *inter alia*, 17 U.S.C. § 115 (2012)).

<sup>230</sup> *See supra* note 117 and accompanying text.

<sup>231</sup> Though to be fair, it could simply be that trademark courts and litigants have overlooked the matter. Or perhaps reasonable observers could conclude that the relevant portion of the Lanham Act, 15 U.S.C. § 1117(a) (2018) (“any damages sustained by the plaintiff”) is broader than the corresponding language of the Copyright Act, 17 U.S.C. § 504(a) (2018) (“owner’s actual damages”) or trade secret statutes, though the distinction strikes me as overly fine.

<sup>232</sup> *Uzuegbunam v. Preczewski*, 141 S. Ct. 792, 800-01 (2021).

*TransUnion* decision,<sup>233</sup> it remains a fact that nominal damages were long a default for IP cases specifically;<sup>234</sup> one might have expected, therefore, that if twentieth century statutory reforms were intended to supplant this default rule altogether, they would have done so more explicitly. Moreover, while the risk of nuisance IP litigation is troubling, for reasons suggested by Judge Posner in *Eagle*,<sup>235</sup> the *Uzuegbunam* Court appeared willing to tolerate such risks, with Justice Kavanaugh suggesting as a partial solution that a defendant could “accept the entry of a judgment for nominal damages against it and thereby end the litigation without a resolution of the merits.”<sup>236</sup>

For the preceding reasons, the correct inference, doctrinally, is probably that nominal damages remain an option in copyright, trade secret, and trademark cases, whenever the prerequisites for other monetary relief are not satisfied. To the extent this result seems undesirable, because of its potential for encouraging nuisance suits, statutory amendments expressly clarifying that courts may *not* award nominal damages may be the best solution.

In patent law, by contrast, a question that sometimes arises is whether § 284 of the Patent Act — which states that “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”<sup>237</sup> — implies that a court *must* award some nontrivial sum, even when the plaintiff fails to introduce sufficient evidence of its lost profit, if any, or to sustain its proposed reasonable royalty calculation. Judge Helen Nies once suggested as much, writing in a separate opinion in the 1995 case of *Rite-Hite Corp. v. Kelley Co.* that “a reasonable royalty is a Congressional largesse for cases where a patentee might otherwise receive only nominal damages. A patentee is now

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<sup>233</sup> See *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190, 2200 (2021) (requiring plaintiffs asserting violation of the FCRA to demonstrate “concrete harm”).

<sup>234</sup> Or, in the case of federal statutory copyright, from 1790 to 1909 statutory penalties — a nominal damages workaround available without proof of actual damages. See *supra* Part I.A.3. Nominal damages as such were the default for common-law copyright and every other form of IP violation. See *supra* Part I.A.1, .2, and .4.

<sup>235</sup> See *supra* note 217 and accompanying text.

<sup>236</sup> *Uzuegbunam*, 141 S. Ct. at 802 (Kavanaugh, J., concurring); see also *id.* at 808 (Roberts, C.J., dissenting).

<sup>237</sup> 35 U.S.C. § 284 (2018).

statutorily entitled to a reasonable royalty *even though it has not suffered or cannot prove a financial loss to its market in patented goods.*”<sup>238</sup> Although Judge Nies’ observation is not controlling, certain passages in the Federal Circuit’s 2014 panel opinion in *Apple, Inc. v. Motorola, Inc.*,<sup>239</sup> initially seemed consistent with it. In that case, Judge Posner, sitting as a district judge, had dismissed both party’s claims when he concluded that neither party was entitled to injunctive relief, and that neither side had proffered admissible expert opinions on damages.<sup>240</sup> The Federal Circuit reversed, however, stating that “[i]f a patentee’s evidence fails to support its specific royalty estimate, the fact finder is still required to determine what royalty is supported by the record,” and that “if the record evidence does not fully support either party’s royalty estimate, the fact finder must still determine what constitutes a reasonable royalty from the record evidence.”<sup>241</sup> Standing alone, this language might suggest that a court is obligated to award some nontrivial royalty, no matter what, on the basis of whatever evidence can be cobbled together from the record. Reading further, however, the court appeared to back away from this position, stating that “if the patentee’s proof is weak, the court is free to award a low, perhaps nominal, royalty, as long as that royalty is supported by the record,” and that:

... a fact finder may award no damages only when the record supports a zero royalty award. For example, in a case completely lacking any evidence on which to base a damages award, the record may well support a zero royalty award. Also, a record

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<sup>238</sup> 56 F.3d 1538, 1574 (Fed Cir. 1995) (en banc) (Nies, J., dissenting in part) (emphasis added).

<sup>239</sup> 757 F.3d 1286 (Fed. Cir. 2014).

<sup>240</sup> See *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp. 2d 901, 909 (N.D. Ill. 2012) (Posner, J., sitting by designation) (stating that “without questioning the propriety of an award of nominal damages in patent-infringement as in other classes of case,” it is doubtful “that a patentee can *sue* for nominal damages, at least not in a federal court given the meaning that the Supreme Court has given to the terms ‘Cases’ and ‘Controversies’ in Article III of the Constitution”), *aff’d in part, rev’d in part, vacated in part, and remanded*, 757 F.3d 1286 (Fed. Cir. 2014). In other words, Judge Posner distinguished the matter before him from one in which a party sues for more than nominal relief but then fails to prove it. He noted, but ultimately rejected, the possibility that § 284 might be read as requiring some nontrivial award in the latter type of case. See *id.* at 909-10.

<sup>241</sup> *Apple*, 757 F.3d at 1328.

could demonstrate that, at the time of infringement, the defendant considered the patent valueless and the patentee would have accepted no payment for the defendant's infringement. Of course, it seems unlikely that a willing licensor and willing licensee would agree to a zero royalty payment in a hypothetical negotiation, where both infringement and validity are assumed.<sup>242</sup>

More recently, the Federal Circuit has relied on this last passage from *Apple* as standing for the proposition that a patentee who puts on no admissible evidence of damages may receive *zero* damages. In *TecSec, Inc. v. Adobe Inc.*,<sup>243</sup> the patent owner sued (among other parties) Adobe, for (among other things) direct infringement of certain patents relating to cryptography.<sup>244</sup> A jury returned a verdict for the plaintiff and awarded \$1.75 million in damages, an award the district judge vacated for lack of sufficient evidence.<sup>245</sup> Rejecting the argument that the statute “require[s] an award of damages greater than zero in all cases where the jury finds infringement,”<sup>246</sup> the Federal Circuit affirmed this aspect of the judgment, stating that “The statute does not require an award of damages if none are proven that adequately tie a dollar amount to the infringing acts,”<sup>247</sup> and that “there can be an award of no damages where ‘none were proven.’”<sup>248</sup> Further:

Although we have not upheld a zero royalty rate in a case with an affirmative infringement finding—and have stated that it is “unlikely” that a hypothetical negotiation would result in a zero

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<sup>242</sup> *Id.* (citations omitted).

<sup>243</sup> 978 F.3d 1278 (Fed. Cir. 2020).

<sup>244</sup> *Id.* at 1282-83.

<sup>245</sup> *Id.* at 1285. The evidence presented related to Adobe's sales of Acrobat, but the theory of the case was that sales of Acrobat would have been relevant only to damages for TecSec's (up to that point) unsuccessful indirect infringement theory, not to damages for the direct infringement. *See id.* at 1292.

<sup>246</sup> *Id.* at 1291.

