2010

Prospective Compensation in Lieu of a Final Injunction in Patent and Copyright Cases

H. Tomas Gomez-Arostegui

Recommended Citation

Available at: http://ir.lawnet.fordham.edu/flr/vol78/iss4/2

This Article is brought to you for free and open access by FLASH: The Fordham Law Archive of Scholarship and History. It has been accepted for inclusion in Fordham Law Review by an authorized editor of FLASH: The Fordham Law Archive of Scholarship and History. For more information, please contact tmelnick@law.fordham.edu.
PROSPECTIVE COMPENSATION IN LIEU OF A FINAL INJUNCTION IN PATENT AND COPYRIGHT CASES

H. Tomás Gómez-Arostegui*

In a 2006 decision, eBay Inc. v. MercExchange, L.L.C., the U.S. Supreme Court held that traditional equitable factors apply to injunctions in patent and copyright cases, and therefore the mere fact that a defendant has infringed a patent or a copyright does not necessarily mean a final injunction must issue. In the three years since, lower courts have denied final injunctions more frequently than before and are now struggling with what relief, if any, to give prevailing plaintiffs in lieu of an injunction. Some courts permit plaintiffs to sue again later. But most award prospective relief to plaintiffs—sometimes a lump-sum damages award or more commonly a continuing royalty—to compensate plaintiffs for the defendant’s anticipated postjudgment infringements. Plaintiffs often object to prospective-compensation awards as constituting compulsory licenses.

This Article demonstrates that federal courts lack the authority, in either law or equity, to award prospective compensation for postjudgment copyright or patent infringements. Until Congress creates a new form of compulsory licensing, future-damage awards and continuing royalties can be granted in lieu of a final injunction only by consent of the parties. This Article reaches its conclusion only after undertaking the most comprehensive treatment of the subject to date. Apart from surveying the relevant statutory texts, it relies on a historical review of future-damage and continuing-royalty jurisprudence in England and the United States from 1660 to the present.

* Associate Professor of Law, Lewis & Clark Law School. Copyright H. Tomás Gómez-Arostegui 2009. Special thanks to Ed Brunet, Brienne Carpenter, Jeffrey Graubart, Mark Leeming, Lydia Loren, Susan Mandiberg, and Joe Miller for their comments on earlier versions of this paper. This Article also benefited from comments received during presentations at Lewis & Clark Law School, the Northwest Junior Faculty Conference at Willamette University College of Law, and the 62nd Annual Meeting of the Southeastern Association of Law Schools. Seneca Gray, Lisa Janicki, and Damien Munsinger provided research assistance.

A word on terminology: The phrase “common law” appears numerous times in this Article, and the reader should be made aware upfront that its meaning often changes depending on the context in which I use it. In some cases, I use it to mean decisional or judge-made law, as contrasted from legislative enactments. Yet in other cases I use it as a shorthand for the practices of the common-law courts, as opposed to equity.
TABLE OF CONTENTS

I. INTRODUCTION................................................................. 1663
II. MOVING AWAY FROM FINAL INJUNCTIONS.......................... 1666
III. ALTERNATIVES TO A FINAL INJUNCTION ......................... 1669
   A. Supreme Court Guidance ........................................... 1669
   B. Post-eBay Cases .................................................... 1672
       1. Continuing Royalties for Future Infringements ............ 1672
       2. Lump-Sum Damages for Future Infringements ............... 1674
       3. New Actions for Future Infringements ....................... 1676
IV. NO EXPRESS STATUTORY GRANT ...................................... 1677
   A. The Copyright Act of 1976 ........................................ 1678
   C. Federal Rule of Civil Procedure 62 ............................. 1684
V. FEDERAL COMMON LAW .................................................. 1684
   A. Legal Remedies: General Common Law in 1952/1976 ........... 1685
       1. The “When” To Consider ....................................... 1686
       2. The “What” To Consider ....................................... 1687
       3. Affirming the Approach ....................................... 1688
   B. Equitable Remedies: English Equity in 1789 .................. 1690
       1. The Judiciary Act of 1789 .................................... 1691
       2. Reaffirming the Relevance of English Equity ................ 1692
VI. PROSPECTIVE COMPENSATION IN ENGLAND ......................... 1696
   A. At Common Law ..................................................... 1696
   B. In Equity .......................................................... 1699
VII. PROSPECTIVE COMPENSATION IN THE UNITED STATES .......... 1708
   A. The Default Bar Against Future Damages ....................... 1708
   B. Property Law—Permanent Wrongs ................................ 1712
       1. State Common Law ............................................. 1713
       2. Federal Common Law ........................................... 1718
   C. Copyright and Patent Cases ...................................... 1720
       1. Cases Decided Before 1952 .................................... 1720
       2. Cases Decided Between 1952 and 1976 ....................... 1724
       3. Cases Decided After 1976 but Before eBay .................. 1726
   D. The Inapplicability of Antitrust Remedies ..................... 1727
VIII. THE STANDARD FOR INJUNCTIVE RELIEF REDUX ................. 1728
IX. CONCLUSION .................................................................... 1730
I. INTRODUCTION

In eBay Inc. v. MercExchange, L.L.C., the U.S. Supreme Court held that traditional equitable factors apply to injunctions in patent and copyright cases, and therefore the mere fact a defendant has infringed a patent or a copyright does not necessarily mean a final injunction should issue. The decision altered long-settled expectations. In the three years since eBay, lower courts have denied final injunctions more frequently than before and are now struggling with what relief, if any, to give prevailing plaintiffs in lieu of an injunction. Some courts permit plaintiffs to sue again. But most award prospective compensation—sometimes a lump-sum damages award or more commonly a continuing royalty—for future, postjudgment infringements. Courts often do so over the objection of plaintiffs and sometimes over the objection of infringers, thereby effectively creating a compulsory license.

In the absence of a final injunction, many plaintiffs would prefer the option of suing the defendant again. A subsequent suit might strengthen the possibility of a willful-damages award, if the plaintiff could not previously make one out, or ensure that the plaintiff will be entitled to a jury trial under the Seventh Amendment for past damages rather than receive a bench trial for prospective compensation (which is the route judges most often take). Other plaintiffs fret that prospective awards destroy their ability to exclusively license their rights to others. And at bottom, many would simply prefer to determine the license terms of their patents without the specter of compulsion by the court, even if lacking the leverage of a final injunction. License terms are often interdependent and negotiating them is much more complex than simply setting a royalty rate.

Defendants might also prefer that damages for future infringements be heard by a jury in a separate suit, rather than by the trial judge. They might favor compulsion-free negotiations, much as some plaintiffs would. But defendants also have their own concerns at stake. For one, they might disfavor lump-sum awards because of the possibility their infringements will end sooner than expected. Many also prefer placing the onus on the plaintiff to sue again—which in the best of worlds might never come to pass—rather than being prospectively bound to pay for future infringements. And though they would be loath to argue the point openly, some defendants would sooner face a money judgment for past damages, which typically would not be subject to a contempt sanction, than an equitable decree for prospective compensation, which ordinarily would be.

In the wake of eBay and its progeny, scholars have begun to closely examine the circumstances under which trial courts should grant final

2. Id. at 394. eBay involved patents, but the U.S. Supreme Court incorporated copyrights into its opinion by referring to some of its prior copyright decisions. See infra Part II.
injunctions, particularly in patent cases. Some have also opined on how courts ought to calculate or structure an award of future compensation in lieu of a final injunction. Largely absent from the literature, however, is an examination of whether federal courts actually have the authority to award compulsory prospective compensation in lieu of a final injunction.

With few exceptions, scholars and judges have assumed the courts do. Their assumptions are understandable, given that several court decisions, both pre- and post-eBay, have approved continuing royalties and lump-sum damage awards in copyright and patent cases. But none of those decisions has been rigorously questioned, and many proceed on unfounded assumptions. Indeed, when one examines those decisions closely, considering their lack of precedent and reasoning, it becomes apparent that they constitute a radical departure from federal court remedial authority.

The principal aim of this Article is to demonstrate that federal courts have no authority to award compulsory prospective compensation—whether a continuing royalty or a lump-sum damages award—for


postjudgment copyright and patent infringements. Future-damage awards and continuing royalties can be granted in lieu of an injunction only by consent of the parties. Federal courts cannot impose these remedies on plaintiffs or on defendants. Only Congress can create compulsory licenses of this nature. Thus, a plaintiff who succeeds on the merits of her case but who fails to obtain a final injunction must be allowed to periodically sue for any subsequent infringements, if she so chooses. A defendant can also refuse the granting of prospective compensation in lieu of a final injunction.

An incidental aim of this Article is to reveal that once the remedial authority of the federal courts is properly understood, courts will discover that in many of the cases where they denied final injunctions, they probably should have granted them.

This Article proceeds in several parts. Part II describes how the Court’s decision in *eBay* has triggered a monumental shift in the way courts think about final injunctions in copyright and patent cases. Part III then explores the possible alternatives to granting a final injunction—viz., continuing royalties, lump-sum awards, and successive actions—and focuses on their implementation in cases decided after *eBay*. In the same section, I demonstrate that the Supreme Court has yet to opine on the matter in a conclusive way and that the Court thus remains free to consider the issue. Given *eBay*’s growing progeny, it seems likely that litigants will ask the Court to do so in the near future.

Parts IV and V then turn to the first principles of my thesis—principles that many courts have neglected. The ability of federal courts to grant relief arises from two sources. The first is by an express statutory grant from Congress. Part IV demonstrates that neither the Copyright Act of 1976 nor the Patent Act of 1952 expressly authorizes the sort of prospective relief that lower courts have granted in lieu of a final injunction. The second source remains decisional law. It sets the default reach of a court’s remedial powers, and courts may use it to fill the interstices of a statute. Part V explains, however, that not any judge-made law will do. The Supreme Court has stated that a federal court cannot import a *legal* remedy from the common law into a reticulated statutory scheme unless that remedy was widely recognized at the time the statute was enacted. The Court’s approach for incorporating *equitable* remedies into a statute is even more restrictive. A federal court’s default equitable powers are limited to the remedies the English Court of Chancery administered circa 1789—the date our federal judiciary was founded.

Parts VI and VII then review prospective compensation in England and the United States at common law and in equity from 1660 to the present. Starting with England first, Part VI demonstrates that prospective compensation for future infringements, which some courts have wrongly characterized as a legal remedy, was not recognized at common law in England. The common law specifically prohibited future-damage awards when the claim at issue was a continuing tort subject to recurring causes of action. Part VI then reveals that postjudgment damages for continuing
wrongs only became available in England by statute in 1858, and as a matter of equity practice, not common law. Prospective compensation should therefore be classified as an equitable remedy and subject to the more restrictive review for incorporating remedies. The section concludes by demonstrating that the compulsory licenses awarded by federal courts today are *ultra vires* because they were unknown in the Court of Chancery in 1789.

Part VII then turns to American law. I begin by identifying in our common law the same bar against future damages for continuing wrongs. Though the cases later permitted prospective compensation for certain types of real-property invasions, that case law fits poorly into the patent and copyright statutes. Moreover, the remedy developed largely in equity, thereby again confirming that U.S. decisional law decided long after 1789 is immaterial in determining the default equitable remedies of the federal courts. I conclude my review by considering several patent and copyright cases that courts and commentators believe authorize imposing a continuing royalty in lieu of an injunction. Those decisions, even if relevant, do not assist courts because they are either inapposite, came after the enactment of the statutes, or did not represent the general state of the common law.

Lastly, Part VIII shows that once the remedial history and authority of the federal courts are correctly understood, it becomes evident that many post-*eBay* decisions that have denied plaintiffs a final injunction constitute an abuse of discretion. Most courts deny final injunctions because they believe that they are authorized to impose prospective compensation in lieu of an injunction and that such compensation therefore constitutes an adequate remedy at *law*. Neither premise is correct.

II. MOVING AWAY FROM FINAL INJUNCTIONS

Until very recently, a plaintiff who succeeded on the merits in a patent or copyright case, and who also demonstrated it was possible the defendant would infringe in the future, nearly always received a final injunction. Denials were usually left to cases where there was no threat of future infringement; the plaintiff had disentitled herself to equitable relief, such as through undue delay or estoppel; the amount the defendant had taken was relatively de minimis; or the public welfare counseled against a final injunction. The inadequacy of the remedies at law, which is often said to be the *sine qua non* of an injunction, rarely determined an injunction request on its own, largely because federal courts presumed that factor as a

---

matter of law. Nor did the balance of hardships matter. Defendants were thought to have reaped what they had sown.

The U.S. Court of Appeals for the Ninth Circuit expressed these sentiments in the copyright context when it stated that "as a general rule, a copyright plaintiff is entitled to a permanent injunction when liability has been established and there is a threat of continuing violations." In patent cases, the Federal Circuit similarly held that a final injunction will issue once infringement and validity of the patent have been adjudged, absent exceptional circumstances to protect the public interest.

In 2006, the Supreme Court's decision in *eBay* squarely rejected the Federal Circuit's rule, stating in a brief opinion that a plaintiff seeking a final injunction, even in a patent case, must satisfy the following "well-established" test for an injunction:

A plaintiff 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.

---


11. *Id.* at 829-30. Early on, federal judges in Pennsylvania were more inclined to dismiss patent suits in equity on the ground that the plaintiff had an adequate remedy at law, *see* Sanders v. Logan, 21 F. Cas. 321, 323 (C.C.W.D. Pa. 1861) (No. 12,295), or to deny injunctions without dismissing the suit on the ground that the defendant would suffer a severe hardship, *see* Elec. Smelting & Aluminum Co. v. Carborundum Co., 189 F. 710, 712 (C.C.W.D. Pa. 1900); McCravy v. Pa. Canal Co., 5 F. 367, 368 (C.C.E.D. Pa. 1880).

12. Universal City Studios, Inc. v. Sony Corp. of Am., 659 F.2d 963, 976 (9th Cir. 1981), *rev'd on other grounds*, 464 U.S. 417 (1984); accord Harolds Stores, Inc. v. Dillard Dep't Stores, Inc., 82 F.3d 1533, 1555 (10th Cir. 1996); Olan Mills, Inc. v. Linn Photo Co., 23 F.3d 1345, 1349 (8th Cir. 1994); Walt Disney Co. v. Powell, 897 F.2d 565, 567 (D.C. Cir. 1990); Pac. & S. Co. v. Duncan, 744 F.2d 1490, 1499 (11th Cir. 1984).


14. *eBay* Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) (citing Amoco Prod. Co. v. Gambell, 480 U.S. 531, 542 (1987); Weinberger v. Romero-Barcelo, 456 U.S. 305, 311-13 (1982)). Remedies scholars have questioned whether this four-factor test was in fact well established. Many had never heard of it and were more accustomed to seeing a three-factor test at the final-injunction stage. *See generally* Tracy A. Thomas, *eBay Rx*, 2 AKRON INTELL. PROP. J. 187, 190-91 (2008). I would add one further observation. Strangely, the Court used the past tense when describing factors (1) and (by incorporation) (2)—a blunder perhaps. Courts award injunctions to prevent irreparable harm in the future, not irreparable harm in the past. Taken literally, the Court's test means that a plaintiff who quickly obtains a temporary restraining order followed by a preliminary injunction—and who therefore will not have suffered any palpable harm by the end of the case—will be unable to obtain a final injunction. *See also* John M. Golden, *The Supreme Court as "Prime Percolator": A
District courts are to exercise their discretion to grant or withhold an injunction in a manner "consistent with traditional principles of equity." The Court stressed that it had already reached the same conclusion in copyright cases: "[We have] consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed." The Court had two cases in mind—New York Times Co. v. Tasini and Campbell v. Acuff-Rose Music, Inc.—in which similar statements were made in dicta. Truth be told, however, those two cases, (both of which I will turn to in a moment) had little if any impact on injunction practice in copyright cases. Perhaps recognizing as much, the Court signaled in eBay that courts hearing copyright cases should have taken, and certainly should now take, its prior dicta more seriously.

eBay has already had the desired effect on final-injunction practice in patent cases. Courts have begun to deny final injunctions to successful plaintiffs on grounds ignored in the past. And because the number of potential reasons for denying final injunctions has expanded, the relative number of denials has increased.