<sup>247</sup> *Id.* (stating further that “a patent owner may waive its right to a damages award when it deliberately abandons valid theories of recovery in a singular pursuit of an ultimately invalid damages theory”) (quoting *Promega Corp. v. Life Techs. Corp.*, 875 F.3d 651, 666 (Fed. Cir. 2017)).

<sup>248</sup> *Id.* (quoting *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 509-10 (Fed. Cir. 1990)).

royalty rate—we have previously stated that “in a case completely lacking any evidence on which to base a damages award, the record may well support a zero royalty award.”<sup>249</sup>

In general, the cases the *TecSec* court cited, though somewhat ambiguous in their holdings,<sup>250</sup> are consistent with this outcome.

Dictum from Justice Brennan’s plurality opinion in *Aro Mfg. Co. v. Convertible Top Co.*,<sup>251</sup> to the effect that “the statute allows the award of a reasonable royalty, or of any other recovery, only if such amount constitutes ‘damages’ for the infringement,”<sup>252</sup> is also broadly consistent with *TecSec* — and not an implausible reading of the statute — though it leaves open the possibility that courts could award nominal, rather than (as in *TecSec*) zero, damages when plaintiffs fail to prove any compensatory damages. Indeed, this appears to have been Justice Brennan’s view,<sup>253</sup> though again this portion of his *Aro* opinion is not binding precedent. As Brennan also noted, moreover, according to its

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<sup>249</sup> *Id.* (quoting *Apple*, 757 F.3d at 1328 n.7).

<sup>250</sup> As indicated above, the court cited, in addition to *Apple*, *Promega*, 875 F.3d at 666 (Fed. Cir. 2017), and *Gustafson*, 897 F.2d at 509-10 (Fed. Cir. 1990). In *Promega*, 875 F.3d at 666, the court affirmed an award of zero damages, on the ground that the district court had “not abuse[d] its discretion by declining to give . . . plaintiff multiple chances to correct deficiencies in its arguments or the record”). In *Gustafson*, 897 F.2d at 509-10, the court affirmed an award of zero damages, while also observing that “a party cannot be held liable for ‘infringement’, and thus not for ‘willful’ infringement, of a nonexistent patent, i.e., no damages are payable on products manufactured and sold before the patent issued”). *Gustafson* in turn cited *Lindemann Maschinenfabrik GmbH v. Am. Hoist & Derrick Co.*, 895 F.2d 1403 (Fed. Cir. 1989), a case in which the court had affirmed a modest royalty of \$10,000, and had itself cited with approval *Devex Corp. v. General Motors Corp.*, 667 F.2d 347, 363 (3d Cir. 1981), *aff’d on other grounds*, 461 U.S. 648 (1983), a Third Circuit case in which the court affirmed a zero damages award on the ground that § 284 “requires the award of a reasonable royalty, but to argue that this requirement exists even in the absence of any evidence from which a court may derive a reasonable royalty goes beyond the possible meaning of the statute.”

<sup>251</sup> 377 U.S. 476 (1964).

<sup>252</sup> *Id.* at 505. Justice Brennan made the above statement in the course of opining that, on remand, Ford Motor Company’s agreement to settle a direct infringement claim in exchange for a release of itself and its customers from liability, might preclude “anything more than nominal damages.” *See id.* at 504, against an accused contributory infringer. *See id.* at 502-13. Justice Harlan declined to join this portion of the opinion, viewing it as unripe for review. *See id.* at 502 n.18.

<sup>253</sup> *See supra* note 252.

legislative history the purpose of the 1946 amendment permitting awards of reasonable royalties was (as discussed in Part I.A above<sup>254</sup>) “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 . . .”<sup>255</sup> Traditionally, “general damages” can be nominal;<sup>256</sup> and, cases such as *TecSec* notwithstanding, there have been at least a handful of post-1952 lower court decisions awarding nominal damages for patent infringement.<sup>257</sup> Once again, then, if *Uzuegbunam*’s characterization of nominal damages as the default rule, at least for claims having some eighteenth or nineteenth century analogue, controls, doctrinally the correct rule would appear to be that patent owners can sue for nominal relief and, absent evidence of actual harm, be awarded nominal, as opposed to zero, damages. To the extent this rule enables nuisance suits, however, as on occasion it might, its desirability as a matter of policy is dubious.

#### IV. NOMINAL DAMAGES AS A MATTER OF LAW?

This final Part discusses three situations for which scholars have proposed that courts should award IP owners only nominal (or zero) damages as a matter of law: first, when the evidence shows that the defendant derived no benefit from the use of the IP in comparison with the next-best available non-infringing alternative; second, when the

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<sup>254</sup> See *supra* note 53 and accompanying text.

<sup>255</sup> *Aro*, 377 U.S. at 505-06 (quoting H.R. REP. NO. 79-1587, at 1-2 (1946), and S. REP. NO. 79-1503, at 2 (1946)).

<sup>256</sup> See, e.g., *Cathey v. Ark. Power & Light Co.*, 97 S.W.2d 624, 627 (Ark. 1936) (citing *W. Union Tel. Co. v. Glenn*, 68 S.E. 881, 882 (Ga. Ct. App. 1910), for the proposition that “nominal damages . . . are always included under general damages”); *Warren v. Hill*, 77 S.W.2d 322, 325 (Tex. App. 1934) (making the same observation); 25 C.J.S., *Damages*, § 17 (Aug. 2021 update).

<sup>257</sup> See, e.g., *Kransco Mfg., Inc. v. Hayes Specialties Corp.*, Nos. 95-1236, 95-1237, 77 F.3d 503, 1996 WL 30787, at \*4 (Fed. Cir. Jan. 26, 1996) (affirming as unchallenged “nominal” award of \$100); *Adair v. Advanced Metal Fabrication, Inc.*, No. 10-CV-1749, 2011 WL 13323633, at \*2 (N.D. Ga. May 3, 2011) (awarding “nominal damages” of \$800); *Am. Infertility v. Deep Blue Health N.Z. Ltd.*, 17 Civ. 5666, 2020 WL 4218261, at \*18 (S.D.N.Y. July 23, 2020) (default judgment awarding nominal damages of \$1, and citing two other recent decisions — *Synthes USA, LLC v. Syntec Sci. (USA) Corp.*, ED CV 09-1875, 2012 WL 13014729, at \*4 (C.D. Cal. Mar. 20, 2012), and *Trustees of Columbia Univ. v. Roche Diagnostics GmbH*, 272 F. Supp. 2d 90, 120 (D. Mass. 2002), as persuasive precedent).

defendant makes a patented invention or wrongly acquires a trade secret, but then fails to engage in any subsequent use or sale of protected subject matter; and third, when the IP owner is a patent assertion entity.<sup>258</sup> I will argue that in the first two scenarios courts *should* award only nominal (or zero) damages, but that the third lacks a sufficient grounding in IP doctrine or policy.