To begin with, the balance of hardships has found a renewed vitality. Courts have begun to pay closer attention to the difficulties an adjudged infringer will endure if the court issues a final injunction. But more importantly, courts are now also denying final injunctions because they no longer presume that all remedies at law are inadequate. This "categorical" presumption has been discarded in many cases, and defendants have sometimes convinced courts that plaintiffs have an adequate remedy at law for future infringements in the form of future damages or continuing royalties. A judge in one case stated, for instance, that "given the fact there are damages available and future damages available, it doesn’t seem


15. eBay, 547 U.S. at 394.
16. Id. at 392–93 (citations omitted).
19. Accord 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 13.2.1.1, at 13:42 (3d ed. Supp. 2008). Several cases had acknowledged these decisions. Most involved preliminary, rather than final, injunctions, and none actually denied or directed the denial of an injunction to a plaintiff who had succeeded on the merits. E.g., Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc., 342 F.3d 191, 207 (3d Cir. 2003); Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1265, 1276 (11th Cir. 2001); Sony Computer Entm’t, Inc. v. Connectix Corp., 203 F.3d 596, 608 n.11 (9th Cir. 2000); Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104, 111–12 (2d Cir. 1998); Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 932 n.19 (2d Cir. 1994).
irreparable. . . . [A] compulsory license [will] adequately compensate” the plaintiff. 22 Another judge held that a plaintiff’s future losses could “be remedied via monetary damages.” 23

Even when final injunctions are granted, some courts are reaching that decision only after seriously considering whether future, lump-sum damages or ongoing royalties are appropriate. 24

III. ALTERNATIVES TO A FINAL INJUNCTION

Although the Supreme Court signaled in eBay that district courts should more rigorously screen final-injunction requests, the Court never explained what lower courts should do if they decide to deny a final injunction to a plaintiff who has succeeded on the merits. The reluctance to opine on the matter is understandable, as it was not squarely presented.

A. Supreme Court Guidance

The Supreme Court has, however, offered some guidance on the subject—sometimes in dissenting opinions, other times in concurring opinions, and at best always as obiter dicta. Justice Kennedy, for example, joined by Justices Stevens, Souter, and Breyer, offered one view in his concurrence in eBay. He suggested that “legal damages” might be an appropriate alternative:

When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest. 25

Justice Kennedy offers little else. But given his obvious and demonstrated understanding of the difference between legal damages and equitable monetary relief, 26 we must presume that by using the former he meant to exclude a continuing royalty, which by its nature can only be equitable. 27

26. Mertens v. Hewitt Assocs., 508 U.S. 248, 253–58 (1993) (joining opinion of the Court); see also Lorillard v. Pons, 434 U.S. 575, 583 (1978) (noting that “legal” is a term of art, which, when used to describe a remedy, is often used in contradistinction to the term “equitable”).
27. See infra text accompanying note 344.
Less clear is whether he meant to exclude a lump-sum award of future damages in lieu of a final injunction—which is also an equitable remedy (as I will explain in Parts VI and VII below)—and meant to include only subsequent actions for past damages. Justice Kennedy’s concurrence in eBay is not the only time members of the Court have suggested that some form of monetary relief might be proper in lieu of a final injunction. The issue arose prior to eBay in three copyright cases. In each case, the Court or some of its members stated that a final injunction may not always be the appropriate way to remedy continuing infringement. Moreover, the Court, or its members, went further in each of these cases and suggested that future damages or a continuing royalty might serve as the most sensible alternative to granting a final injunction.

Alternative relief first arose in Sony Corp. of America v. Universal City Studios, Inc.—commonly known as the Betamax decision. There, the trial court held that Sony was not directly or secondarily liable for copyright infringement caused by the use of its videotaping machines. The trial court further stated that, even if it were to hold Sony liable, the court would decline to grant a final injunction. The Ninth Circuit reversed, finding that Sony had infringed. It directed the trial court to reconsider whether a final injunction was proper and declared that an award of future damages or a continuing royalty might “very well be an acceptable resolution in this context.” The court borrowed this latter suggestion from Melville Nimmer, who had advocated for it in his treatise on copyright law.

On certiorari, the Supreme Court held that Sony was not secondarily liable for infringement. The outcome mooted any need to discuss whether a final injunction or an alternative form of relief, such as prospective compensation, might be appropriate. But four dissenting justices—all of whom believed Sony probably did infringe and that the majority had reached the opposite conclusion to avoid a shutdown of the technology by injunction—opined that “it seem[ed] likely that a broad injunction is not the

28. Paul Goldstein reads Justice Kennedy’s concurrence to include not only a lump-sum future damages award, but also a disgorgement of all the apportioned profits the defendant is expected to earn from future infringements. See 2 GOLDSTEIN, supra note 19, § 13.2.1.1, at 13:39. Because the disgorgement of past profits in intellectual property is undoubtedly an equitable remedy, rather than a legal one, it would seem a fortiori that Justice Kennedy could not have meant to include an award of the defendant’s future profits.
31. Id. at 468–69.
33. Id. at 976.
34. Id. (citing 3 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 14.06[B], at 14-53 to 14-54 (1981)). Melville Nimmer is therefore partly responsible for leading courts down this path. See also infra note 325. For more on the influence wielded by the Nimmer treatise, see Ann Bartow, The Hegemony of the Copyright Treatise, 73 U. Cin. L. Rev. 581 (2004).
remedy that would be ordered."

Disclaiming any view on what precise remedy they would have fashioned in the case, Justice Harry Blackmun wrote that "an award of damages, or continuing royalties, or even some form of limited injunction, may well be an appropriate means of balancing the equities in this case."

In *Campbell v. Acuff-Rose Music, Inc.*, the Court briefly addressed the issue again. The decision is best known for discussing parodic fair use, but it also stated that the purposes of copyright were "not always best served by automatically granting injunctive relief when parodists are found to have gone beyond the bounds of fair use." The Court did not expressly repeat Justice Blackmun's suggestion in *Sony* that future damages or a continuing royalty might be suitable replacements for a final injunction. Rather, the Court more subtly indicated as much by citing with approval the Ninth Circuit's decision in *Abend v. MCA, Inc.*, where that court had again suggested that damages or a continuing royalty might be appropriate.

More recently, in 2001, a majority of the Supreme Court expressly stated, albeit in dictum, that a continuing royalty might be proper. The issue in *New York Times Co. v. Tasini* was whether freelance authors who had previously published their articles in periodicals could later prohibit republication in electronic databases. The Court held that they could because the exceptions for "revisions" under 17 U.S.C. § 201 did not apply. Responding to a concern that its holding would adversely affect the availability of digital databases, the Court noted that "it hardly follows from today's decision that an injunction against the inclusion of these Articles in the Databases . . . must issue." The Court then suggested that litigants, courts, and Congress could draw on the compulsory-licensing schemes utilized in other sections of the Copyright Act as an alternative.

Though the Supreme Court's guidance on this subject cannot be cast aside lightly, none of the aforementioned pronouncements is binding. Some arose in dissents, others in concurrences, some only by reference, and the remainder as obiter dicta. Moreover, the Court never once directly stated that federal courts have the power to impose these prospective remedies on the parties without their consent. The Court has thus never directly confronted the issue and it remains free to fully consider what

---

36. *Id.* at 499 (Blackmun, J., joined by Marshall, Powell, and Rehnquist, JJ., dissenting).
37. *Id.* Bill Patry was given access to Justice William Brennan's papers in *Sony*, and Patry recounts in his treatise that Justice Brennan doubted whether federal courts had the authority to impose a continuing royalty. See 6 PATRY, supra note 5, § 22.75.
relief, if any, may be proper in lieu of a final injunction in patent and copyright cases.

B. Post-eBay Cases

Post-eBay courts have utilized three approaches in lieu of granting a final injunction: (1) continuing royalties; (2) lump-sum future damages; and (3) successive actions. The continuing-royalty approach is fast becoming the most popular alternative. Courts award continuing royalties to prevailing plaintiffs, rather than permitting successive suits, to ensure that defendants can continue to infringe unmolested, and often courts do so without the plaintiff’s consent.\footnote{42} Courts have also awarded lump-sum awards, but this usually occurs at the request of plaintiffs during trial. Nevertheless, some judges have indicated that they might award lump-sum damages over the objection of plaintiffs, to say nothing of a defendant’s objection to having to pay an upfront fee. Lastly, a handful of post-eBay cases have provided for no alternative relief at all, leaving plaintiffs to sue again periodically as subsequent infringements occur.

1. Continuing Royalties for Future Infringements

Many courts permit the defendant to infringe the plaintiff’s patent or copyright so long as it pays a continuing royalty. In these cases, the court orders the defendant to pay an amount per infringing product made or sold, or a percentage of the defendant’s gross revenues from the infringing product. A continuing royalty is not a sum-certain award. It is instead a contingent award whose total effect cannot be known until after the court determines, on some periodic basis after judgment, the number of postjudgment infringing products the defendant made or sold. An ongoing royalty is an equitable remedy and has been treated as such by the cases.\footnote{43} Moreover, as a consequence of the in personam nature of the order, the court retains the power to hold a defendant in contempt for failing to pay a continuing royalty.\footnote{44} This approach differs from an ordinary money judgment for past damages, which normally would be subject to a writ of execution or other state-law process rather than coercive contempt.\footnote{45}

\textit{Finisar Corp. v. DirecTV Group, Inc.}\footnote{46} illustrates this approach. There, the plaintiff owned a patent covering a method for communicating over a
satellite. A jury found the defendant had infringed the patent and awarded $78.9 million in past damages based on a royalty rate of $1.32 per infringing unit. The court declined to award a final injunction. Finisar did not practice the invention, and the court took this to mean that Finisar would not suffer irreparable harm in the absence of a final injunction. The court instead granted a “compulsory license,” that is to say, the defendants were ordered to pay for the remaining life of the patent a higher judge-imposed royalty of $1.60 per infringing unit. Though the court did not explain the legal basis for this award in a written order, a transcript from the hearing makes clear that the court had relied on Foster v. American Machine & Foundry Co., a case I discuss below in Part VII.C.

Not long after Finisar, another judge from the same district ordered an ongoing royalty. In Paice LLC v. Toyota Motor Corp., the plaintiff held patents on hybrid drivetrain technology. The jury found for the plaintiff and awarded damages for past infringement based on a reasonable royalty of $25 per infringing vehicle. The district court denied the plaintiff a final injunction, reasoning that the plaintiff would not suffer irreparable harm without the injunction and that prospective compensation would be an adequate remedy. The judgment thus stated, “Defendants are hereby ORDERED, for the remaining life of the '970 patent, to pay Plaintiff an ongoing royalty of $25.00 per infringing [vehicle].”

Both sides appealed. The Federal Circuit affirmed the award of a continuing royalty but remanded for the district court to reevaluate the royalty rate and provide a reviewable factual basis. Relying on its previous decision in Shatterproof Glass Corp. v. Libbey-Owens Ford Co., and (incorrectly) on cases where the Supreme Court had approved the use of royalties for antitrust violations, the court held that in some circumstances “awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.”

47. Transcript of Hearing, supra note 22, at 125.
51. Id. at *4–5.
53. Id. at 1315. Paice did not appeal the denial of the final injunction per se.
54. 758 F.2d 613 (Fed. Cir. 1985); see also infra Part VII.C.
55. See United States v. Glaxo Group Ltd., 410 U.S. 52, 59 (1973); see also infra text accompanying note 421.
56. Paice, 504 F.3d at 1314. Concurring, Judge Randall Rader raised concerns over the compulsory nature of the royalty, suggesting that the trial court should first seek the parties' permission before setting the rate. Id. at 1316 (Rader, J., concurring). But ultimately, he
Notably, the Federal Circuit also held that the ongoing royalty for future infringements was an equitable remedy (correctly, I might add) and that therefore Paice had no Seventh Amendment right to have a jury decide the royalty rate.\(^{57}\) This must be contrasted with cases holding that reasonable royalties for past infringements are subject to the Seventh Amendment’s right to a jury trial.\(^{58}\)

In another recent case, a trial court adopted the royalty approach in lieu of an injunction over the objection of the infringer.\(^{59}\) The court denied a final injunction after weighing the balance of hardships and focusing on the patent holder’s “showing of prospective harm, [and] how that harm may be remedied.”\(^{60}\) The court then refused the infringer’s request that the patentee file new complaints on a quarterly basis as new infringements arose. The court sided with the patentee’s request to order an ongoing royalty, which was “merely a nice way of saying ‘compulsory license.’”\(^{61}\) The parties were ordered to confer on the possible license terms, and the court indicated it would impose its own terms if the parties failed to agree.\(^{62}\)

2. Lump-Sum Damages for Future Infringements

As another alternative to a final injunction, a court might award the plaintiff a single lump sum for all future infringements for the life (or a shorter term) of the patent or copyright. In essence, the defendant would be purchasing a nonexclusive license to continue the same form of infringement into the future, subject only to the scope and restrictions inherent in the doctrines of issue and claim preclusion or any terms set by the court. The lump-sum approach differs from a continuing royalty in concluded that if the parties could not agree then the trial “court would retain jurisdiction to impose a reasonable royalty to remedy the past and ongoing infringement.” \(\text{Id. at 1317.}\)


\(^{60}\) Id. at 986.

\(^{61}\) Id.

several respects. The precise dollar amount of the award for all future infringements is determined once and for all at the time of judgment. Though the amount, of course, depends on proof that the future acts are more likely to occur than not, the amount awarded does not depend on whether those future events actually occur, as it does in the case of a continuing royalty. Thus, as with any other judgment that awards lump-sum future damages, we may eventually learn that the amount awarded overcompensated or undercompensated the plaintiff.

A hybrid form of relief—a lump sum and an ongoing royalty—was awarded in *Innogenetics, N.V. v. Abbot Laboratories*. The jury, after finding willful infringement, awarded the plaintiff $7 million in damages. A portion of that amount represented a market-entry fee of $5.8 million, which contemplated not only past infringements but postjudgment infringements as well. The remaining $1.2 million represented a royalty for past infringements only. The plaintiff obtained a final injunction.

On appeal, the Federal Circuit vacated the injunction because the defendant had partially purchased a right to infringe. It noted that, in assessing a market-entry fee, the jury had not been “limited to a period from the start of infringement to the date of judgment.” Consequently, the award of $5.8 million was not for past infringement only. The Federal Circuit held that “[w]hen a patentee requests and receives such compensation, it cannot be heard to complain that it will be irremediably harmed by future sales.” The case was remanded for the trial court to enter a compulsory license for post judgment sales according to the same royalty rate set by the jury for past infringements.