#### A. Non-infringing Alternatives

Suppose that the plaintiff in a utility patent infringement action prevails on liability, but that the evidence shows that the defendant could have sold the same number of products by using a non-infringing alternative to the patented technology. In such a case, a court will not award the plaintiff any lost profits, but rather only a reasonable royalty reflecting some portion of the benefit to the defendant — a lower cost of production, for example — of using the patented technology instead of the alternative.<sup>259</sup> (Moreover, prior to the 1946 legislation eliminating

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<sup>258</sup> If the analysis shows that, in any or all of these situations, the plaintiff is or should be entitled only to nominal or zero damages, it is a fair question whether the plaintiff nevertheless can *sue* for nominal damages. As explained in Part III, I believe that, doctrinally, the answer is yes, at least for claims that possess a sufficient historical pedigree. These would appear to include most if not all claims for patent infringement, including those involving only the unauthorized manufacture of a patented invention. *See* *Whittemore v. Cutter*, 29 F. Cas. 1120, 1121, 1125 (C.C. Mass. 1813) (Story, J.) (holding that manufacture of a patented invention gives rise to a claim for nominal damages, absent evidence of subsequent use); *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190, 2217 (2021) (Thomas, J., dissenting) (citing *Whittemore* with approval); ROBINSON, *supra* note 27, § 1052, at 320 n.2, § 1062, at 350 n.14. Realistically, though, in at least the first two situations noted in the text above it would probably be unusual for the IP owner merely to sue for nominal damages. The question more likely to present itself is whether nominal damages would be an appropriate response to a failure of proof (i.e., that the IP has any advantages over the non-infringing alternative, or that its manufacture or acquisition was followed by a use or sale).

<sup>259</sup> *See* *Grain Processing Corp. v. Am. Maize-Prods. Co.*, 185 F.3d 1341, 1350-53 (Fed. Cir. 1999); *see also* *Panduit Corp. v. Stahlin Brothers Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978) (holding that lost profits require proof of, *inter alia*, non-infringing alternatives). There are some important nuances over which debates continue, including the quality of evidence needed to demonstrate that the alternative was available during the relevant period of time; how to accurately measure damages when the alternative would have been acceptable to some customers but not to others; and how to estimate

awards of infringers' profits as an alternative remedy for utility patent infringement, courts applied the same principle to that remedy, awarding only those profits above what the defendant would have earned from the use of the non-infringing alternative.<sup>260</sup>) Though counterintuitive, this rule is legally sound because, if the existence of a non-infringing alternative would have enabled the defendant to make the same number of sales in the counterfactual world in which it did not infringe, as a factual matter the infringement did not *cause* the plaintiff to lose any sales (and hence profits on those sales).<sup>261</sup> The rule is also economically sound insofar as the economic value of a technology to any given user *is* its incremental value to that user — that is, its value above that which was obtainable from the use of some other technology.<sup>262</sup> To award the plaintiff damages beyond this incremental value would overvalue the patent's contribution to the state of the art, with potentially negative consequences for both static and dynamic efficiency.<sup>263</sup>

All of this is standard fare in the law and economics literature on patents, but it has two less obvious implications for the topic of this Article. The first is that, if the patented technology is *no better than* the non-infringing alternative, the economic value of the patented technology is zero, and a court should award (at most) only nominal damages for its infringement.<sup>264</sup> This implication was previously noted in

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damages when the next-best available alternative to the technology at issue is itself patented. For discussion, see Cotter et al., *supra* note 16, at 35-38, 60-64.

<sup>260</sup> See cases cited *supra* note 259.

<sup>261</sup> See Seaman et al., *supra* note 16, at 60.

<sup>262</sup> See Cotter et al., *supra* note 16, at 33 (noting “a widespread consensus among innovation economists and lawyers that the social value of a technology is its incremental value over the next-best alternative, and that the economic value of a patented technology to an implementer is the (actual or expected) profit or cost saving the implementer derives from the use of the patented technology over the next-best available non-infringing alternative”).

<sup>263</sup> See Norman V. Siebrasse & Thomas F. Cotter, *The Value of the Standard*, 101 MINN. L. REV. 1159, 1189-90 (2017) [hereinafter *The Value of the Standard*].

<sup>264</sup> There is a subsidiary question whether a court should consider the expected (*ex ante*) value of the patented technology over alternatives, or its actual (*ex post*) value. It may be, for example, that the *ex ante* value is positive while the *ex post* value is zero. Subject to some exceptions, U.S. courts generally consider *ex ante* value, though some commentators have argued that *ex post* value would be more appropriate. For a discussion, see Norman V. Siebrasse & Thomas F. Cotter, *A New Framework for*



a 2008 article by Nathaniel Love,<sup>265</sup> and is consistent with some of the language in *Apple v. Motorola*<sup>266</sup> and with *Tec-Sec*'s holding that § 284 does not require courts to award an above-nominal royalty.<sup>267</sup> That said, it may be the unusual case in which the patented technology confers *no* value over the non-infringing alternative,<sup>268</sup> though since patent law does not condition patentability upon an invention's economic superiority to the prior art, it is certainly possible for such cases to exist.<sup>269</sup>

The second implication is that, in principle, the preceding analysis seems equally applicable to other forms of IP,<sup>270</sup> even if it is less frequently recognized outside the domain of utility patent law. In a sense, trade secret law incorporates a version of this principle in relation to injunctive relief, in that courts generally tailor injunctions to last only for as long as it would have taken the defendant to develop the secret information independently,<sup>271</sup> and there is some authority reflecting the

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*Determining Reasonable Royalties in Patent Litigation*, 68 FLA. L. REV. 929 (2016) [hereinafter *A New Framework*] (arguing that royalties should be based on the ex ante bargain the parties would have struck knowing all relevant information revealed ex post).

<sup>265</sup> See Nathaniel C. Love, Comment, *Nominal Reasonable Royalties for Patent Infringement*, 75 U. CHI. L. REV. 1749, 1767 (2008).

<sup>266</sup> See 757 F.3d 1286, 1328 (Fed. Cir. 2014) (stating that “a record could demonstrate that, at the time of infringement, the defendant considered the patent valueless and the patentee would have accepted no payment for the defendant's infringement”).

<sup>267</sup> See *TecSec, Inc. v. Adobe Inc.*, 978 F.3d 1278, 1291 (Fed. Cir. 2020).

<sup>268</sup> See *Apple*, 757 F.3d at 1328; *Tinnus Enters., LLC v. Telebrands Corp.*, No. 17-CV-00170, 2018 WL 10539604, at \*3 (E.D. Tex. Oct. 31, 2018) (excluding expert opinion that, in view of a hypothetical non-infringing alternative, a reasonable royalty would be zero, where defendant already had failed three times to bring a non-infringing alternative to market); cf. *Cotter et al.*, *supra* note 16, at 20-22 (noting, but critiquing, an argument that where the next-best available non-infringing alternative is itself patented — as may often be the case for standard-essential patents — a reasonable royalty would be zero); *Siebrasse & Cotter*, *The Value of the Standard*, *supra* note 263, at 1182-83 (similar).

<sup>269</sup> See *COTTER*, *supra* note 145, at 24 (noting that patent law's utility requirement means only that an invention must “work — not that it work better, or more efficiently, than a prior invention”).

<sup>270</sup> See Stephen Yelderman, *Damages for Privileged Harm*, 106 VA. L. REV. 1569, 1602 (2020) (arguing that, in IP cases, it makes sense to reduce a plaintiff's damages award in the amount the defendant could have caused the plaintiff to suffer by lawful means, because IP laws “are a tailored exception to a general policy of free competition,” such that “infringers often would have had other ways to harm a plaintiff's business without triggering liability at all”).