An award of future compensation in the form of the infringer’s expected profits from future infringements was recently sought in a high-profile dispute between Mattel, Inc., maker of the Barbie doll, and MGA Entertainment, Inc., maker of the Bratz dolls. On August 26, 2008, a jury found that MGA had infringed Mattel’s copyrights in the Barbie doll. The jury awarded Mattel $10 million in disgorged profits for the pretrial infringement. Notably, Mattel had also asked during trial for an award of MGA’s future profits, which the jury declined to give. Counsel for Mattel conceded that such an award would have obviated the need for a final

---

63. 578 F. Supp. 2d 1079 (W.D. Wis. 2007).
64. Id. at 1083; *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1380 (Fed. Cir. 2008).
66. *Innogenetics*, 512 F.3d at 1380.
67. Id.
68. Id.
69. Id. at 1380–81.
70. MGA Parties’ Opposition to Mattel’s Motion for Permanent Injunction at 1, Bryant v. Mattel, No. CV 04-9049 SGL (RNBx) (C.D. Cal. Oct. 13, 2008), 2008 WL 4721714 [hereinafter MGA Opposition].
injunction.\textsuperscript{72} The trial court eventually granted Mattel a final injunction, and the case is presently on appeal.\textsuperscript{73}

In the cases noted above, the plaintiffs sought an award of lump-sum compensation at trial, perhaps because they preferred it to a final injunction. The district court did not force it upon them (thought it might be said that the award might have been forced upon the defendants). But at least one district judge in the U.S. District Court for the Eastern District of Texas, a district known for regularly hearing patent suits, has proposed in several cases that he will ask juries to consider future damages (or continuing royalties) at trial, even over the objection of a plaintiff,\textsuperscript{74} in order to conserve judicial resources in the event he declines to enter a final injunction at the conclusion of the case:

The parties are hereby advised that the court is considering submitting to the jury a damages question regarding future damages, such as an ongoing royalty rate.\ldots

\ldots

In many cases, it makes sense to combine consideration of past and future damages because, to some extent, many of the factors to be analyzed are similar or even identical. Submission of an issue on an appropriate ongoing royalty rate, or other appropriate future method of calculating damages, to the jury may avoid the need for a later bench trial on this issue, conserving the time and resources of the court and the parties.\textsuperscript{75}

The same judge noted in another case that determining future damages or royalties "in a patent case is no more difficult than the task commonly performed by jurors in federal and state courts, when asked to calculate loss of future earning capacity, future medical expenses, future pain and suffering, or future lost profits."\textsuperscript{76}

3. New Actions for Future Infringements

The last alternative to granting a final injunction is to leave the plaintiff to sue again as subsequent infringements occur. I have already described why the parties might prefer this option over a compulsory license.\textsuperscript{77}

\textsuperscript{72} MGA Opposition, supra note 70, at 3–4.
\textsuperscript{74} See Cummins-Allison Corp. v. SBM Co., 584 F. Supp. 2d 916, 916–17 (E.D. Tex. 2008).
\textsuperscript{76} Ariba, Inc. v. Emptoris, Inc., 567 F. Supp. 2d 914, 918 (E.D. Tex. 2008).
\textsuperscript{77} See supra Part I.
z4 Technologies, Inc. v. Microsoft Corp.\textsuperscript{78} illustrates this approach. After the jury returned a verdict for the plaintiff, the court, upon finding no irreparable harm, denied the plaintiff's request for a final injunction. Any future harm, the court held, "can be adequately remedied through the recovery of monetary damages."\textsuperscript{79} The court then declined to award prospective damages. Instead, the court ordered the plaintiff to file a new action to recover whatever damages would accrue from any new, postverdict infringements.\textsuperscript{80}

Few courts post-\textit{eBay} have expressly directed a plaintiff to sue again as in \textit{z4}.\textsuperscript{81} But there exists an analog, and that is where the court denies a final injunction and does not provide an alternative form of relief. By default, if the defendant's infringement continues, the plaintiff has no other recourse than to file another action. This analog appears to have happened in \textit{eBay} on remand\textsuperscript{82} and in a number of other recent patent and copyright cases.\textsuperscript{83}

\textbf{IV. NO EXPRESS STATUTORY GRANT}

One of the most remarkable things about the cases discussed in Part III above, and the many other cases I discuss in Parts VI and VII below, is the courts that award lump-sum damages or a continuing royalty for future infringements rarely consider, let alone cite, the copyright or patent statutes for authority. With but few exceptions, the courts granting prospective compensation never engage in any statutory construction. This is unfortunate given that litigants and courts should always begin (and must sometimes end) their analysis with the applicable statute. But it is also quite revealing. If courts granting continuing royalties believed the statutes gave them the authority to do so, they would be citing them.

The sections that follow first review the statutes using conventional statutory interpretation—\textit{viz.}, ordinary meaning and legislative history. Subsequent sections consider whether federal courts can nevertheless borrow and incorporate other remedies from the common law.\textsuperscript{84} A review of the statutes demonstrates that neither the Copyright Act of 1976\textsuperscript{85} nor the

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{78} 434 F. Supp. 2d 437 (E.D. Tex. 2006).
\item \textsuperscript{79} \textit{Id.} at 444.
\item \textsuperscript{80} \textit{Id.} at 444–45. The Federal Circuit affirmed the verdict but was neither asked to review, nor did it consider, the district court's denial of a final injunction. z4 Techs., Inc. v. Microsoft Corp., 507 F.3d 1340 (Fed. Cir. 2007).
\item \textsuperscript{82} MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 590–91 (E.D. Va. 2007).
\item \textsuperscript{84} See \textit{infra} Parts V–VII.
\end{itemize}
\end{footnotesize}
Patent Act of 1952\textsuperscript{86} expressly allows prospective compensation. Federal Rule of Civil Procedure 62 permits courts to impose continuing royalties after judgment but only while staying an injunction pending an appeal.

A. The Copyright Act of 1976

The Copyright Act of 1976, as amended, provides no express statutory basis for granting future compensation for postjudgment infringements.

The provision empowering courts to grant injunctions, for example, cannot be read to permit an ongoing royalty or lump-sum, future-damages award in lieu of an injunction. Section 502(a) provides,

> Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28 [which governs claims against the United States and its proxies], grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.\textsuperscript{87}

First, the section mentions only “injunctions.” A lump-sum award for damages expected from future infringements is not an injunction. Nor is an order that requires a defendant to pay an ongoing royalty for future infringements. Both forms of prospective compensation differ from the prototypical prohibitory injunction, which “restrain[s] a defendant from the commission or continuance of some act,” or the mandatory injunction, which orders a defendant to “restore things to their former condition.”\textsuperscript{88}

Even if we could classify a prospective money award as an “injunction,” that type of award would still fall outside the scope of § 502(a). An award that permits the defendant to continue to infringe the plaintiff’s copyright upon the payment of money can hardly be seen as “prevent[ing] . . . infringement of a copyright.”\textsuperscript{89} But perhaps Congress meant something more expansive by also using the word “restrain.” If a continuing royalty or lump-sum award is an injunction, for purposes of the statute, can we characterize such an award as one that “restrain[s] infringement of a copyright”?

Putting aside for the moment that “restrain” often means “prevent” in its first sense,\textsuperscript{90} it also means to keep under control or within limits.\textsuperscript{91} Under this definition, one can see how a continuing-royalty award (though not a

\textsuperscript{87} 17 U.S.C. § 502(a).
\textsuperscript{89} 17 U.S.C. § 502(a).
\textsuperscript{90} WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1936, sub restrain 1a (Phillip Babcock Gove ed., 1986). Early treatise authors on intellectual-property law used the terms “restrain” and “prevent” interchangeably and never with any apparent distinction. Take, for example, the patent treatise written by George Curtis. Writing at a time when the Patent Act utilized the word “prevent” rather than “restrain,” Curtis entitled his chapter on injunctions: “Of the Remedy in Equity to Restrain Infringements.” GEORGE T. CURTIS, A TREATISE ON THE LAW OF PATENTS 538 (4th ed. Boston, Little, Brown & Co. 1873).
\textsuperscript{91} WEBSTER’S, supra note 90, at 1936, sub restrain 1b.
lump-sum award) might keep infringement under control. The defendant must pay for each new infringement, and the total amount due will depend on the number of infringing uses made. But whether a continuing royalty would actually restrain the number of infringements is a factually intensive issue. A rate of ten cents a unit (perhaps an entirely reasonable rate) on a product that carries a profit margin of ten dollars might have no restraining effect. It would seem, then, at the very least, that a continuing royalty could only qualify under § 502(a) if it was designed to constrain and in fact would restrain the infringing uses.

In any case, the point seems moot given that the history of the copyright laws demonstrates that Congress intended “restrain” to be synonymous with “prevent.” Section 502(a) traces its origins to the first express grant of injunctive authority in a statute from 1819, which had solely used the word “prevent”:

Be it enacted . . . [t]hat the circuit courts of the United States[. . . ] . . . upon any bill in equity, filed by any party aggrieved in any [copyright or patent case], shall have authority to grant injunctions, according to the course and principles of courts of equity, to prevent the violation of the rights of any authors or inventors . . . on such terms and conditions as the said courts may deem fit and reasonable . . . .

Subsequent amendments to the basic remedial provision retained similar language until 1909. In that year, Congress added the word “restrain” as a miniscule part of its comprehensive overhaul of the copyright laws. Section 36 of the new statute empowered courts to enter injunctions “to prevent and restrain the violation of any right secured” by the copyright laws. The legislative history of the law makes clear, however, that this change was considered nonsubstantive. Commenting on a draft bill that contained the new language, a House Report stated in 1907 that the “third paragraph in section 29 [which contains the language relevant here and which was eventually renumbered section 36] practically reenacts [the prior law],” with the sole exception being new rules on the service of injunctions. A subsequent House Report in 1909 also carried the same commentary. Importantly, the legislative history of the Copyright Act of 1976 demonstrates that Congress did not intend to alter prior law either.

---

96. H.R. Rep. No. 2222, at 18 (1909), reprinted in 6 LEGISLATIVE HISTORY, supra note 95, pt. S; accord ARTHUR W. WEIL, AMERICAN COPYRIGHT LAW 513 (1917) (noting that section 36 was a reenactment of prior law).
97. An index of the legislative history relevant to § 502(a) of the Copyright Act of 1976 may be found in 3 THE KAMINSTEIN LEGISLATIVE HISTORY PROJECT: A COMPREHEND AND ANALYTICAL INDEX OF MATERIALS LEADING TO THE COPYRIGHT ACT OF 1976, at 111–39 (Alan Latman & James F. Lightstone eds., 1983) [hereinafter KAMINSTEIN].
The damages provision of the Copyright Act, § 504, also does not expressly provide for prospective monetary relief. That provision states that a 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." The provision is susceptible, at least in theory, to permitting some or all of the following forms of monetary relief:

1. Damages the plaintiff suffered before judgment from infringements occurring before judgment;
2. Profits the defendant earned before judgment from infringements occurring before judgment;
3. Damages the plaintiff will suffer after judgment from infringements occurring before judgment;
4. Profits the defendant will earn after judgment from infringements occurring before judgment;
5. Damages the plaintiff will suffer after judgment from infringements occurring after judgment; and
6. Profits the defendant will earn after judgment from infringements occurring after judgment.

The statute makes no mention of a reasonable-royalty award.

The first two forms of compensation—(1) and (2)—are entirely backward looking and expressly fall within the ambit of the statute. They represent the typical forms of relief, are beyond reproach, and therefore merit no further discussion. Equally clear is that the statute does not expressly provide for the prospective compensation found in categories (3), (4), (5), or (6). Indeed, one can go so far as to argue that the statute

99. An award under categories (1), (2), (3), or (4) is entirely compatible with the entry of a final injunction, whereas an award under (5) or (6) is not and would preclude an injunction.
100. Nevertheless, it has long been recognized in the patent context that a reasonable royalty can be used as a measure of category (1) awards. See Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641, 649 (1915). One might thus argue the same for copyrights.
101. I have only a marginal interest in categories (3) and (4), and what I do have to say about them can be outlined quickly here. It is not often that a court must decide whether an infringement occurring before judgment creates postjudgment continuing losses (on the plaintiff’s side) or continuing gains (on the defendant’s side) that stem from the same act or acts of prejudgment infringement. A handful of modern cases have permitted or acknowledged the possibility of category (3) awards, so long as they are nonspeculative. See Mary Ellen Enters. v. Camex, Inc., 68 F.3d 1065, 1069–70 (8th Cir. 1995); Applied Innovations, Inc. v. Regents of the Univ. of Minn., 876 F.2d 626, 637 (8th Cir. 1989); Cream Records, Inc. v. Jos. Schlitz Brewing Co., 754 F.2d 826, 827–28 (9th Cir. 1985); Abeshouse v. Ultragravics, Inc., 754 F.2d 467, 470–71 (2d Cir. 1985); Baldwin Cooke Co. v. Keith Clark, Inc., 420 F. Supp. 404, 408 (N.D. Ill. 1976). My subsequent analysis in Parts VI and VII below demonstrates that those decisions are consistent with the common law prior to 1976.

Less clear is whether category (4) awards are permitted as a matter of equity. One modern decision has assumed that they are, albeit without actually deciding the issue. See Walker v. Forbes, Inc., 28 F.3d 409, 414 n.5 (4th Cir. 1994). Another court rejected an
expressly prohibits categories (3) and (5) because of its use of the past tense "suffered." How can a court state that a plaintiff has suffered a loss when the court expects that very loss to occur in the future? Less clear is whether the statute also expressly prohibits category (4) and (6) awards. The statute does not use the past tense when referring to an infringer's profits. The legislative history suggests, however, that with one exception, no material change was sought from the Copyright Act of 1909. That act had more clearly limited disgorgement of profits to those earned in the past.

The fact that a prospective award for postjudgment infringements is outside the express scope of § 502(a) and § 504 becomes even more apparent when one considers other sections of the copyright statute. In § 405(b), for example, Congress grants federal courts the power to grant prospective compensation in lieu of a final injunction in a very limited circumstance, namely where a person innocently infringes a work that was published without the requisite copyright notice before March 1, 1989:

In a suit for infringement in such a case the court . . . may enjoin the continuation of the infringing undertaking or may require, as a condition for permitting the continuation of the infringing undertaking, that the infringer pay the copyright owner a reasonable license fee in an amount and on terms fixed by the court.

Congress has also indicated in other sections that federal courts are not to grant final injunctions where the defendant compensates the plaintiff for award on the ground that it would be speculative. See Burns v. Imagine Films Entm't, Inc., No. 92-CV-2438, 2001 WL 34059379, at *5–6 (W.D.N.Y. Aug. 23, 2001). Bill Patry believes future, postjudgment gains from prejudgment infringements are not permitted, citing a Supreme Court decision that he believes prohibits a category (4) award under the Copyright Act of 1909 and thus by implication the 1976 Act. See 6 PATRY, supra note 5, § 22:116 (“The recovery is actual, not future, profits.” (footnote omitted) (relying on Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 399–400 (1940))). Patry's reading of Sheldon is slightly off. He relies on a portion of the Sheldon opinion where the Supreme Court states that “[t]he infringer is liable for actual, not for possible gains.” Sheldon, 309 U.S. at 400 (internal quotation marks omitted). That statement quotes from Tilghman v. Proctor, 125 U.S. 136, 146 (1888), a patent case. Tilghman was not referring to future profits. Rather, by stating that the recoverable profits were those the defendant actually made, the Court meant to exclude profits the defendant could have made had she more prudently run her own business. Id.; see also Dean v. Mason, 61 U.S. (20 How.) 198, 203 (1857); Livingston v. Woodworth, 56 U.S. (15 How.) 546, 549, 555–56 (1853). In any event, my analysis of equity practice in Part VI.B, infra, demonstrates that Patry's ultimate conclusion is correct.


continued use of the copyrighted work. These compulsory licenses may be found in numerous provisions of the Copyright Act.\footnote{106. See, e.g., id. §§ 104A(d)(3), 112(e), 115, 118. Congress has also recently considered empowering courts to award reasonable compensation in lieu of an injunction in cases involving orphaned works. Orphan Works Act of 2008, H.R. 5889, 110th Cong. § 2(a) (2008); Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. § 2(a) (2008); cf. UNIF. TRADE SECRETS ACT § 2(b) (1985) (legislating a continuing royalty in lieu of a final injunction).}

In short, Congress knows precisely how to grant courts authority to award prospective compensation, and its failure to do so in the contexts discussed in this Article strongly indicates that those contexts are not susceptible to prospective monetary relief.\footnote{107. Accord Mass. Mut. Life Ins. Co. v. Russell, 473 U.S. 134, 144 (1985).}

In light of the foregoing, federal courts would be hard pressed to hold that the copyright statute expressly allows prospective compensation for postjudgment infringements. Indeed, one could argue that the statute expressly prohibits as much in light of its language and structure. But let us assume for the sake of argument that the statute is silent on this point. One must then determine whether Congress intended to incorporate prospective awards by resorting to the general common law. That is a task I will turn to shortly and in detail in Parts V–VII, where I focus on whether a lump-sum future damages award or continuing royalty can be read into the statute.