<sup>271</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 cmt. f (AM. L. INST. 1995).

relevance of non-infringing alternative to awards of royalties and profits.<sup>272</sup> Practical considerations, however, may limit the applicability of the non-infringing alternatives concept to other forms of IP. Trying to determine how much less a defendant would have earned from the exhibition of, say, a non-infringing motion picture almost surely would be unduly speculative,<sup>273</sup> and analogous problems likely often would arise in connection with design patents, trademarks, and publicity rights.<sup>274</sup> In some situations, however, such practical limitations may be largely absent. When copyright subsists in functional expression such as software, for example, courts have been willing to consider arguments that the defendant could have competed by using a non-infringing substitute;<sup>275</sup> and in other work I have argued that courts should reduce

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<sup>272</sup> See *id.* § 45 cmt. f & to cmt. g (stating that, in calculating profits attributable to the unlawful use of a trade secret, in some cases “the appropriate comparison may be between the costs of using the trade secret and the costs of alternative methods available to the defendant to achieve the same result”; and that “the availability of alternatives to the trade secret” is relevant to an award of royalties) (citations omitted). None of the cases the Restatement cites, however, provides clear doctrinal support of the use of the non-infringing alternatives concept.

<sup>273</sup> See Cotter, *Extraterritorial Damages*, *supra* note 215, at 143-45. *But see* David McGowan, *The Apportionment Problem in Copyright Law*, at 14 (Univ. of San Diego Legal Stud. Research Paper Series Research Paper No. 17-307, 2017) (arguing that the profits attributable to infringement sometimes “would be the amount the defendant would have paid for rights to a comparable work,” while conceding that “[o]ne cannot compare rigorously the fraction of profits generated by the stars of a movie as compared to the fractions, if any, generated by sets, costumes, or the outlines of the story itself”).

<sup>274</sup> With respect to trademarks, however, the traditional limitation against awards of the defendant’s profits absent proof that the infringement was willful and that the use of the trademark was a substantial factor in the defendant’s ability to earn a profit is consistent with an aversion to overcompensating plaintiffs in cases where a non-infringing mark would have enabled the defendant to earn similar returns. See *BEEBE ET AL.*, *supra* note 105, at 393. And at least in some publicity cases, it may be worth considering whether the use of another’s identity for purposes of trade conferred *any* net benefit on the defendant above what it would have earned from the use of a non-infringing alternative. See Thomas F. Cotter, *Interesting Damages Issue in Michael Jordan Trademark Case*, *COMPAR. PAT. REMEDIES BLOG* (Aug. 19, 2015), <http://comparativepatentremedies.blogspot.com/2015/08/interesting-damages-issue-in-michael.html> [<https://perma.cc/PQ9B-YB5M>].

<sup>275</sup> *Fair Isaac Corp. v. Fed. Ins. Co.*, 447 F. Supp. 3d 857, 871-72 (D. Minn. 2020); *Oracle Am., Inc. v. Google Inc.*, No. C 10-03561, 2016 WL 1743154, at \*3-5 (N.D. Cal. May 2, 2016). The *Oracle* court concluded, however, that the same logic did not apply to award of the

the damages attributable to domestic copyright infringement where the defendant could have avoided the infringement by lawfully engaging in the disputed conduct abroad.<sup>276</sup> And, importantly for the topic of this Article, if application of the non-infringing alternatives concept leads to the conclusion that the IP at issue has zero value over the alternative, courts should be willing to enter nominal (or, if permitted, zero) damages, even though such cases may be rare in practice.

*B. Manufacture or Acquisition Without Subsequent Use or Sale*

The second issue is whether courts should award nominal or zero damages in cases in which a defendant engages in the unauthorized manufacture of a patented invention, or wrongly acquires a trade secret, but engages in no subsequent use or sale of the protected subject matter. This type of fact pattern happens from time to time. In one early patent case, for example, Justice Story instructed a jury that if it found that the defendant had made the patented invention, but never benefited from its use, it should award nominal damages, on the ground that “where the law has given a right, and a remedy for the violation of it, such violation of itself imports damage; and in the absence of all other evidence, the law presumes a nominal damage to the party.”<sup>277</sup> Similarly, as noted above,<sup>278</sup> although both the UTSA and the DTSA render the wrongful acquisition of a trade secret a statutory violation,<sup>279</sup> neither statute expressly provides a monetary remedy for wrongful acquisition alone.<sup>280</sup> In one

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infringer’s profits, *see id.* at \*4, a conclusion I dispute elsewhere. *See Cotter, Extraterritorial Damages, supra* note 215, at 143-45.

<sup>276</sup> *See Cotter, Extraterritorial Damages, supra* note 215, at 152.

<sup>277</sup> *Whittemore v. Cutter*, 29 F. Cas. 1123, 1125 (C.C.D. Mass. 1813) (No. 17,601). Story reiterated the point in his post-trial opinion considering a motion for new trial. *See Whittemore v. Cutter*, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813) (No. 17,600) (stating that “[e]very violation of a right imports some damage, and if none other be proved, the law allows a nominal damage”).

<sup>278</sup> *See supra* note 125 and accompanying text.

<sup>279</sup> 18 U.S.C. § 1839(5)(a) (2018); UNIF. TRADE SECRETS ACT § 1(2)(i) (UNIF. L. COMM’N 1985).

<sup>280</sup> *See* UNIF. TRADE SECRETS ACT § 3(a) (UNIF. L. COMM’N 1985) (stating that “[i]n lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a

recent case, accordingly, a district court awarded \$0 in damages for the wrongful acquisition of a trade secret that (apparently) was not followed by any beneficial disclosure or use.<sup>281</sup>

Some more recent patent cases, by contrast, appear to go the other way. In *Monsanto Co. v. E.I. DuPont DeNemours & Co.*,<sup>282</sup> for example, a federal court awarded \$1 billion as a lump-sum royalty, based on a jury's determination that DuPont had produced (but not sold or otherwise profited from) infringing seeds.<sup>283</sup> In theory, this result could be defended on the ground that reasonable royalties are, for good reason,<sup>284</sup>

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misappropriator's unauthorized *disclosure or use* of a trade secret" (emphasis added)); see also 18 U.S.C. § 1836(b)(3)(B)(ii) (2018) (substantially identical).

<sup>281</sup> See Jury Verdict at Questions 39-42, *Huawei Techs. Co. v. Huang*, No. 17-CV-893, 2019 WL 3067788, (E.D. Tex. June 26, 2019) (finding that Huawei was not unjustly enriched by its misappropriation of CNEX's trade secrets); Judgment on Jury Verdict, *Huawei Techs. Co. v. Huang* No. 17-CV-893, 2019 WL 3067786 (E.D. Tex. June 27, 2019) (awarding no damages); Gary McWilliams, *Huawei Technologies Loses Trade Secrets Case Against U.S. Chip Designer*, REUTERS (June 26, 2019 12:29 PM), <https://www.reuters.com/article/us-huawei-tech-usa-verdict/huawei-technologies-loses-trade-secrets-case-against-u-s-chip-designer-idUSKCN1TR2YH> [<https://perma.cc/WB6T-ZQQ2>] (stating that CNEX alleged that "Huawei sought to steal its technology by posing as a customer," and that "[t]he jury found Huawei had misappropriated CNEX's secrets but awarded no damages"). For an English case involving a similar fact pattern, see *Marathon Asset Management LLP v. Seddon*, [2017] EWHC 300 (Comm.) (awarding nominal damages, and no injunction, in a case in which the defendants copied but did not use plaintiff's confidential information, and returned the copied information prior to judgment).

<sup>282</sup> No. 4:09-CV-00686, 2012 WL 5397601, at \*2, \*8 (E.D. Mo. Nov. 2, 2012) (noting that the jury had awarded \$1 billion in damages, and holding that the defendant had waived any right to post-trial reconsideration of the damages award). As described by commentators, Monsanto accused DuPont of infringing Monsanto's patent by engaging in experimentation, beyond the scope of a license between the parties, in an effort to develop an improved product. DuPont subsequently abandoned the project, though DuPont was permitted under the terms of a post-judgment settlement to continue efforts to develop improvements. See Bernard Chao & Jonathan Gray, *A \$1 Billion Parable*, 90 DENV. U. L. REV. ONLINE 185, 186, 188, 190 n.29 (2013).

<sup>283</sup> See Chao & Gray, *supra* note 282, at 185; see also *Astra Aktiebolag v. Andrex Pharms., Inc.*, 695 F. Supp. 2d 21, 29 n.3 (S.D.N.Y. 2010) (holding that, where a generic manufacturer makes a patented drug beyond the amount "reasonably related to the development and submission of information" to the FDA, it can be liable for a reasonable royalty even if it hasn't sold any of the drug) (citing 35 U.S.C. § 271(e)(1) (2018)).

<sup>284</sup> See Thomas F. Cotter, Erik Hovenkamp & Norman Siebrasse, *Demystifying Patent Holdup*, 76 WASH. & LEE L. REV. 1501, 1519 (2020) (arguing that, as a general matter, the ex

premised on the hypothetical ex ante bargain the parties would have struck — which, inevitably, sometimes will reflect an inaccurate estimate of the future profitability of the patented technology. In addition, it is in principle possible that the unauthorized manufacture of a patented invention enables a firm to learn something — even if only so-called “negative know-how”<sup>285</sup> — that could be useful in some other endeavor (and therefore might command a positive price even ex post).<sup>286</sup>

Courts nevertheless should reject these arguments for several reasons. First, as Chao and Gray argue with respect to the *Monsanto* case specifically, it is difficult to imagine that a real-world licensee would have agreed to a substantial lump-sum royalty for access to an unproven technology.<sup>287</sup> Their point can be generalized into the observation that few real-world licensees would pay a substantial royalty for the right to manufacture a patented technology (or to acquire a trade secret), *without* the option to engage in subsequent use or sale of the protected subject matter. Instead, parties commonly structure compensation for use or sale as “running” royalties equal to a rate times a royalty base consisting of ex post sales revenue or units sold.<sup>288</sup> Where there is no ex post use, therefore, no compensation in the form of running royalties is

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ante framework prevents patent owners from recovering “holdup” royalties based in part on the defendant’s sunk costs).

<sup>285</sup> See, e.g., Charles Tait Graves, *The Law of Negative Knowledge: A Critique*, 15 TEX. INTELL. PROP. L.J. 387, 391 (2007) (critiquing the protection afforded to negative know-how — “information about perceived mistakes and shortcomings that one avoids in order to create something new, or that one modifies into something different and improved” — under contemporary trade secret law).

<sup>286</sup> See *id.* at 413 (noting the possibility, in a trade secret case involving negative know-how, that the plaintiff might base a damages or profits theory on the argument that “the defendant saved time by not repeating the blind alleys and thus made it to market faster,” but arguing that such theories are unduly speculative). Graves does not cite, and I am not aware of, any trade secret (or patent) cases in which courts actually have awarded monetary relief based on the value of negative know-how.

<sup>287</sup> See Chao & Gray, *supra* note 282, at 189.

<sup>288</sup> See, e.g., Siebrasse & Cotter, *A New Framework*, *supra* note 264, at 950 (stating that “[o]utside the litigation context, licensors and licensees sometimes agree that the licensee will pay, in lieu of a lump-sum, paid-in-full royalty, a periodic royalty consisting of an agreed-upon rate multiplied by the dollar value of an agreed-upon base, the value of which base is determined ex post (for example, annual sales revenue)”). The use of a running royalty may be especially common for an unproven technology, since it shifts risk to the licensor. See *id.* at 980.

forthcoming, and as Chao and Gray suggest a substantial lump-sum royalty for the right to manufacture alone seems unrealistic. Second, as a coauthor and I have argued elsewhere, the optimal royalty for IP infringement may be not the “pure” ex ante approach U.S. courts generally apply, but rather one based on the ex ante bargain the parties would have struck knowing all relevant information revealed ex post.<sup>289</sup> This “contingent ex ante” approach avoids basing royalties on holdup value, but better correlates the award with the actual, as opposed to expected, value of the invention’s contribution to the art as revealed ex ante.<sup>290</sup> Third, even if there may be some situations in which infringers would have paid a substantial royalty for manufacture (or negative know-how) alone, these may be too few and far between to justify the potential error and adjudication costs of permitting any inquiry into damages absent an infringing use or sale.<sup>291</sup>

Finally, policy arguments aside, § 284 of the Patent Act does not expressly provide for awards of reasonable royalties for infringing manufacture alone; rather, the statute authorizes courts to “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.”<sup>292</sup> To be sure, this textual argument has its limitations: a rule permitting royalties *only* for the literal “use” of a patented invention, and not for third-party sales, would risk substantially undercompensating patentees for the value of their technologies.<sup>293</sup> A reading that excludes royalties for manufacture *alone* nevertheless would render the law of patent damages more consistent with the corresponding law of trade secrets, and in combination with the policy

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<sup>289</sup> See *id.* at 944-57; see also Cotter et al., *supra* note 16, at 31-33.

<sup>290</sup> See Cotter et al., *supra* note 16, at 31; Siebrasse & Cotter, *A New Framework*, *supra* note 264, at 942-43.

<sup>291</sup> See Cotter, *Patent Damages Heuristics*, *supra* note 166, at 166-71 (noting the tradeoff between accuracy and administrative efficiency); see also Graves, *supra* note 285, at 412-13 (arguing that damages for negative know-how are inherently speculative).

<sup>292</sup> 35 U.S.C. § 284 (2018).

<sup>293</sup> One might argue that such damages would “not be adequate to compensate for the infringement” if the patentee has a cognizable interest in some share of the sales proceeds, but the argument assumes its own premise, namely that the patentee *has* such a cognizable interest in the first place.

argument sketched above presents a strong case against awarding anything more than nominal damages, absent a subsequent use or sale.<sup>294</sup>

### C. Patent Assertion Entities

Over the past two decades, a great deal of discussion in patent law circles has centered on the role of “nonpracticing entities” (“NPEs”) — entities that own, and are interested in licensing, one or more patents, but that do not themselves make, use, or sell any products or services incorporating those patents.<sup>295</sup> So defined, the term NPE is sufficiently broad to encompass both individual inventors and organizations such as universities, both of which often lack the experience or resources to commercialize their inventions and therefore may seek to earn a return on their investment from licensing.<sup>296</sup> Although there may be abuses in individual instances, this division of labor between inventors/licensors and practicing entities/licensees can result in the efficient exploitation of patented technologies.<sup>297</sup> Most of the ire directed at NPEs, therefore, focuses not on individual inventors or universities but rather on “patent

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<sup>294</sup> The Patent Act also forbids unauthorized offers to sell, *see* 35 U.S.C. § 271(a), (i) (2018), and one might think that an infringing offer that is not followed by an actual sale or use also would result in nominal relief in accordance with the reasoning sketched out above — or perhaps even be non-justiciable, given that the “offer to sell” right has existed only since 1995, *see* Uruguay Round Agreements Act, Pub. L. No. 103-465, § 533, 108 Stat. 4809, 4988 (1994) — notwithstanding some Federal Circuit dictum to the contrary. *See* *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1260 (Fed. Cir. 2000) (stating that “the patentee need not await an actual sale, and may seek injunctive relief and any damages that may have accrued due to the offer”). At least some offers to sell, however, can cause actual harm in the form of price erosion. *See* Timothy R. Holbrook, *Liability for the “Threat of a Sale”: Assessing Patent Infringement for Offering to Sell an Invention and Implications for the On-Sale Patentability Bar and Other Forms of Infringement*, 43 SANTA CLARA L. REV. 751, 791-98 (2003).