The Patent Act of 1952 also does not expressly authorize compensation for postjudgment infringements. The statutory analysis of the Patent Act largely tracks the analysis under the Copyright Act, with some exceptions. Take the injunction provision for instance. Section 283 provides that “[t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”\footnote{108. 35 U.S.C. § 283 (2006).}

The provision is almost identical to § 502 of the Copyright Act, and insofar as it differs the language is more restrictive. Whereas the copyright statute states “prevent or restrain,” the patent statute solely states “prevent.” As previously explained, a lump-sum award or continuing royalty that allows future infringements can hardly be seen as preventing violations.\footnote{109. Accord Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1314–15 (Fed. Cir. 2007).}

The damages provision in the Patent Act also does not expressly authorize prospective awards, despite its language being broader in some respects than its copyright counterpart. Section 284 provides in part, “Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer,
PROSPECTIVE COMPENSATION

together with interest and costs as fixed by the court. The provision is susceptible, at least in theory, to permitting some or all of the following forms of monetary relief:

1. Damages the plaintiff suffered before judgment from infringements occurring before judgment;
2. A reasonable royalty for infringements occurring before judgment;
3. Damages the plaintiff will suffer after judgment from infringements occurring before judgment;
4. Damages the plaintiff will suffer after judgment from infringements occurring after judgment; and
5. A reasonable royalty for infringements occurring after judgment.

As with the copyright statute, categories (1) and (2) are backward looking and must fall within the ambit of the statute. The statute is silent, however, with respect to categories (3), (4), and (5). Unlike the copyright statute, § 284 contains no use of the past tense. As such, one cannot argue that the statute expressly prohibits prospective money awards. Other scholars have argued that we must nevertheless read an implicit prohibition into the statute given Congress's repeated reluctance to amend the Patent Act to permit more compulsory licenses. As that ground has


111. An award under categories (1), (2), or (3) is entirely compatible with the entry of a final injunction, whereas an award under (4) or (5) is not and would preclude an injunction.

112. Once again, I have only a tangential interest in category (3) awards. Several patent cases have addressed whether an infringement occurring before judgment can create actionable postjudgment continuing losses on the plaintiff's side that stem from the same act or acts of prejudgment infringement. In most cases, the courts have declined on the facts to permit category (3) awards because the evidence presented was too speculative. See Shockley v. Arcan, Inc., 248 F.3d 1349, 1362-64 (Fed. Cir. 2001); Oiness v. Walgreen Co., 88 F.3d 1025, 1031 (Fed. Cir. 1996); Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1581 (Fed. Cir. 1992). But the awards have been held appropriate in other cases. See Lam, Inc. v. Johns-Manville Corp., 718 F.2d 1056, 1068 (Fed. Cir. 1983); BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc., 687 F. Supp. 134, 137-38 (S.D.N.Y. 1988), rev'd in part on other grounds, 1 F.3d 1214 (Fed. Cir. 1993). For a lengthier discussion of category (3) awards, see Christopher S. Marchese, Patent Infringement and Future Lost Profits Damages, 26 ARIZ. ST. L.J. 747 (1994). My subsequent analysis in Parts VI and VII demonstrates that decisions allowing these awards are consistent with the common law as it existed in 1952.

113. See Andrew Beckerman-Rodau, The Supreme Court Engages in Judicial Activism in Interpreting the Patent Law in eBay, Inc. v. MercExchange, L.L.C., 10 TUL. J. TECH. & INTELL. PROP. 165, 204-05 (2007); Stockwell, supra note 4, at 756. The number of statutory compulsory royalties for patents is small. See 42 U.S.C. §§ 2183, 7608 (2006); cf. also 35 U.S.C. § 287(c)(1) (eliminating the availability of injunctive relief against medical practitioners). For an account of failed legislative efforts to add more from 1911 to 1946,
already been covered, I will say nothing more about it here. Suffice it to say, the statute neither expressly authorizes prospective awards nor does it expressly prohibit them. We must therefore resort to an analysis of the decisional law.

C. Federal Rule of Civil Procedure 62

Before turning to that inquiry, I must acknowledge that federal courts are empowered to impose a continuing royalty or bonded lump sum for postjudgment infringements in cases where a final injunction has been ordered and the court has chosen to stay the injunction pending an appeal. This occurs most often when a court has doubts about the merits of the case or the propriety of the injunction.114 Federal Rule of Civil Procedure 62 broadly permits a trial court to protect a plaintiff’s interests during appeal and in a manner that could include royalties: “While an appeal is pending from [a] . . . final judgment that grants . . . an injunction, the court may suspend . . . [the] injunction on terms for bond or other terms that secure the opposing party’s rights.”115 Similar language and powers may be found in the corresponding federal rule of appellate procedure.116 Obviously a plaintiff would likely not object to such interim measures. But a defendant might, so these rules make clear that courts can impose them.

V. FEDERAL COMMON LAW

Let us now return to whether other remedies not within the express scope of the copyright and patent statutes can be imported. Federal courts are permitted to create substantive common law beyond what conventional statutory interpretation reveals. Indeed, federal common law can develop in various ways. In its broadest sense, courts can create law from scratch, without any regulatory backdrop whatsoever, so long as the court has subject-matter jurisdiction. This occurred previously, and most notably, in diversity cases where no state statute provided the rule of decision.117 The Supreme Court discredited that approach in Erie Railroad Co. v. Tompkins,118 but an exception persists today where the rights and obligations of the United States are at issue.119 Admiralty and maritime are

115. FED. R. CIV. P. 62(c).
118. 304 U.S. 64 (1938).
other areas where federal courts can create common law out of whole cloth.120

Federal common law can also arise when a federal statute or rule applies. In rare cases, the rule or statute expressly instructs courts to create common law.121 But more typically, courts create law by finding that Congress has implicitly instructed them to do so. This might occur, for instance, by recognizing a private cause of action in a federal statute that fails to provide for one.122 Other examples include where Congress expressly creates jurisdiction over certain disputes without enacting meaningful substantive provisions, thus leaving the courts to fashion them.123 In other cases, Congress does provide substantive guidance, but omits any mention of the available remedies, and courts may then incorporate the remedies usually available at law and equity.124

Finally, in some circumstances an intricate statute carries all of the above—jurisdictional, substantive, and civil remedial provisions—and yet courts sometimes still incorporate other remedies recognized at common law.125 The following two sections discuss when legal and equitable remedies, respectively, can be incorporated into an intricate statute.

A. Legal Remedies: General Common Law in 1952/1976

The Supreme Court has stated several times that Congress cannot be expected to exhaustively legislate every rule of decision in a reticulated statutory scheme. Justice Robert Jackson acknowledged the "futility of attempting all-complete statutory codes,"126 and it has become common and uncontroversial for federal courts to fill the interstices of federal statutes and rules by drawing from the common law. Congress is presumed to expect, and therefore presumed to intend, that courts will consider the decisional backdrop when reading a statute. The source of the common law—the what to look to—and the time frame to consider—the when to look to—differ depending on the interest involved. Where the interest in national uniformity is weak, federal courts may resort to the law of the

121. E.g., Fed. R. Evid. 501.
123. E.g., Textile Workers Union of Am. v. Lincoln Mills of Ala., 353 U.S. 448, 450–51 (1957). In 2004, for example, the Court held that a private claim under the Alien Tort Statute would be available, despite the statute being merely jurisdictional, insofar as the claim would have been recognized circa 1789, the date the statute was enacted. See Sosa v. Alvarez-Machain, 542 U.S. 692, 725 (2004).
forum state as it existed at the date of the dispute giving rise to the underlying claim.\textsuperscript{127} In this sense, the court does not really create federal common law, except insofar as it has ruled that courts should consult the law of the forum state. But where the interest in national uniformity is strong, federal courts must resort to a \textit{general} common law as it existed when Congress first enacted, or sometimes later reenacted, the law.\textsuperscript{128}

Congress has already informed us that remedies under the Copyright Act of 1976 are a matter in which national uniformity is paramount and that resort to the law of the forum state is inappropriate. The Act expressly preempts any state-law remedies that purport to govern "the subject matter of copyright."\textsuperscript{129} Though no similar statement has been made with patents, it seems safe to assume that Congress expected uniform patent remedies as well.\textsuperscript{130}

1. The "When" To Consider

Because Congress is deemed to legislate "against the backdrop of judicial precedent,"\textsuperscript{131} the time at which courts are to assess the general state of the law is usually limited to the date on which the statute was enacted.\textsuperscript{132} Courts presume that Congress intended to retain "long-established and familiar principles"\textsuperscript{133} unless the legislature has clearly indicated otherwise in the statute or legislative history.\textsuperscript{134} Common-law developments that occur after the enactment of a statute generally do not bear on the meaning or intent of the original statute. Those developments become relevant only when Congress reenacts the same statute without changes following a sunset provision or as part of a comprehensive overhauling of the entire

\textsuperscript{128} Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 740 (1989) (using common law to define "employee").
\textsuperscript{129} 17 U.S.C. § 301 (2006).

One notable exception in both copyright and patent cases is prejudgment attachment. Federal Rule of Civil Procedure 64 provides that federal courts are to consider the attachment law of the forum state. \textit{Fed. R. Civ. P. 64(a); see, e.g.,} Walpole Woodworkers, Inc. v. Atlas Fencing, Inc., 218 F. Supp. 2d 247, 249 (D. Conn. 2002).
\textsuperscript{132} See Gilbert v. United States, 370 U.S. 650, 655 (1962); Standard Oil Co. v. United States, 221 U.S. 1, 49–59 (1911).
\textsuperscript{133} Isbrandtsen Co. v. Johnson, 343 U.S. 779, 783 (1952).
statutory scheme or the relevant statutory section. Congress is presumed in those instances to have again considered the general state of the law.

The Supreme Court has occasionally permitted courts to consider the state of the law at the time of the underlying dispute or the time of decision, but those exceptions are inapposite. For instance, the Court has filled gaps in 42 U.S.C. § 1983 by looking not only to the law as it existed when the statute was first enacted in 1871, but also to the “modern” common law of torts, an approach that some Justices on the Court criticized. Of course, being only one paragraph long, § 1983 is not an intricate statute.

The Court has twice considered modern developments when drastic technological advancements rendered the meaning of “performance” ambiguous under the Copyright Act of 1909. The Court consulted cases decided long after the statute’s enactment, along with the original purpose of the provision. And under the Patent Act, the Court has turned to later case law and technological developments when construing the term “useful.” But these exceptions were also met with dissent and, in any case, were not applied to expand the remedies available under the statutes.

2. The “What” To Consider

What qualifies as general common law? Several sources help reveal the general state of the law, including English common law, federal common law, and the common law (and in some cases statutory law) of the states.

137. Smith, 461 U.S. at 66 (Rehnquist, J., joined by Burger, C.J. and Powell, J., dissenting) (“The decisions of state courts decided well after 1871, while of some academic interest, are largely irrelevant to what Members of the 42d Congress intended by way of a standard for punitive damages.”). For more on this topic, see generally Jack M. Beermann, A Critical Approach to Section 1983 with Special Attention to Sources of Law, 42 STAN. L. REV. 51 (1989); Jack M. Beermann, Common Law Elements of the Section 1983 Action, 72 CHI.-KENT L. REV. 695 (1997).
139. In Fortnightly Corp. v. United Artists Television, Inc., the Supreme Court stated, [O]ur inquiry cannot be limited to ordinary meaning and legislative history, for this is a statute that was drafted long before the development of the electronic phenomena with which we deal here. In 1909 radio itself was in its infancy, and television had not been invented. We must read the statutory language of 60 years ago in the light of drastic technological change.
English common law is most pertinent when the relevant time of inquiry is close to the founding of our federal government and judiciary in the late eighteenth century. Not surprisingly, our courts consult English law most often when determining the existence vel non of a constitutional right. This occurred in *Crawford v. Washington*, where the Court overruled its own Confrontation Clause jurisprudence as being inconsistent with English and American common law extant in 1791, the date on which the Sixth Amendment was adopted. Last Term, the Court did the same when interpreting the scope and reach of the Second Amendment.

Naturally, the influence of English law decreases as more American authorities become available. The Court has turned more often to federal common law and state law when the time for assessing the default state of the law is further removed from the founding of our federal government and judiciary. Just as soon as common themes can be discerned from American law, English law plays less of a role—and where conflicting with American law extant at the relevant time period, English law plays no role—in painting the backdrop against which courts must interpret legislative action.

3. Affirming the Approach

The Supreme Court has rarely had to decide whether to incorporate one form of monetary relief into a federal statute that already expressly provides for another. Most of the cases cited in the preceding sections dealt with other common-law, nonremedial rules that the courts had incorporated into statutory texts by implicit instruction. Nevertheless, in cases where the question was whether to import a monetary remedy into an intricate statute, the Court has followed the same approach noted above, with one notable exception in copyright cases that actually seems more restrictive.