As for reproducing a copyrighted work without any subsequent use, sale, performance, or the like, under the analysis presented above nominal damages sometimes might be appropriate in theory — for example, where the reproduction did not displace an actual sale and the infringer has no reasonable prospect of exploiting the work in the future — though under current law the owner often would be able to recover statutory damages. *See supra* Part I.A.3.

<sup>295</sup> For an overview, *see*, for example, COTTER, *supra* note 145, at 210-11 (discussing nonpracticing entities).

<sup>296</sup> *See id.*

<sup>297</sup> *See id.* at 210, 219.

assertion entities” (“PAEs”) — often referred to pejoratively as “patent trolls” — firms that, in the words of the Federal Trade Commission, “acquire patents from third parties and seek to generate revenue by asserting them against alleged infringers” which “already use . . . the patented technology.”<sup>298</sup> Among the reasons PAEs are controversial is that many of the patents PAEs assert are in fields, such as software and business methods,<sup>299</sup> where patent validity is often questionable and claims can be notoriously vague.<sup>300</sup> Further, for the most part PAEs do not transfer technology or sue firms that have copied their inventions, but rather assert patents against firms that (allegedly) are making, using, or selling the patented technology as a result of independent invention.<sup>301</sup> For this reason, PAEs often are condemned for potentially inhibiting technological progress by using the threat of litigation to extract from practicing entities ex post royalties that exceed the value of the licensed technology.<sup>302</sup> Some PAEs, moreover, target small and medium-sized enterprises for their use of (allegedly infringing) products made by others; for such firms, it is often rational simply to settle and avoid the high cost of patent litigation, even if they believe they have a meritorious defense. Similar, though quantitatively less extensive, behavior has also been observed in copyright law.<sup>303</sup>

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<sup>298</sup> FED. TRADE COMM’N, PATENT ASSERTION ENTITY ACTIVITY: AN FTC STUDY 1 (2016), [https://www.ftc.gov/system/files/documents/reports/patent-assertion-entity-activity-ftc-study/p131203\\_patent\\_assertion\\_entity\\_activity\\_an\\_ftc\\_study\\_o.pdf](https://www.ftc.gov/system/files/documents/reports/patent-assertion-entity-activity-ftc-study/p131203_patent_assertion_entity_activity_an_ftc_study_o.pdf) [<https://perma.cc/K8F2-LN77>].

<sup>299</sup> See Brian J. Love, Kent Richardson, Erik Oliver & Michael Costa, *An Empirical Look at the “Brokered” Market for Patents*, 83 MO. L. REV. 359, 399-406 (2018); FED. TRADE COMM’N, *supra* note 298, at 5, 74-75, 135.

<sup>300</sup> See COTTER, *supra* note 145, at 128-29.

<sup>301</sup> See *id.* at 211-12, 215-16; Love et al., *supra* note 299, at 404-05.

<sup>302</sup> See Cotter et al., *supra* note 284, at 1539 (stating that PAEs commonly assert “patents that cover technologies incorporated into complex devices that integrate many complementary features,” which “can make the process of redesigning the device ex post more complicated than it would have been ex ante, insofar as a switch would entail not only losing one’s sunk investment in the infringing technology, but also . . . incurring the cost of uninstalling much of what already has been done”).

<sup>303</sup> See generally Balganes, *supra* note 176, at 732 (describing a “copyright troll” as an entity that “relies either on the threat of [copyright] litigation to force a large monetary settlement or instead proceeds to litigate its rights with the sole objective of obtaining damages from a defendant”); Menell, *supra* note 172, at 268 (stating that “[c]opyright enforcement should encourage consumers to participate in a growing competitive



Partly in response to the perceived threats posed by PAEs, Professors Daniel Brean<sup>304</sup> and Oskar Liivak<sup>305</sup> have each argued that when these entities prevail at trial, courts should award them only nominal damages. Brean’s argument primarily rests on the proposition that, when Congress amended the reasonable royalties provision of the Patent Act into its more-or-less contemporary form in 1946, it “only contemplated patent infringement lawsuits between competitors”;<sup>306</sup> and that, on this understanding, an above-nominal royalty is “reasonable” only when it approximates a practicing entity’s lost profits or, where the practicing entity licenses its patent to its competitors, its lost licensing revenue.<sup>307</sup> Brean also draws an analogy to common law trespass to land, for which courts award only nominal relief absent evidence of actual harm.<sup>308</sup> Liivak, in turn, focuses primarily on the nineteenth and early twentieth century (primarily Supreme Court) case law discussed above in Part

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market . . .”). Although trademark law’s use requirement enables fewer opportunities for analogous forms of trolling in trademark law, the bad-faith registration of unused trademarks — which can deplete the number of “competitively effective” marks, increase “clutter” on the registry, and raise new entrants’ costs — appears to have increased in recent years. See Barton Beebe & Jeanne C. Fromer, *Fake Trademark Specimens: An Empirical Analysis*, 120 COLUM. L. REV. F. 217, 217-19 (2020); Michael S. Mireles, *Trademark Trolls: A Problem in the United States?*, 18 CHAP. L. REV. 815, 816 (2015). In response to this type of conduct, Congress recently amended the Lanham Act to provide for the expungement of registrations for nonuse. See Consolidated Appropriations Act of 2021, Pub. L. No. 116-260, § 225, 134 Stat. 1182, 2202-08 (2020); see also 15 U.S.C. § 1125(d) (2018) (providing penalties for bad-faith registration of domain names). As for trade secrets, contemporary trade secret law does not require actual use, see UNIF. TRADE SECRETS ACT § 1(4)(i) (UNIF. L. COMM’N 1985), but the availability of an independent invention defense may reduce the instances of real-world trade secret trolling. Cf. Stephen D. Levandoski, Note, *To Seize the Initiative: Assessing Constitutional Due Process Challenges to the Defend Trade Secrets Act’s Ex Parte Seizure Provision*, 93 N.Y.U. L. REV. 864, 866 n.10, 896 (2018) (noting literature arguing for and against the proposition that certain features of the DTSA, including the availability of ex parte seizures, would facilitate trade secret trolling).

<sup>304</sup> See Daniel Harris Brean, *Ending Unreasonable Royalties: Why Nominal Damages Are Adequate to Compensate Patent Assertion Entities for Infringement*, 39 VT. L. REV. 867, 868 (2015).

<sup>305</sup> See Liivak, *supra* note 50, at 1034.

<sup>306</sup> Brean, *supra* note 304, at 895.

<sup>307</sup> See *id.* at 922.

<sup>308</sup> See *id.* at 917.

I.A.1.<sup>309</sup> He argues that, in the cases in which courts approved of reasonable royalty awards, the patentee was either a practicing entity (or was in the process of becoming one) or engaging in ex ante licensing/technology transfer, or alternatively the defendant was a willful infringer.<sup>310</sup> By contrast, in cases in which courts held that patentees were entitled to recover only nominal damages, the plaintiff was, effectively, a PAE.<sup>311</sup> Liivak argues that this understanding should continue to inform interpretations of § 284,<sup>312</sup> and that awards of above-nominal royalties to PAEs (which he traces only as far back as the 1970s)<sup>313</sup> constituted a wrong turn.