In *Monessen Southwestern Railway Co. v. Morgan*, the Court had to determine whether to allow prejudgment interest to a prevailing plaintiff under the Federal Employers’ Liability Act (FELA). The plaintiff was injured in a fall and alleged it was due to his employer’s negligence. Though the statute provided for a “damages” remedy, it made no mention of interest, and thus to permit prejudgment interest would require creating federal common law. The Court looked at the general state of the common law at the time Congress adopted FELA in 1908 and discovered that “the common law did not allow pre-judgment interest in suits for personal injury or wrongful death.” The Court refused to read an intent

148. See id.; accord United States v. Sanges, 144 U.S. 310, 312 (1892).
by Congress to abrogate that rule *sub silentio*, and therefore held that prejudgment interest could not be recovered under FELA.152

More important for our purposes is *Globe Newspaper Co. v. Walker,*153 an early copyright case brought for the infringement of an engraving. The plaintiff owned the copyright in a map of the electric railways of the State of Massachusetts. He sued a local newspaper for printing numerous copies. At the time, the copyright statute provided for limited legal remedies for infringing engravings—*viz.*, a penalty of one dollar per sheet.154 The plaintiff sued at law for ordinary damages instead. The trial court dismissed the claim, but the U.S. Court of Appeals for the First Circuit reversed, stating,

The property right being established, the common-law remedies attach, whether the right arises out of the common law or under statute, unless there is something in the statute to the contrary. This rule is so firmly established in both the federal courts and the state courts that it is not necessary that we should elaborate the topic.155

The Supreme Court reversed, holding that courts could not read a common-law damages remedy into the copyright statute.156 In reaching its decision, the Court stressed that it had previously held in *Wheaton v. Peters*157 that no common-law copyright existed for published works under U.S. or Pennsylvania law. The copyright statutes had created a new right, rather than confirming an existing right. In essence, there was no common-law backdrop to consult, and no alternative remedies to import. The Court concluded that where a statute creates a new right, one not previously recognized at common law, and prescribes particular remedies, no other remedies can be resorted to.158 As "[i]nadequate [as the penalties] may be to fully protect the property in the copyright, yet such as Congress has seen fit to give, and which it, not the courts, have power to enlarge by amendment of the statutes."159 Three years later, in the case of *Hills & Co. v. Hoover,*160 the Court reiterated that the "copyright statutes of the United

---

152. *Id.* at 337–39. The Court's commitment to reviewing the common law circa 1908 under FELA slipped slightly in another case. In *Consolidated Rail Corp. v. Gottshall*, 512 U.S. 532 (1994), the Court was faced with a split in approaches on when recovery could be had for negligent infliction of emotional distress. Both approaches existed at common law in 1908, but most states favored the "physical impact" test over the "zone of danger" test. The Court nevertheless adopted the latter approach partly, it seems, because by the time of the Court's decision use of the "physical impact" test had all but died out. *Id.* at 554–56. But see *Norfolk & W. Ry. Co. v. Ayers*, 538 U.S. 135, 164 (2003) ("The state of affairs when the FELA was enacted [rather than the modern trend] is the more important inquiry.").
159. *Id.* at 364.
160. 220 U.S. 329 (1911).
States afford all the relief to which a party is entitled, and no action outside of those provided therein will lie."

One is tempted to stop here. Globe appears to prohibit incorporation of any other remedy into the copyright and (by extension) patent statutes from prior decisional law. But it remains unclear whether that was the intended reach of the decision and, if so, whether so broad an exclusion remains today.

For one, to make Globe consistent with prior cases we must restrict its holding to legal remedies. This follows because in 1854, the Supreme Court held in Stevens v. Gladding that the equitable remedy of disgorgement of the infringer's profits could be read into the copyright and patent statutes despite those statutes saying nothing about profits. Relying on an 1819 statute that had created a right to injunctive relief according to the course and principles of equity, the Court held that the statute had conferred "the usual and known jurisdiction exercised by courts of equity for the protection of analogous rights." This would have included a "right to an account of profits [as] incident to the right to an injunction in copy and patent-right cases."

Second, Globe may now be obsolete given that a damages remedy is available for all infringements in patent and copyright cases. The Court might be more willing today to look to the common law to incorporate other legal remedies that are closely associated with ordinary damages.

Because it remains unclear what to make of Globe, I will later examine in Part VII whether the general state of the common law—as reflected in English common law, American federal common law, and state common law—permitted an award of prospective compensation in either 1952, for purposes of the Patent Act, or 1976, for purposes of the Copyright Act.

**B. Equitable Remedies: English Equity in 1789**

The process for determining whether an equitable remedy can be read into a federal statute is more restrictive than the approach outlined above for legal remedies. Rather than review the general state of the decisional law at the time Congress enacted the statute—whether it be reflected in English law, American law, or both—federal courts must instead inquire whether

---

161. Id. at 337 (citing Globe, 210 U.S. 356).
162. Given that no patents existed at common law either, see In re Lockwood, 50 F.3d 966, 985 n.9 (Fed. Cir. 1995), vacated on other grounds, 515 U.S. 1182 (1995); Monumental Props. of Ga., Inc. v. Frontier Disposal, Inc., 282 S.E.2d 660, 662–63 (Ga. Ct. App. 1981), one can imagine the Supreme Court would have reached the same conclusion had it been confronted with a patent claim.
163. 58 U.S. (17 How.) 447 (1854).
164. See supra text accompanying note 92 for the language of the statute.
165. Stevens, 58 U.S. at 455.
166. Id. In 1870, the patent statute was amended to expressly permit the recovery of the infringer's profits. See Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206. An award of profits was not expressly added to the copyright laws until 1909. See Copyright Act of 1909, 17 U.S.C. § 101(b) (1970).
the equitable remedy at issue was recognized in the English Court of Chancery circa 1789. Cases decided in American federal courts just after that period are probative of English practice, but given the paucity of decisions from that time, the sole courts of resort for all practical purposes are the English Court of Chancery and, perhaps, the equity side of the Court of Exchequer. Importantly, the subsequent development of new equitable remedies in the decisional law of the United States does not matter.

The Supreme Court’s decision to fix the place and date of assessment to England in 1789 stems from its interpretation of the Judiciary Act of 1789.

1. The Judiciary Act of 1789

Article III of the U.S. Constitution gave Congress the authority to create federal courts to hear “all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made . . . under their Authority.” 167 Pursuant to that authority, Congress enacted the Judiciary Act of 1789,168 which created federal courts that were limited both in their jurisdiction and powers. Section 11 gave federal courts original jurisdiction “of all suits of a civil nature at common law or in equity,”169 but section 16 then limited the equitable jurisdiction to cases where there was no “plain, adequate and complete remedy . . . at law.”170 In doing so, Congress sought to adopt the separate systems of law and equity prevailing in England at the time of the Judiciary Act, albeit without also creating the physically separate courts and judiciary that England had.

The Supreme Court soon confirmed that the Act co-opted the practices of the principal English courts, by which it may have first meant the rules of procedure. The Court stated that it would consider “the practice of the courts of King’s Bench and Chancery in England, as affording outlines for the practice of this court.”171 Later, in 1818, the Court acknowledged that the scope of English influence included not only procedure, but substantive rules regarding remedies: “[T]he remedies in the courts of the United States are to be, at common law or in equity . . . according to the principles of common law and equity, as distinguished and defined in that country from which we derive our knowledge of those principles.”172 In 1854, the Court then set the time in which to consider English equity practices. Federal courts could not “exercise any equity powers, except those conferred by acts of congress, and those . . . which the high court of chancery in England,

169. Id. § 11, 1 Stat. at 78.
170. Id. § 16, 1 Stat. at 82 (codified at 28 U.S.C. § 384 (repealed 1948)).
171. Rule, 2 U.S. (2 Dall.) 411, 413–14 (1792). In 1788, the year before Congress created the federal judiciary, the Supreme Court of Pennsylvania similarly stated that it had the same powers as the common law courts of England. Lesher v. Gehr, 1 U.S. (1 Dall.) 330, 334 (Pa. 1788) (“The legislature, before the revolution, prescribed no rules for the supreme court; but it is certainly vested with the powers of the King’s Bench and Common Pleas in England; and the practice has been, in general, governed by the same law.”).
acting under its judicial capacity as a court of equity, possessed and exercised, at the time of the formation of the constitution of the United States." The Court later stressed that the reach of, and powers in, equity in the federal courts were not to be altered by the laws of the states. The merger of law and equity in 1938, pursuant to the Federal Rules of Civil Procedure, had no effect on the substantive rules of equity. In 1939, the Supreme Court simply reaffirmed the time in which to assess the default equitable remedies of the federal courts. The equitable jurisdiction conferred by section 16 of the Judiciary Act of 1789 was, according to the Court, an "authority to administer . . . the principles of the system of judicial remedies which had been devised and was being administered by the English Court of Chancery at the time of the separation of the two countries." The subsequent repeal of section 16 in 1948, as a belated statutory cleanup following the new civil procedure rules, also mattered little. The Court had previously held that section 16 merely declared already long-established principles of equity jurisdiction.

2. Reaffirming the Relevance of English Equity

The Court recently confirmed this approach in Grupo Mexicano de Desarrollo, S.A. v. Alliance Bond Fund, Inc. The issue presented was whether in an action for money damages a federal court could issue a preliminary injunction preventing the defendant from transferring assets in which the plaintiff had no legally recognized interest, such as a lien. The Court reiterated that "[s]ubstantially . . . the equity jurisdiction of the federal courts is the jurisdiction in equity exercised by the High Court of Chancery in England at the time of the adoption of the Constitution and the enactment of the original Judiciary Act." Taking the matter one step

175. Stainback v. Mo Hock Ke Lok Po, 336 U.S. 368, 382 n.26 (1949) ("Notwithstanding the fusion of law and equity by the Rules of Civil Procedure, the substantive principles of Courts of Chancery remain unaffected.").
180. Id. at 318 (quoting A. DOBIE, HANDBOOK OF FEDERAL JURISDICTION AND PROCEDURE 660 (1928)).
Further, the Court noted that "[t]he substantive prerequisites for obtaining an equitable remedy" were not altered by Rule 65 and also depended on equitable principles from circa 1789.181

Before turning to a review of traditional equity practice, the Court first factually distinguished two of its own cases where it had allowed similar relief in the past.182 Then, following an investigation of various authorities, the Court concluded that the relief requested was not one traditionally accorded in equity. The Court specifically highlighted that the "English Court of Chancery, from which the First Congress borrowed in conferring equitable powers on the federal courts, did not provide an injunctive remedy such as this until 1975."183 Notably, the Court also refused to entertain policy arguments in favor of or against approving the relief sought and relied solely on historical equity practice.184 Congress was the only appropriate forum to craft new equitable remedies.

The Court chose to treat equitable remedies differently than legal remedies due to its "traditionally cautious approach to equitable powers."185 The reasons for caution are several. For one, a judge sitting as a chancellor in equity typically operates without a jury. The more expansive equitable powers become, the more likely they are to clash with legal issues, which usually must be tried by a jury per the Seventh Amendment.186 Courts also exercise a contempt power over equitable remedial orders that often has no corollary when the remedy is legal, such as ordinary damages. Thus, whereas the failure to comply with an equitable order might result in coercive contempt, the failure to comply with a legal order ordinarily would not.187 It also seems that courts have often used their "powers in equity" as an excuse to act wholly outside precedent or statutory authority, and the Court was concerned that the courts could lose credibility in the process.188 Notably, the Court stressed that flexibility in equity remained, but only so

181. Id. at 318–19 (quoting 11 A CHARLES A. WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 2941, at 31 (2d ed. 1995)).
182. In Deckert v. Independence Shares Corp., 311 U.S. 282 (1940), the Court had approved a preliminary order freezing the assets of the defendant. The case differed from Grupo, however, because the ultimate relief sought in Deckert was equitable rather than legal. The Court in Grupo implicitly suggested that a federal court is more free to craft a nontraditional interlocutory remedy when done in an effort to preserve its ability to subsequently grant a traditional or statutorily recognized form of final equitable relief. Grupo, 527 U.S. at 324–25. In the second case, United States v. First National City Bank, 379 U.S. 378 (1965), another interlocutory freeze order was approved, but the Court in Grupo stressed that the authorization had not come from the Court's "general equitable powers" but under a broad statutory authority, and that the creditor also held an equitable lien on the property. Grupo, 527 U.S. at 325–27.
183. Grupo, 527 U.S. at 327.
184. Id. at 322, 329–32 ("We do not decide which side has the better of these arguments.").
185. Id. at 329.
186. See id. at 330.
187. See supra notes 44–45.
188. Grupo, 527 U.S. at 332–33 (citing 1 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE § 19 (7th ed. Boston, Little, Brown & Co. 1857)).
long as cabined within the silos of traditionally recognized remedies and claims or when exercised pursuant to statutory authority.\textsuperscript{189}

Grupo is not an outlier. The Supreme Court has since further signaled its desire to constrain federal court remedial powers in equity to those remedies existing traditionally in equity or to those specifically listed in the applicable statute. In Great-West Life \& Annuity Insurance Co. \textit{v. Knudson},\textsuperscript{190} a car accident left a person seriously injured and in need of life-saving medical care. Her husband’s health plan covered $411,157 of the expenses. Great-West Life paid all but $75,000 of those expenses and was entitled to recoup its payout in the event the insured received from a third party any recovery by judgment, settlement, or otherwise.\textsuperscript{191} When the accident victim settled a tort suit against the car manufacturer for $650,000, only $13,828 was sent to (but never accepted by) Great-West Life as reimbursement. The remainder went to a trust for the victim’s medical care and to satisfy attorneys’ fees and costs.\textsuperscript{192}

Great-West Life sued under the Employment Retirement Income Security Act of 1974 (ERISA) seeking reimbursement of the entire $411,157. Federal court authority to grant this form of relief could be found, according to Great-West Life, in section 502(a)(3), which expressly permitted “appropriate equitable relief.”\textsuperscript{193} The trial court and court of appeals rejected that argument, and the Supreme Court affirmed. Noting that the ERISA statute was a “‘comprehensive and reticulated statute,’ [and] the product of a decade of congressional study,” the Court stated that it was reluctant to recognize “remedies not specifically authorized by its text”\textsuperscript{194} nor remedies other than those “‘typically available in equity.’”\textsuperscript{195} The Court concluded that the “restitutionary” relief sought by the plaintiff would not have been available in equity in the “days of the divided bench,”\textsuperscript{196} by which it meant circa 1789.

Four Justices—Stevens, Souter, Ginsburg, and Breyer—dissented in Grupo and Great-West, arguing that a federal court’s power in equity has always been and should always be expansive and dynamic. They argued in Grupo, for instance, that the Court had previously defined the scope of federal equity “in relation to the \textit{principles} of equity existing at the separation of this country from England,” but had “never limited federal equity jurisdiction to the specific practices and remedies of the pre-

\begin{itemize}
\item \textsuperscript{189} \textit{Id.} at 322.
\item \textsuperscript{190} 534 U.S. 204 (2002).
\item \textsuperscript{191} Another party who paid the remaining $75,000 assigned its recoupment interest in that amount to Great-West Life. \textit{Id.} at 207.
\item \textsuperscript{192} \textit{Id.} at 207–08.
\item \textsuperscript{194} \textit{Great-West}, 534 U.S. at 209 (quoting Mertens \textit{v. Hewitt Assocs.}, 508 U.S. 248, 251 (1993)).
\item \textsuperscript{195} \textit{Id.} at 210 (quoting \textit{Mertens}, 508 U.S. at 256).
\item \textsuperscript{196} \textit{Id.} at 212–14.
\end{itemize}
They pointed out that the Court had previously condoned equitable remedies such as structural and divestiture injunctions that were "beyond the contemplation of the 18th-century Chancellor." The same Justices made similar arguments in Great-West.

Several scholars have since argued that Grupo and Great-West illustrate a shift in approach. Judith Resnik, for example, has argued that the "majority is developing a new theory of limitations on the equitable powers of the federal courts." Stephen Burbank has posited that the Court in Grupo "rewrote the history of remedies in equity." And Tracy Thomas has argued that the Court in Great-West was wrong to interpret "modern remedial statutory language by historical reference." It is not the purpose of this Article to defend the Court's historical approach; that is a topic to explore in another paper. I would only add that the Court is not taking an all-new approach, but rather appears to be reviving an old one. Indeed, it seems the Court has taken a page out of the playbook of the Reagan Justice Department, which had urged federal courts to do just that. Whether the approach is new, or even desirable, it establishes the doctrinal framework to follow. Indeed, in the wake of Grupo, some lower courts have already begun to reconsider the equitable remedies they have crafted in the past.

The U.S. Court of Appeals for the Second Circuit, for example, recently reexamined whether its previous rulings permitting the disgorgement of ill-gotten gains in securities-fraud cases remained valid. After analyzing early Chancery cases, along with treatises of the period, the Second Circuit reaffirmed its previous holdings as correctly representing the state of Chancery practice. Similarly, in 2000, the Sixth Circuit examined Chancery practice (albeit perfunctorily) in concluding that a court of equity traditionally had no power to enjoin the importation of foreign goods.

198. Id. at 337.
203. See OFFICE OF LEGAL POLICY, U.S. DEP’T OF JUSTICE, REPORT TO THE ATTORNEY GENERAL, JUSTICE WITHOUT LAW: A RECONSIDERATION OF THE "BROAD EQUITABLE POWERS" OF THE FEDERAL COURTS iii (1988) ("Long-term reform would require federal courts to recall the origins of Anglo-American equity and realize that there is no independent authority for the federal judiciary to 'do equity.'").
204. SEC v. Cavanagh, 445 F.3d 105 (2d Cir. 2006).
205. Id.
In light of the requirement to examine historical evidence when incorporating decisional law into a reticulated statute, the following two sections explore the historical use of prospective compensation in England\(^{207}\) and in the United States\(^{208}\) during the relevant time periods.

VI. PROSPECTIVE COMPENSATION IN ENGLAND

As noted previously, lower courts have sometimes granted prospective compensation in lieu of a final injunction in patent and copyright cases. In some cases, the award was a lump sum, but more commonly it has been a continuing royalty. An award of prospective compensation may seem uncontroversial, given that courts and juries in other contexts have regularly awarded lump sum, future damages to plaintiffs. But the fact remains that future-damage awards were specifically prohibited at common law in England when the claim at issue was a continuing tort susceptible to recurring causes of action. Postjudgment damages in cases of continuing wrongs eventually became available in England, but this occurred as a matter of equity practice, not common law, and only because equity jurisdiction was enlarged by statute in 1858.

In the sections that follow, I trace the development of prospective compensation in the common-law courts of England and demonstrate that a distinction emerged between single-wrong torts, which permitted awards of future damages, and continuing torts, which did not. I then turn to English equity practice with a view to proving that prospective compensation constituted an equitable remedy when awarded for anticipated wrongs. In light of that fact, and because the remedy is also properly considered an equitable one in the United States,\(^{209}\) the analysis of whether U.S. courts can award damages for postjudgment infringements falls under the \textit{Grupo} line of cases and depends on English equity practice circa 1789. Evidence from that time period demonstrates that no such award was recognized.

A. At Common Law

The legitimacy and origin of ordinary damages for past harms is unquestionable and longstanding. Of ancient origin, we first see evidence of its use in place of the liquidated \textit{bōt} sometime in the 12th century.\(^{210}\) But an award for future losses is of relatively recent vintage. The default rule at common law was that a plaintiff could only recover for damages sustained up through the filing of the action, but not for damages occurring

\(^{207}\) See \textit{infra} Part VI.

\(^{208}\) See \textit{infra} Part VII.

\(^{209}\) See \textit{supra} text accompanying note 57 and \textit{infra} Part VII.B.1.

The rule prevented the jury from considering harms that had occurred between the time the action was commenced and the time the case went to trial, and also posttrial harms that had not yet accrued.

The first published case to expressly recognize a jury's ability to consider and compensate for future damages, at least in limited types of cases, was *Townsend v. Hughes* in 1677. There, the jury had returned a verdict of 4000 pounds for the plaintiff on a claim of slander. The appeal is most famously known for its discussion of exemplary damages, but the Chief Justice of the Common Pleas also acknowledged that in certain slander cases it was appropriate for the jury to consider future damages:

> This is a *civil action* brought by the plaintiff for words spoken of him, which if they are in their own nature actionable, the jury ought to consider the damage which the party may sustain [in the future]; but if a particular averment of special damages make them actionable, then the jury are only to consider such damages as are already sustained, and not such as may happen in future, because for such the plaintiff may have a new action.

The court thus stated that it was proper to consider future damages for actions based on slander per se but not for those based on ordinary slander, which required special damages as an element of the prima facie case. The watershed nature and importance of *Townsend* is evidenced by the fact that the first English treatise dedicated to the law of damages, which arrived nearly one hundred years after the decision, cited *Townsend* as the leading decision in its section on the damages recoverable in actions on the case.

Not long after, the King's Bench took the next logical step in *Fetter v. Beale* and held that in cases where future damages were permitted, the plaintiff would have to present evidence to the jury of potential future damages or forever waive the right to complain about it. The plaintiff in *Fetter* had brought an action for battery. After obtaining a verdict in his favor, the plaintiff filed a second action some time later against the same defendant because his wounds from the original battery had worsened. The defendant pleaded the judgment from the first action as a bar to the second. The plaintiff's counsel, however, "urged this subsequent damage was a new matter which could not be given in evidence on the first

---


recovery, when it was not known."\(^{220}\) The Court of King’s Bench held that the first action barred the second because the subsequent harm to the plaintiff was not a new tort but simply a potential "consequence" of the original battery, which the original jury could have considered.\(^{221}\)

Apart from espousing a principle of claim preclusion, the case reinforced the principle recognized in *Townsend* that future damages were only permitted as a matter of common law for some types of claims but not others. Whereas *Townsend* singled out slander per se as permitting future damages, *Fetter* added another tort: battery.\(^{222}\) Importantly, in reaching this conclusion, the court distinguished other types of claims where future damages would not be permitted and therefore where subsequent actions would not be barred by claim preclusion. Those were actions the court characterized (albeit somewhat fictionally in the examples it gave) as involving continuing wrongs:

And this is not like the case of a nuisance in erecting a penthouse, whereby the rain falls upon my house or garden; or stopping my lights, wherein I shall recover damages for every new hurt *in infinitum*: for, first, the battery is a transitory act, and the nuisance is a continued one as long as it lasts; therefore damages cannot be recovered for it at once: secondly, every new rain that falls, or every light that is stopt, is a new nuisance; but every new ill consequence of the battery is not any new wrong of the defendant.\(^{223}\)

*Battishill v. Reed*\(^{224}\) further demonstrates the distinction between single-wrong torts and continuing torts. The plaintiff sued the defendant for constructing a building whose eaves and gutters overhung the plaintiff’s wall. The Court of Common Pleas held that the jury was not permitted to award the plaintiff permanent (i.e., future) damages for the diminution in value of the plaintiff’s property, and that therefore evidence tending to prove as much was inadmissible.\(^{225}\) The court noted that the defendant was instead “liable to another action for the continuance of the nuisance.”\(^{226}\)

From these cases and others, the English common law developed a demarcating line between single-wrong torts and continuing torts. Every treatise to study damages recognized the distinction. John Mayne thus noted in his influential treatise in 1856 that “where the damages subsequent to the commencement of the action are not the necessary result of the alleged wrong, or where they might be the foundation of a fresh action, they

---


\(^{221}\) *Id.*


\(^{223}\) *Fetter*, 12 Mod. at 544, 88 Eng. Rep. at 1507. For an earlier case that held nuisance was often a continuing cause of action, see Beswick v. Cunden, Cro. Eliz. 402, 78 Eng. Rep. 646 (K.B. 1592/3).


cannot be included in the verdict of the jury.”

David Nasmith similarly recognized in 1879 that “[w]here the continuance of a wrong gives a fresh ground of action, the damages must be assessed on the cause or causes of action declared on, and future damage cannot be considered.”

Importantly, William Hindmarch connected this concept to claims of patent infringement in 1846, stating that a “Court of Law has power only to give a patentee damages for any injury he may have sustained by the actual violation of his right, after it has been committed.”

It is true that the law eventually changed in England, but this occurred because a new rule of civil procedure in 1883 modified the practices of the common-law courts. The rule permitted courts at common law to assess damages for continuing wrongs up to the date of assessment, which usually meant through the time of trial.

Litigants understood this more liberal assessment was meant to be transsubstantive and thus applied to patent and copyright infringements. The rule did not, however, permit courts to assess damages expected to occur after judgment, regardless of how “permanent the source of the mischief may [have been], and however improbable it may [have been] that the defendant [would] discontinue it.”

English common law largely adheres to these limitations today.

B. In Equity

Postjudgment damages in cases of continuing wrongs also became available, but this occurred as a matter of equity practice, not common law, and only on account of equity jurisdiction being enlarged by statute in 1858. The Chancery Amendment Act, known colloquially as Lord Cairns’ Act, empowered the Court of Chancery to award “damages” in cases where the Chancery had jurisdiction to entertain an application for an injunction against the commission or continuance of any wrongful act. Importantly,
the Chancellor could award to a plaintiff the future damages she was likely to suffer from a continuing wrong in the absence of an injunction:

[It shall be lawful for the same Court, if it shall think fit, to award Damages to the Party injured, either in addition to or in substitution for such Injunction[, ...] and such Damages may be assessed in such Manner as the Court shall direct.]

Much like an injunction—the quintessential equitable remedy—prospective compensation remedied anticipated rather than accrued wrongs. The main prerequisite was that the Chancery initially had to have jurisdiction over the matter. Thus, the denial of the injunction had to be on a discretionary rather than jurisdictional basis. These "permanent damages," as they were sometimes called, were only available in equity and therefore were (and remain) properly labeled as an equitable remedy.

Ironically, Peter McDermott notes that this authority to award prospective compensation was likely unintentional: "It was certainly not by design, for it appears that Sir Hugh Cairns had assumed that the measure would vest the Court of Chancery with the same jurisdiction that the courts of law possessed to 'give retrospective relief by way of damages.'" Nevertheless, the cases later interpreted the Act to permit future damages.

*Shelfer v. City of London Electric Lighting Co.* illustrates a post–Lord Cairns' Act case. The defendant, an electric company, had been accused of creating a continuing nuisance by engaging in public works near the plaintiff's property. The trial court found that the defendant had created a nuisance, but rather than award a final injunction, the court awarded permanent damages to cover all harm—past and future. On appeal the court held that the injunction should have issued, and it remanded the case for that purpose. But the judges also acknowledged in dictum that Lord

---

235. *Id.* § 2 (emphasis added). The Act was also interpreted by some to permit the Chancellor to award a plaintiff her past damages instead of the infringer's profits. See McDermott, *supra* note 232, at 29, 35. Earlier copyright cases had held that the Chancery had to send the issue of actual damages to law so that it could be tried by a jury. See Mawman v. Tegg, 2 Russ. 385, 400, 38 Eng. Rep. 380, 386 (Ch. 1826). Despite the new power, equity judges were reluctant to use it and continued sending damage assessments to juries. McDermott, *supra* note 232, at 35. For an argument that the Chancery could (and sometimes did) award past damages as a general matter before Lord Cairns' Act in 1858, see Peter M. McDermott, *Jurisdiction of the Court of Chancery To Award Damages*, 109 L.Q.R. 652 (1992). Conversely, an amendment to the Patent Act in 1852 gave common-law courts the power to issue injunctions and disgorge the defendant's profits. Patent Law Amendment Act, 1852, 15 & 16 Vict., c. 83, § 42; Thomas Webster, *The New Patent Law* 36–37 (4th ed. London, Chapman & Hall 1854).


238. McDermott, *supra* note 232, at 34 (emphasis added) (quoting 149 Hansard's Parliamentary Debates col. 1162 (Apr. 15, 1858)).

239. [1895] 1 Ch. 287 (1894).

240. Id. at 300–01 (Kekewich, J.).
Cairns' Act had conferred a "jurisdiction to award damages which did not exist before." Courts now had the option, though still rarely to be exercised, of granting future damages in lieu of a final injunction.

Given the lack of a future-damages award at law for continuing wrongs, one might have expected the Chancery to have stepped in to fill the void before 1858, much as it did in other areas where the remedy at law was deficient, and fashion its own form of prospective compensation. In a very real sense, it did step in by awarding prevailing plaintiffs final injunctions in nearly all intellectual-property cases. But in terms of prospective monetary relief, the records of the Chancery demonstrate that in and before 1789, the court never once awarded a continuing royalty or lump sum in lieu of a final injunction in infringement cases. Rather, in cases where a plaintiff succeeded on the merits, the court took only one of three possible avenues. It awarded (1) a perpetual injunction alone; (2) a perpetual injunction along with a disgorgement of the defendant's profits; or (3) nothing at all, leaving the plaintiff to bring an action at law at a later date.

To begin with, if a plaintiff pursued an infringement case to the hearing and succeeded on the merits, the plaintiff could expect to receive a final injunction. The Court of Chancery would grant a final injunction as a matter of course unless the harm to the plaintiff was de minimis, the plaintiff had unduly delayed or acquiesced, or the plaintiff had come to court with unclean hands. This was the route the court took in copyright and patent cases. The court's decision in *Hills v. Lee*, which involved a copyright granted by letters patent, and as such was a fusion of sorts of the two rights, demonstrates the default principle as early as 1684. There, the court's register noted that

where it appeared to this Court that there was a right as it doth in this Case[,] the Law having determined the same for the [plaintiff,] Itt was Naturall for the Court to give releife for the same in specie[,] And doth therefore thinck fitt & soe orders and decrees that the Injunction formerly granted in this Cause by order of the [date] bee made perpetuall/...
The Chancery also awarded monetary compensation in copyright and patent cases, but its authority to do so was extremely limited and it never encompassed infringements expected to occur after a final decree. In 1737, and perhaps even earlier, the court began to award prevailing plaintiffs an accounting and disgorgement of the defendant’s profits arising from the infringement. Thus, in Gay v. Walker, after finding that the defendant had infringed the plaintiff’s copyright, the Lord Chancellor entered a perpetual injunction and ordered the defendants to pay their profits over to the plaintiff:

His Lordshipp doth thinke fit and so Orders and Decrees That the Injunction formerly granted in this Cause to stay the Defendants from printing publishing and Vending the said Book be perpetual and It is further Ordered and Decreed That It be referred to Master Eld one [of the masters in this court] to take an Account against the several Defendants . . . [and they are] to be Examined on Interrogatoryes as the said Master shall direct . . . [and] the said Master is to make unto the said Defendants all just allowances and what upon the said Account shall be formed due from the severall Defendants after all just allowances deducted[.] It is Ordered and Decreed That the said Defendants . . . do respectively pay the same to the Plaintiff as the said Master shall Direct . . .

The master in ordinary assigned to a case—Master Francis Elde in the example noted above—was permitted to assess the defendant’s profits down to the time of the hearing before him, rather than being limited to the profits earned before the filing of the complaint. In most cases, however, this liberal practice of assessment was unnecessary. When requested, interlocutory injunctions were nearly always granted in copyright cases and perhaps only slightly less often in patent cases. The defendant’s infringement was thus typically suspended, save of course for recalcitrance.

250. See Ronan Deazley, On the Origin of the Right To Copy 65–69 (2004). I say “perhaps even earlier” because I have been unable to find a case before 1737 that orders the defendant to pay his profits over to a plaintiff. Yet a much earlier case, Wolfe v. Payne, C33/30, fol. 143v (Ch. 1563/4), suggests that the Lord Keeper was inclined to do so. After preliminarily enjoining a defendant from printing certain books, the court ordered that the defendants would “be answerable for the said [books] alredye solde and uttred as this court shall adiudge.” Id. Regrettably, because the case was sent to arbitration the court never had to decide whether to compensate the plaintiff. C33/32, fol. 256v (Ch. 1565).

251. sub nom. Bailer v. Watson, C33/369, fols. 315v–316v (Ch. 1737).