Although I share both authors' evident concerns about potential abuses by PAEs, their arguments about the limits of § 284 are unpersuasive. Brean's legislative history argument rests primarily on the congressional testimony of Assistant Commissioner of Patents Conder Henry—who did indeed focus on competitor suits (specifically, those between small patentees and large infringers)<sup>314</sup>—some of which as Brean points out subsequently was adopted verbatim into the House and Senate Reports.<sup>315</sup> But there is nothing in the legislative history, as far as I can tell, that explicitly addresses the question of what sort of monetary recovery, if any, is due to PAEs; Brean's premise, that Congress' focus on

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<sup>309</sup> See Liivak, *supra* note 50, at 1046-55.

<sup>310</sup> See *id.* at 1046-47, 1054-55, 1068-72 (discussing, *inter alia*, *Suffolk Co. v. Hayden*, 70 U.S. 315 (1865), and *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641 (1915)).

<sup>311</sup> See *id.* at 1048-53 (discussing *Rude v. Westcott*, 130 U.S. 152 (1889), and *Coupe v. Royer*, 155 U.S. 565 (1895)). Liivak's terminology can be a little confusing, because he appears to classify entities that do not make, use, or sell products embodying their patented technology but that *do* engage in ex ante licensing as "practicing entities." See *id.* at 1064-65. Most commentators would classify such entities as *non*-practicing entities, though not as PAEs. Liivak clearly does not intend to limit ex ante licensing entities, whatever one wishes to call them, to nominal damages. See *id.*

<sup>312</sup> See *id.* at 1058-67.

<sup>313</sup> See *id.* at 1039-40, 1060-62 (citing *Zegers v. Zegers, Inc.*, 458 F.2d 726, 729 (7th Cir. 1972)).

<sup>314</sup> See Brean, *supra* note 304, at 894-96 (citing Testimony of Conder Henry, Assistant Commissioner of Patents, *Recovery in Patent Infringement Suits: Hearing on H.R. 5231 Before the H. Committee on Patents*, 79th Cong., 2d Sess. 5-8 (Jan. 29, 1946)).

<sup>315</sup> *Id.* at 894 & n.98.

providing “compensation” for “injury”<sup>316</sup> excludes damages for PAEs’ lost licensing opportunities, assumes, rather than proves, his conclusion.

As for Liivak, his assertion that the nineteenth and early twentieth century decisions in which courts approved of above-nominal royalty awards all involved claims by practicing (or about-to-be practicing) entities, firms engaged in *ex ante* licensing, or victims of willful infringement,<sup>317</sup> may well be correct. His conclusion, however, that these decisions exhaust the conditions under which courts *today* may award above-nominal royalties places undue weight on cases that either were decided before the reasonable royalty concept was firmly established, such as *Rude v. Westcott*,<sup>318</sup> or were responding to their own unique facts — for example, the unfairness of denying a patentee on the cusp of commercializing its invention any meaningful compensation, as in

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<sup>316</sup> See *id.* at 894-95. Brean also cites *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1965), as standing for the proposition that patent damages should be compensatory, not restitutionary, but again this doesn’t really answer the question of whether the loss of a licensing opportunity *is* a compensable injury. See *id.* at 901-08. Neither does Brean’s analogy of patent infringement to trespass to land. As Brean notes, courts often award trespass plaintiffs only nominal damages absent proof of actual harm to real property. See *id.* at 913-17. However, trespass plaintiffs *can* recover economic damages for the *loss of use* of their property by another, so even if the trespass analogy is an apt one for nonrivalrous property such as patents the relevant question should be whether an act of infringement, which deprives the owner of an opportunity to license, constitutes some sort of “loss of use.” See RESTATEMENT (SECOND) OF TORTS §§ 927-29 (AM. L. INST. 1979); Brean, *supra* note 304, at 916. Brean argues that, unlike a trespass that threatens a landowner’s right to quiet enjoyment, “[p]atent infringement does not threaten the quality of a patentee’s ability to enjoy or use the patent,” but in my view this proposition is hardly self-evident. Brean, *supra* note 304, at 916. Rather, it depends on best how the patent right is understood: as encompassing merely a right to make, use, and sell, or also (as seems more accurate to me) to license these activities, assuming they can be lawfully undertaken by the licensee. Cf. *Morris-Garner v. One Step Ltd.* (2018) UKSC 20, ¶ 26 (appeal from Eng.) (noting that, under English law, “where a trespasser has made valuable use of someone else’s land, without causing any diminution in its value, the landowner has been held to be entitled to damages measured as what a reasonable person would have paid for the right of user,” and that “[d]amages are also available on a similar basis for patent infringement and breaches of other intellectual property rights”).

<sup>317</sup> See Liivak, *supra* note 50, at 1046-55.

<sup>318</sup> 130 U.S. 152 (1889), discussed in Liivak, *supra* note 50, at 1048-52, 1053 n.116.

*Suffolk Co. v. Hayden*.<sup>319</sup> More specifically, in view of the 1952 Patent Act's mandate that "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,"<sup>320</sup> the argument that these old cases establish a firm, and still-applicable, rule that PAEs can recover only nominal damages seems doctrinally weak.

To the extent, moreover, that such a rule would (in effect) penalize PAEs for not practicing or engaging in ex ante commercialization, it seems difficult to square with the United States' long-standing rejection of both a patent "working" requirement<sup>321</sup> and an independent invention

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<sup>319</sup> 70 U.S. 315 (1865), discussed in Liivak, *supra* note 50, at 1046-48. For other examples, see Liivak, *supra* note 50, at 1048 n.83 (discussing *Philp v. Nock*, 84 U.S. 460, 462 (1873)); *id.* at 1052-53 & n.111 (discussing *Coupe v. Royer*, 155 U.S. 565 (1895)); *id.* at 1053-55, 1068 (stating that "all of the cases cited by the Court in *Dowagiac* [*Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915)], as well as *Dowagiac* itself, involve either a practicing patentee or a defendant that has explicitly copied from the patentee, or both"; "[e]ither the invention had been pirated from the patent holder or the patentee was gearing up to commercialize the invention").

<sup>320</sup> 35 U.S.C. § 284 (2018) (Of course, as discussed in the preceding subsection, the patent owner must present sufficient evidence as to the amount of such a royalty to avoid a judgment for nominal damages.). Liivak's likely response — that nominal damages *are* adequate to compensate for what is merely a nominal injury — might be more persuasive if it were clear that nineteenth and early twentieth-century courts denied all relief, other than nominal damages, to PAEs; but to my knowledge that was not the case. Courts of equity clearly *did* offer NPEs injunctions and profits, see Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848, 872-73, 918-19 (2016), and I am not aware of any rule requiring these entities to offer ex ante licenses as a precondition to obtaining such relief. Indeed, some of them surely would have qualified as PAEs under contemporary terminology. See Michael Risch, *Licensing Acquired Patents*, 21 GEO. MASON L. REV. 979, 989-95 (2014); see also Oskar Liivak & Eduardo M. Peñalver, *The Right Not to Use in Property and Patent Law*, 98 CORNELL L. REV. 1437, 1442 (2013) (noting that the Supreme Court's decision in *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405 (1908), reversing a denial of injunctive relief, "enabled entities to engage in naked patent assertion without being encumbered by the harder and riskier task of actually attempting to deliver the useful invention to the public").