252. Id.


254. For copyrights, see Gomez-Arostegui, supra note 3, at 1237; for patents, see Hill v. Thompson, 3 Mer. 622, 624–25, 36 Eng. Rep. 239, 240 (Ch. 1817).
In any event, upon conclusion of the matter before the master, the Lord Chancellor would then, if requested by a party, enter a final decree.255

A disgorgement of profits at the close of the suit became available in all forms of cases, whether they involved copyright under the Statute of Queen Anne,256 copyright at common law (for so long as it lasted) for both published works257 and unpublished works,258 copyright by letters patent,259 or patents of invention.260 The award of profits was not mandatory, however, and the plaintiff sometimes waived it.261 This might occur, for example, where an interlocutory injunction had rendered the defendant’s gains trivial or nonexistent, thereby making any efforts to recover them a senseless waste.

The Chancery’s authority to order a disgorgement of profits, however, was incidental to the award of the perpetual injunction. No injunction meant no monetary compensation from the Chancellor. This practice reflected a form of equity cleanup in which the Chancellor would retain the matter in cases where he had granted final relief. Doing so avoided the multiplicity of suits that would arise if a litigant, after having received a final injunction, was required to then go to law to recover for past damages. (Most plaintiffs also probably preferred an award of the defendant’s profits instead of actual damages because of the difficulty of proving they had actually lost sales of their legitimate product to a pirated version.) If the Chancellor denied a successful plaintiff a final injunction, the practice was to then leave the plaintiff to her remedy at law for retrospective relief.

This practice first began, quite sensibly, with the Chancellor’s reluctance to delve into a money award when the plaintiff had not prayed for an injunction at all. In Jesus College v. Bloom,262 the plaintiff filed a bill of complaint seeking an account and satisfaction against a tenant who had wrongfully cut down timber during the term of his estate. An injunction was not sought because the tenant’s estate had terminated and he therefore could not commit further waste.263 The Lord Chancellor dismissed the bill on the ground that an award of money in equity would have depended at the

256. E.g., Beckford v. Hood, C33/500, fol. 504r–v (Ch. 1798).
257. E.g., Becket v. Donaldson, C33/439, fols. 26r–27r (Ch. 1772).
258. E.g., Mason v. Murray, C33/452, fols. 486r–487r (Ch. 1779) (amount of profits stipulated).
259. E.g., Pyle v. Falkener, C33/442, fols. 309v–311r (Ch. 1774).
very least on a prayer for an injunction.264 "[I]n bills for injunctions, the court will make a complete decree, and give the party a satisfaction," but there was "no precedent" for such relief where no injunction was prayed.265 In the absence of such a request, the plaintiff would have to seek his remedy at law for past damages in an action for trover.

Lord Chancellor Eldon later acknowledged this principle in a case involving copyright by letters patent, albeit without having to apply it. In Grierson v. Eyre,266 the holder of the office of King's Printer in Ireland sued the holder of the same office in England for exporting statute books into Ireland. The suit was designed to seek a declaration of those rights and an "account of the profits received by the Defendants for printing and distributing the copies directed for Ireland."267 Eldon refused to recognize an equitable title, and suggested the plaintiff go to law for a declaration of his rights.268 Because the plaintiff had not requested an injunction, the defendants urged Lord Eldon to dismiss the bill outright, rather than hold it pending the outcome of any case at law. When the plaintiff stated that he would not be bringing an action at law and that he planned to remain in Chancery, Eldon dismissed the bill.269

Some years later, the Court of Chancery noted that apart from having to seek an injunction, the plaintiff would also have to obtain the injunction before an award of profits could be made. In Baily v. Taylor,270 a copyright case, the Vice-Chancellor denied a request for an interlocutory injunction because the plaintiff had delayed nine years in bringing suit and the value of the case was minimal.271 Despite this setback, the plaintiff pressed forward to the final hearing, this time requesting a final injunction to prevent future infringement and an award of profits for past infringement. The Master of Rolls denied the injunction again, on the same basis as before,272 and then

266. 9 Ves. jun. 341, 32 Eng. Rep. 634 (Ch. 1804).
had to decide whether to nevertheless award profits for the infringements that had already occurred. He held he could not: “[T]he injunction being refused, there can be no account.” Accordingly, the court suggested that the plaintiff seek his remedy at law in an action for any past damages.

The same principle applied in patent-of-invention cases. The plaintiff in Smith v. London & South-Western Railway Co. had also delayed in bringing suit, and the Chancery declined the plaintiff’s request for an injunction of any kind. hoping to nevertheless receive an award of profits, the plaintiff argued that an account could be “decreed without granting an injunction, to which an account in such cases is not necessarily incident.” The Vice-Chancellor disagreed, holding that “[u]nless that primary right to an injunction exists, this Court has no jurisdiction with reference to a mere question of damages.” Once again, the bill was dismissed and the plaintiff was left to an action at law.

As these cases demonstrate, the Chancery’s ability to award monetary compensation in copyright and patent cases was limited. The court could only grant compensation where the court had also granted an injunction. This, of course, meant that all equitable money awards in intellectual-property cases were only backward looking. The injunction prevented future harms while the award of profits compensated the plaintiff for past harms. It should thus come as no surprise that I found no evidence of the Court of Chancery ever granting a continuing royalty or lump-sum award as an alternative to a perpetual injunction in a copyright- or patent-infringement case (or any similar type of case for that matter). A plaintiff was simply sent to law to recover any damages as they accrued. Such was the state of the law in 1789, which is the time period that dispositively defines the default equitable jurisdiction of the federal courts.

---

273. Baily, Taml. at 305, 48 Eng. Rep. at 121 (“That the publication of these tables is a piracy is out of doubt . . . ”).
275. Id.
279. This also explains why category (4) awards should not be read into the copyright statute. See supra note 101.
281. Not much should be made of the fact that the latter two cases—which held that a plaintiff had to have obtained an injunction in order to obtain past profits—came after 1789. The substantive law in the Court of Chancery was the same in all material respects between 1789 and 1858, and there is thus no reason to believe that the Chancery would have ruled any differently in 1789 had it been confronted with the same factual scenario. The delay in reaching this question in a published report likely stems from the fact that upon making out a successful claim, a plaintiff typically received the final injunction she had requested, thereby satisfying the necessary predicate. The Court would then award disgorgement of the defendant’s profits as a natural incident of the injunction, unless of course the plaintiff declined the award.
Eventually, these equity procedures were modified following the enactment of Lord Cairns' Act in 1858, but the changes simply underscore that prospective awards were not permitted in equity circa 1789. Apart from permitting an award of future damages in lieu of an injunction, a procedure that I described above, the Act also gave courts of equity the power to award money regardless of whether the court had actually granted a final injunction, so long as the court otherwise had jurisdiction over the cause at the filing of the bill. Lord Cairns' Act thus broadened what qualified as equity cleanup. Similarly, the Patent Amendment Act of 1852, which conferred on common-law courts powers similar to equity courts in patent cases, had been interpreted in 1854 to allow common-law courts to disgorge profits in the absence of an injunction.

The rule from Lord Cairns' Act allowing prospective compensation persists today as section 50 of the Supreme Court Act 1981. Most modern examples in England where the court awards prospective compensation in lieu of a final injunction involve real property. Nevertheless, there have been efforts to extend the jurisdiction to patent and copyright cases. Those efforts have been relatively recent because English courts historically granted final injunctions as a matter of course in most intellectual-property cases. English courts have rejected nearly every attempt to extend prospective damages to patent or copyright cases. These courts have expressed a reluctance to grant what amounts to a compulsory license not specified by Parliament in the applicable statutes.

Indeed, I know of only a single reported case—a copyright suit—where the court granted the plaintiff a prospective award in lieu of a final injunction. The case—Banks v. EMI Songs Ltd.—was decided in 1996.

282. See supra text accompanying notes 234–42.
285. Supreme Court Act, 1981, c. 54, § 50 (“Where the Court of Appeal or the High Court has jurisdiction to entertain an application for an injunction or specific performance, it may award damages in addition to, or in substitution for, an injunction or specific performance.”).
287. See 3 WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS § 1220, at 653 (Boston, Little, Brown & Co., 1890); Gómez-Arostegui, supra note 3, at 1237.
289. [1996] E.M.L.R. 452 (Ch.).
The preeminent treatise on U.K. copyright law calls this decision "wholly exceptional."290 In Banks, the plaintiff alleged that the musical group UB40 had infringed her copyright in song lyrics. The court denied the request for a final injunction because the plaintiff primarily sought compensation and the defendant had been using the lyrics for eleven years: "She wants an injunction in order to negotiate a price."291 In the end, the court did not state whether it would order a continuing royalty or a lump-sum award. Rather, it stated only that "the best way to proceed is that there should be a claim as to how much that sum should be."292

Most recently in July 2009, the House of Lords issued an opinion that might best be described as an analog to the Supreme Court's decision in New York Times Co. v. Tasini,293 at least insofar as creating dictum. In Fisher v. Brooker,294 the High Court denied a request for an injunction because the defendant was unlikely to infringe the plaintiff's copyright again.295 The court, however, implicitly reserved the right to reconsider the request. The case ultimately made its way to the House of Lords where numerous substantive issues were addressed.296 The plaintiff did not appeal the denial of the final injunction. In obiter dictum, the Law Lords stated that in the event the High Court decided to reconsider granting the injunction on the merits, the trial court was not obligated to grant the injunction and might instead consider granting damages in lieu thereof.297

These modern English cases simply underscore the novelty of prospective compensation in lieu of a final injunction in copyright and patent cases.

* * *

Grupo tells us to stop here. Because prospective compensation for a continuing wrong is an equitable remedy, federal courts can only impose such an award on both parties if (1) Congress expressly empowered them to do so or (2) the English Court of Chancery recognized the remedy around 1789. Neither circumstance is present here. Developments in U.S. case law are irrelevant. Nevertheless, for the sake of completeness, the following section rounds out my review by considering American cases decided prior to the patent and copyright statutes in 1952 and 1976, respectively. Special attention is paid to cases that lower courts have cited as authority for imposing prospective compensation in lieu of an injunction.

292. Id. at 459.
293. See supra text accompanying notes 39-41.
294. [2006] EWHC (Ch) 3239.
295. Id. [87]-[89].
297. Id. [16]-[19] (Walker, L.J.); id. [74]-[75] (Neuberger, L.J.).
VII. PROSPECTIVE COMPENSATION IN THE UNITED STATES

Not surprisingly, the rule in the United States at common law tracked the approach in England as it existed before the English legislative changes. If the damage stemmed from a discrete wrongful act—such as a battery—the plaintiff was permitted to recover (and had to seek or forgo) nonspeculative damages for future losses stemming from that wrongful act. But if the wrong was a continuing one, on account of actionable acts or omissions, and whose ongoing occurrences or omissions could form the basis for separate actions, then a prospective award was not permitted, and the plaintiff would be limited at trial to recovering only those damages that occurred up through the filing of the action.

This remains the basic approach today. Plaintiffs are still permitted to recover prospective damages for single-recovery torts, though that label is rarely used. The limitation on future damages for continuing torts also remains, but with two exceptions. First, more liberal rules of procedure now allow parties to recover for harms incurred between the filing of the action and up through the time of judgment. And second, courts have recognized that in certain cases involving invasions to land, torts traditionally deemed “continuing” should instead be labeled “permanent,” thereby allowing an award of future damages. Nevertheless, the trend in those cases is to severely limit when such an award can be imposed on a plaintiff in lieu of allowing the plaintiff to sue *toties quoties*.

The sections that follow explore these rules and discuss the extent to which some or all of them can be incorporated into the copyright and patent statutes.

A. The Default Bar Against Future Damages

The decision of the Supreme Judicial Court of Massachusetts in *Fay v. Guynon* describes the default common-law rule:

> If the damages subsequent to the date of the writ are merely incidental to the cause of action declared on, such damages are to be assessed if they are sustained up to the time of the verdict, and even in some cases indefinitely beyond; but if the damages sustained after the date of the writ are such as are not merely incidental to and growing out of the cause of action, but may be the damages arising from a new breach or a new cause of action, they cannot be so assessed.

Judge J. G. Sutherland summarized in his treatise on American damages law that these two rules were “recognized by all the [state-law] cases.”

---

298. 131 Mass. 31 (1881).
299. Id. at 35.
300. 4 J. G. SUTHERLAND, A TREATISE ON THE LAW OF DAMAGES § 1039, at 3852 (John R. Berryman ed., 4th ed. 1916); e.g., S. & N. Ala. R. R. Co. v. McLendon, 63 Ala. 266, 272 (1879); St. Louis, I.M. & S. Ry. Co. v. Biggs, 12 S.W. 331, 331 (Ark. 1889); Denver City Irrigation & Water Co. v. Middaugh, 21 P. 565, 568–69 (Colo. 1889); McGann v. Hamilton, 19 A. 376, 377 (Conn. 1889); Cooper v. Sillers, 30 App. D.C. 567, 571–72 (1908); Farley v. Gate City Gaslight Co., 31 S.E. 193, 195–99 (Ga. 1898); McConnel v. Kibbe, 29 Ill. 483,
The rules are not mutually exclusive. A defendant's continuing conduct can produce a hybrid of recoveries, some of which may be recovered in the same suit and others which must be sought in a separate suit.\footnote{301}

The Supreme Court has recognized these rules as a matter of federal law in several antitrust cases. In \textit{Lawlor v. Loewe},\footnote{302} for example, the Court approved a jury instruction that stated a plaintiff could not recover at trial for injuries that had occurred subsequent to suit from new conspiratorial acts.\footnote{303} And in 1971, the Court acknowledged that an antitrust conspiracy constitutes a mixed tort capable of both continuing losses stemming from a particular past violation and losses stemming from future violations.\footnote{304} Whereas recovery for the former could be had at common law, recovery for the latter could not.\footnote{305}

These default rules port over easily to copyright and patent cases.

Like antitrust violations, copyright and patent infringements are capable of creating postjudgment losses stemming from a discrete act of prejudgment infringement. This type of loss is not subject to the bar against future damages because it is akin to anticipated losses caused by a particular event. One can think of each act of infringement as its own stand-alone single-recovery tort. So long as a plaintiff can prove that her postjudgment losses are attributable to a particular prejudgment infringement, there is no bar to relief. This explains why category (3) awards can be read into the copyright and patent statutes as a matter of common law.\footnote{306}

The prospective relief that courts typically order in lieu of a final injunction differs, however, because it seeks to compensate plaintiffs for postjudgment losses stemming from postjudgment infringements. This type


\footnotesize{301. CHARLES T. MCCORMICK, HANDBOOK ON THE LAW OF DAMAGES § 13, at 50 (1935).}

\footnotesize{302. 235 U.S. 522 (1915).}

\footnotesize{303. \textit{Id.} at 536, aff'g \textit{Lawlor} v. \textit{Loewe}, 209 F. 721, 729 (2d Cir. 1913).}


\footnotesize{305. \textit{Id.} at 338–39; \textit{accord} Hanover Shoe, Inc. v. United Shoe Mach. Corp., 392 U.S. 481, 502 n.15 (1968); Wilcox v. Plummer, 29 U.S. (4 Pet.) 172, 182 (1830); \textit{see}, e.g., \textit{Poster Exch.}, Inc. v. Nat'l Screen Serv. Corp., 517 F.2d 129, 131 n.4 (5th Cir. 1975); Fontana Aviation, Inc. v. Beech Aircraft Corp., 432 F.2d 1080, 1087 (7th Cir. 1970); Dean Foods Co. v. Albrecht Dairy Co., 396 F.2d 652, 661 (8th Cir. 1968); Flintkote Co. v. Lysfjord, 246 F.2d 368, 394 (9th Cir. 1957); Conn. Importing Co. v. Frankfort Distilleries, 101 F.2d 79, 81 (2d Cir. 1939); Momand v. Universal Film Exch., 43 F. Supp. 996, 1006 (D. Mass. 1942); Frey & Son, Inc. v. Cudahy Packing Co., 243 F. 205, 205–06 (D. Md. 1917).}

\footnotesize{306. \textit{See supra} notes 101, 112 and accompanying text.
of loss falls squarely within the default rule barring future damages for continuing torts because each infringement constitutes a separate wrong furnishing a ground for an independent cause of action.