<sup>321</sup> See Marketa Trimble, *Patent Working Requirements: Historical and Comparative Perspectives*, 6 U.C. IRVINE L. REV. 483, 488 (2016). To be sure, one could argue that some sort of working requirement would be a good idea, though questions would remain whether such a requirement would conform to international law. See *id.* at 496. To be fair, Liivak claims that he is not advocating a working requirement. See Liivak, *supra* note 50, at 1062 n.162.

defense.<sup>322</sup> While neither of these latter features of U.S. law is immune from criticism, in theory awarding a patent to the first inventor to file an application, and allowing that entity meaningful redress in the event of infringement, can benefit the public — even absent *ex ante* commercialization by the patentee — by encouraging the early disclosure of an invention from which others may learn, or which others may seek to license, improve, or design around.<sup>323</sup> To be sure, those benefits may be illusory, or outweighed by PAE abuses; my point is simply that if courts were to apply a damages rule that effectively imposes a quasi-working requirement or immunizes independent inventors from liability in PAE cases, they would be undermining two long-standing features of U.S. patent law that (so far) Congress has chosen to keep in place.<sup>324</sup>

Alternatively, a rule limiting PAEs to nominal damages might lead courts to conclude that these entities face irreparable harm and have no adequate remedy at law, in the event of infringement, and therefore are entitled to obtain injunctive relief<sup>325</sup> — something they generally have been unable to accomplish following the Supreme Court’s 2006 *eBay* decision,<sup>326</sup> and which could *enhance* PAEs’ ability to extract

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<sup>322</sup> See COTTER, *supra* note 145, at 265 n.28 (noting some standard rationales for not recognizing independent invention as a defense to infringement). Limiting PAEs to nominal damages would not render independent invention lawful, but it would make PAEs’ rights against independent inventors rather hollow — unless as a result PAEs would be better poised than at present to obtain injunctive relief against inventors, which as discussed below hardly seems an improvement over existing practice.

<sup>323</sup> See *id.* at 11.

<sup>324</sup> By contrast, the nineteenth-century cases Liivak cites left both features in place, to the extent PAEs at that time could pursue alternative remedies at equity. See Liivak, *supra* note 50, at 1043-55.

<sup>325</sup> See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) (holding that a plaintiff requesting a permanent injunction “must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction”).

<sup>326</sup> Since *eBay*, courts generally have denied NPEs injunctive relief, see Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1952-53, 1988, 2002 (2016), and have instead awarded them ongoing royalties, see Christopher B. Seaman, *Ongoing Royalties in Patent Cases After eBay: An Empirical Assessment and Proposed Framework*, 23 TEX. INTEL. PROP. L.J. 203, 204-05 (2015).

disproportionate license fees under threat of suit.<sup>327</sup> In summary, while there may well be reason for concern over PAEs' negative impact on innovation, Brean's and Liivak's proposals read more than is warranted into the materials cases they cite; potentially conflict with other settled rules of patent law; and present their own risks of unintended negative consequences.

#### CONCLUSION

This Article has argued that the Supreme Court's *TransUnion* decision,<sup>328</sup> precluding federal courts from entertaining certain claims arising under the FCRA absent a showing of actual harm, does not preclude the adjudication of IP claims for nominal damages, or for one of IP's three nominal damages workarounds. The Article also has argued, however, that reasonable royalties are in general a superior workaround to either statutory damages or to awards of total profits; and that federal courts should award nominal damages in cases in which either the IP at issue confers no advantage over the next-best available non-infringing alternative, or the defendant has not used the IP following its unlawful acquisition or manufacture. The Article nonetheless rejects the argument that PAEs should recover only nominal damages as a matter of law.

I close by suggesting one possible further implication of the above analysis, relating to the availability of *injunctive* relief. Critics of the Supreme Court's *eBay* decision<sup>329</sup> often decry contemporary courts' departure from the traditional equitable practice of granting prevailing patent owners injunctions in most cases.<sup>330</sup> As the Article has shown, however, courts did not consistently recognize the "reasonable royalty" concept prior to *Dowagiac* — though, subject to strict conditions, they sometimes would award a lump-sum *established* royalty covering both past and future use of the patented invention, and when did they do so,

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<sup>327</sup> See *supra* note 302 and accompanying text. Another possibility is that a rule limiting PAEs to nominal damages would encourage some PAEs to engage in token manufacture, use, or sale to avoid the rule.

<sup>328</sup> *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190 (2021).

<sup>329</sup> See *supra* notes 325–26 (discussing *eBay*).

<sup>330</sup> See, e.g., Adam Mossoff, *The Injunction Function: How and Why Courts Secure Property Rights in Patents*, 96 NOTRE DAME L. REV. 1581 (2021) (arguing that *eBay* wrongly departs from traditional practice).

injunctive relief was unavailable.<sup>331</sup> On the other hand, when owners could not prove either a lost profit for past infringement, or an established royalty for past and future infringement, they could expect to recover only nominal damages; and since nominal damages are hardly an “adequate” remedy at law, it is not surprising that owners usually could convince a court of equity to grant an injunction. With the passage of time, however, reasonable royalties have become the most common form of monetary relief in patent cases,<sup>332</sup> and sometimes *may* be adequate to compensate the patent owner not only for past infringement, but (in the form of ongoing royalties) for *future* infringement as well.<sup>333</sup> Given these changed conditions, it may make sense to conclude that many patent owners today — *unlike their nineteenth-century counterparts* — have an adequate remedy at law that weighs against the entry of an injunction.<sup>334</sup> Put another way — and consistent with the principle that “the expansion of adequate legal remedies . . . necessarily affects the scope of equity”<sup>335</sup> — it may be that the adoption of reasonable royalties as a nominal damages workaround has alleviated, in some cases, the need for an equitable remedy altogether. At the very least, the historically-based criticism of *eBay* seems less secure.

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<sup>331</sup> See *supra* note 31.

<sup>332</sup> See Cotter et al., *supra* note 16, at 6-7.

<sup>333</sup> See, e.g., *BASF Plant Sci., LP v. Commonwealth Sci. & Indus. Res. Org., C.A. No. 17-CV-503*, 2019 WL 8108116, at \*19 (E.D. Va. Dec. 23, 2019) (finding an ongoing royalty to be an adequate remedy at law).

<sup>334</sup> Though, to be sure, there is a debate over whether ongoing royalties are legal or equitable in nature. Compare H. Tomás Gómez-Arostegui & Sean Bottomley, *The Traditional Burdens for Final Injunctions in Patent Cases c.1789 and Some Modern Implications*, 71 CASE W. RESV. L. REV. 403, 436-41 (2020) (arguing that reasonable royalties are rarely awarded as “legal” relief for future injuries and noting that the Federal Circuit has characterized them as equitable relief), with Mark A. Lemley, *Ongoing Confusion over Ongoing Royalties*, 76 MO. L. REV. 695, 695-99 (2011) (arguing that “while the question is not free from doubt, there are reasonable arguments for treating ongoing royalties as within either the law or the equity power of the courts rather than resorting to a series of continuing lawsuits for past damages”). This rationale may not be relevant in some other IP cases, for which an award of total or partial profits or of statutory damages is available but not intended to compensate for future use — though there may be other valid reasons (e.g., balance of hardships) for denying injunctions in some of these cases.

<sup>335</sup> *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 509 (1959).