Federal courts have recognized that patent and copyright infringements often constitute continuing torts. Courts most commonly label infringement a continuing tort when the question is whether the limitations period has expired under the copyright or patent statutes. But the Federal Circuit has also treated patent infringement as a continuing tort for purposes of claim preclusion. Both of these areas obviously share an affinity with the issue of future damages. Additionally, the Federal Circuit has stated an infringement that begins innocently can subsequently become willful because "patent infringement is a continuing tort."

A Supreme Court decision from 1865 also supports a bar on damages for future infringements, albeit without labeling infringement a continuing tort. In Suffolk Co. v. Hayden, the plaintiff sued for infringement of a patent for cotton cleaners. The trial court instructed the jury that if they found infringement, the only damages available were those incurred before the action; all other infringements could only be recovered in "another suit by the plaintiff." The Supreme Court affirmed, stating that "the jury, in ascertaining the damages upon this evidence, is not to estimate them for the whole term of the patent, but only for the period of the infringement [up to the action]." Following this line of thinking, a number of other courts in patent cases have since reached a similar (and correct) outcome by not awarding a plaintiff monies for infringements that have yet to occur.

Also interesting is the way the Court of Federal Claims has treated petitions brought under 28 U.S.C. § 1498, which governs claims of patent and copyright infringement against the United States and its contractors. That section provides that no injunction is permitted and that instead a plaintiff is to receive from the government "his reasonable and entire


311. 70 U.S. (3 Wall.) 315 (1865).


313. Suffolk, 70 U.S. at 320.

compensation” as damages for the infringement. Because the Court of Claims treats the government’s conduct as a form of eminent domain subject to just compensation, and the statute calls for reasonable and entire compensation, one would have thought the award could include compensation for infringements anticipated to occur after judgment. The cases seemingly state the contrary, however. Though they allow recovery for infringements occurring after the filing of the petition in the court, the cases have suggested they would not allow recovery for infringements occurring after final judgment.

So how is it that some federal courts have seen fit to order a money award in patent and copyright cases to compensate for future, postjudgment infringements? In many cases, probably because the parties did not object. In most others, it was probably by relying on wrongly decided (albeit sometimes binding) copyright and patent precedents, a matter I will return to in Part VII.C. But apart from that, it seems accidental. Courts may assume that prospective compensation is entirely permissible given that claims for future damages are not only commonly sought, but commonly awarded, in a wide variety of tort cases. Indeed, one judge recently analogized the task of awarding future damages in a patent case to other torts where, as he noted, jurors are “asked to calculate loss of future earning capacity, future medical expenses, future pain and suffering, or future lost profits.” The problem, of course, is that the analogy is a faulty one. The judge amalgamated single-wrong torts and continuing torts.

The default rule against future damages for continuing wrongs has two exceptions. The first can be treated quickly here. Many states now agree that courts may award damages incurred between the filing of the action through the time of the trial (and perhaps judgment) regardless of whether the harm involved stems from a continuing wrong. The rule in federal

316. See Decca Ltd. v. United States, 640 F.2d 1156, 1167 (Ct. Cl. 1980).
317. See Leesona Corp. v. United States, 599 F.2d 958, 967 (Ct. Cl. 1979) (holding that the word “entire” was added to the statute in 1918 to emphasize that the statutory remedy against the United States was the only remedy permitted and to overrule a prior case where the Supreme Court had allowed a patentee to sue and enjoin a government contractor).
318. See, e.g., De Graffenried v. United States, 228 Ct. Cl. 780, 784 (1981) (“[R]elief for future infringements is beyond the power of the court by declaratory judgment or otherwise.”); Ushakoff v. United States, 375 F.2d 822, 824 (Ct. Cl. 1967) (“[P]etitioner was entitled to an accounting for any Government use or manufacture that occurs between the filing date of the original petition and the expiration of the patent or the entry of final judgment, whichever occurs first.” (citing Calhoun v. United States, 354 F.2d 337, 340 (Ct. Cl. 1965))); Irving Air Chute Co., Inc. v. United States, 93 F. Supp. 633, 637 (Ct. Cl. 1950) (“We think that if one suit must suffice for all uses by the Government, past and prospective, it would be impossible to determine what compensation would be reasonable or entire . . . .”)
court is essentially the same under Federal Rule of Civil Procedure 15. That rule permits parties to amend their complaints, expressly or implicitly, to conform to the evidence at trial and to file supplemental pleadings during the case. These rules were originally borrowed from equity practice. Because these rules are transsubstantive, courts can, if requested, permit recovery for wrongs in copyright and patent actions through judgment.

B. Property Law—Permanent Wrongs

A more important exception—developed in part at law and in part in equity in cases involving invasions of land or its enjoyment—also affects continuing wrongs. In limited cases, courts hold that a continuing trespass or nuisance must instead be labeled and considered “permanent.” The effects of this transformation are usually threefold. First, the claim accrues once and for all under a statute of limitations when the initial trespass or wrong occurs or is discovered. This differs from the traditional rule that a new period of limitations runs for each day the trespass or nuisance is ongoing. Second, and most relevant for our purposes, a plaintiff is then permitted to recover future damages for the “permanent” wrong. The award thus changes from temporary damages—such as the rental value of the encroachment—to compensation for the change in market value of the property. And third, as a consequence of the availability of prospective compensation for future harms, claim preclusion would now bar any subsequent actions based on the continuation of the conduct.

The question thus becomes whether the permanency exception for real property can be incorporated into the copyright and patent statutes and, if so, in what manner. Can a court declare that a defendant’s infringement is expected to continue indefinitely into the future, that the harm is “permanent,” and that the plaintiff must therefore recover for all future infringements in one action (rather than be allowed to bring subsequent actions as the infringements accrue)? Melville Nimmer suggested in 1974, and David Nimmer continues to suggest today, that the exception can


321. FED. R. CIV. P. 15(b), (d).

322. See Providence Rubber Co. v. Goodyear, 76 U.S. (9 Wall.) 788, 800–01 (1869); McCormick, supra note 301, § 13, at 47, 51–52.


conceivably apply in this manner, at least with respect to copyright cases.\textsuperscript{325} But their suggestions were made in passing and do not withstand scrutiny.

1. State Common Law

The development of the permanency exception has arisen most often in the context of a statute-of-limitations defense or claim preclusion, but the first case in the United States to articulate the exception involved the availability of future damages. Charles McCormick traces the origin of the exception, commonly known as the “permanent trespass” doctrine, to a decision of the New Hampshire Supreme Court. In \textit{Town of Troy v. Cheshire Rail Road Co.},\textsuperscript{326} the Town of Troy brought an action at law against a railroad company that had laid tracks upon highways and bridges, thereby making them unusable by nonrail conveyances. The defendant sought to limit the plaintiff’s recovery to harms incurred before the filing of the writ. Though the court agreed with the general bar on postwrit damages, it carved out an exception in the case:

Wherever the nuisance is of . . . a permanent character, that will continue without change from any cause but human labor, there, the damage is an original damage, and may be at once fully compensated . . . .

But where the continuance of such act is [not] . . . necessarily of a permanent character, but may, or may not be . . . continued, there the injury, to be compensated in a suit, is only the damage that has happened.\textsuperscript{327}

Finding that the railroad was “in its nature[, design, and use, a permanent structure, which cannot be assumed to be liable to change,” the court ruled that the future harm to the town was “dependent upon no contingency.”\textsuperscript{328} The town was permitted to “recover at once their reasonable damages.”\textsuperscript{329} Because the plaintiff had not sought equitable relief, the first appearance of this remedy in the United States was at law, rather than in equity.

The permanency exception was limited initially to cases where no affirmative acts were required to maintain the trespass. Thus, if the intrusion would continue without further actions by the defendant—as in

\textsuperscript{325} See 2 Melville B. Nimmer, \textit{Nimmer on Copyright} § 157.2, at 700 (1976) (“[W]here great public injury would be worked by [a final] injunction, the courts might follow cases in other areas of property law, and award damages or a continuing royalty instead of an injunction in such special circumstances.” (citing Dun v. Lumbermen’s Credit Ass’n, 209 U.S. 20 (1908); West Pub’g Co. v. Lawyers Coop. Publ’g Co., 79 F. 756 (2d Cir. 1897))); 4 Melville B. Nimmer & David Nimmer, \textit{Nimmer on Copyright} § 14.06[b][i][b][ii], at 14-159 to 14-160 (2009) (standing for a similar proposition). Notably, the Nimmers would limit use of the doctrine to cases where granting an injunction would work an injury to the public. Id.

\textsuperscript{326} 23 N.H. 83 (1851), cited by McCORMICK, supra note 301, § 127, at 505.

\textsuperscript{327} Id. at 102.

\textsuperscript{328} Id. at 103–04.

\textsuperscript{329} Id. at 104.
Town of Troy—courts might label the tort permanent. But if additional acts were required for the wrong to persist, then the trespass remained temporary and continuing. McCormick notes, however, that "the doctrine was [then] extended to situations where the nuisance... flowed from the defendant's active operation of some factory, plant, or establishment." The question arose: Under what circumstances should affirmative, ongoing acts nevertheless be deemed "permanent"?

The most common and traditional answer has been where the defendant is acting in a public or semipublic capacity and its conduct could have formed the basis for condemnation proceedings against the plaintiff's property (had that route been taken). Later, courts went further and broadened the exception to affirmative conduct done in a wholly private capacity, so long as that conduct was done for the public welfare. Thus, in most cases where a court deemed affirmative acts "permanent," the court was holding not only that the invasion would likely continue but that it "should continue indefinitely" because the public at large somehow significantly benefited from the defendant's conduct.

Any attempt to reconcile the cases beyond these contours is all but impossible. The case law is diverse and often cannot be harmonized even within the same jurisdiction. These difficulties have led some courts to follow the lead of the Restatement of Torts and permit plaintiffs in close cases—i.e., where the permanency of the wrong is debatable—to treat the defendant's wrong as either continuing or permanent and thereby choose to seek past damages in successive actions as they accrue or all of their damages, past and future, in a single action.

330. WILLIAM B. HALE & ROGER W. COOLEY, HANDBOOK ON THE LAW OF DAMAGES 124-25 (2d ed. 1912). This was not universally recognized. Some courts have held that a trespass remains temporary if the defendant can actually or (in some jurisdictions) reasonably undo what she has already done. The fact the trespass will persist without further action is not dispositive. E.g., Mangini v. Aerojet-Gen. Corp., 912 P.2d 1220, 1229-30 (Cal. 1996); Kentland-Elkhorn Coal Co. v. Charles, 514 S.W.2d 659, 664 (Ky. 1974); Dietzel v. City of New York, 112 N.E. 720, 720 (N.Y. 1916); Fradkin v. Northshore Util. Dist., 977 P.2d 1265, 1269-70 (Wash. Ct. App. 1999); see also 1 SEDGWICK, supra note 300, § 93.

331. HALE & COOLEY, supra note 330, at 124-25.

332. MCCORMICK, supra note 301, § 127, at 506 (emphasis added).

333. Accord id. at 506-07; 1 SEDGWICK, supra note 300, § 95.

334. E.g., N. Ind. Pub. Serv. Co. v. W.J. & M.S. Vesey, 200 N.E. 620, 626 (Ind. 1936); Milan v. City of Bethlehem, 94 A.2d 774, 776-77 (Pa. 1953); see also RESTATEMENT (SECOND) OF TORTS § 930(2) & cmt. c (1979); RESTATEMENT (FIRST) OF TORTS § 930(1)(b)(i) & cmt. b (1939).


336. DAN B. DOBBS, THE LAW OF TORTS § 57, at 116 (2000) ("It is not easy to find harmony in the case results."); 1 FOWLER V. HARPER ET AL., HARPER, JAMES AND GRAY ON TORTS § 1.7, at 34 (3d ed. 2006) ("The tests of distinction are clouded by doubt and confusion..."); HALE & COOLEY, supra note 330, at 121 ("It is impossible to reconcile all of the cases."); 1 SEDGWICK, supra note 300, § 94 ("Courts of the highest authority have differed on the question."). See generally Schneider Nat'l Carriers, Inc. v. Bates, 147 S.W.3d 264, 281-90 (Tex. 2004) (recounting the split of authorities within Texas).

337. See Beatty v. Wash. Metro. Area Transit Auth., 860 F.2d 1117, 1125 (D.C. Cir. 1988) (District of Columbia law); Reynolds Metals Co. v. Vand, 308 F.2d 504, 507-08 (9th
managed to include this approach in the *Restatement of Torts* in his capacity as an advisor.\(^{338}\) Importantly, the choice to seek prospective compensation is the plaintiff’s, and courts ordinarily cannot force a plaintiff to accept that type of award if she would prefer to pursue successive actions. The sole exception recognized by the Restatement is where the defendant is engaged in an “essential public service.”\(^{339}\)

One more point bears mentioning. Though the foregoing *lump-sum*, future-damages award first appeared in the United States as a legal remedy, that characterization is often inappropriate. With some exceptions, most cases addressing whether to award a plaintiff damages for future wrongs have been brought in equity, rather than at law. This follows because most suits involving continuing torts seek injunctive relief, and the issue of whether to grant future damages arises when the court has declined to grant a final injunction.\(^{340}\) The remedy is thus given in lieu of a final injunction, much as Lord Cairns’ Act allowed in England in 1858. Indeed, in many land cases, courts have ordered lump-sum, future damages with the proviso that if the defendant does not pay the judgment, the injunction will issue.\(^{341}\)

Though it has been said that monetary relief should presumptively be thought of as a “legal” remedy,\(^{342}\) the history of prospective compensation for postjudgment, continuing wrongs in England and the United States rebuts any such presumption here. At best, courts can characterize a lump-sum prospective award as legal only if the plaintiff seeks the award from the outset and never requests an injunction.\(^{343}\) It is therefore more correct, and not surprisingly most consistent with the English approach, to label lump-sum awards in lieu of a final injunction as an equitable remedy.

The argument for characterizing *continuing royalties* in lieu of an injunction as equitable is even stronger. Apart from the history, which

\(^{338}\) See Restatement (First) of Torts § 930(1)(b) (1939); McCormick, *supra* note 301, § 127, at 511–15; Charles T. McCormick, *Damages for Anticipated Injury to Land*, 37 Harv. L. Rev. 574, 596–97 (1924); see also Restatement (Second) of Torts § 930(1), (2) (1979).

\(^{339}\) Restatement (Second) of Torts §§ 930(2) cmt. c, 944 cmt. h (1979).

\(^{340}\) See id. § 951 & cmt. a.


shows that no such remedy existed at common law in England or the United States, and could only conceivable be awarded in equity starting in 1858, their contingent nature counsels for labeling them as equitable. All money awards at common law must be made in a single, lump-sum judgment. Periodic or contingent awards are not permitted. It should thus come as no surprise that the few American cases granting contingent awards in property cases were decided in equity.

So can the permanency exception be incorporated into the copyright or patent statutes? The Grupo line of cases tells us no. Prospective compensation is an equitable remedy, and state law therefore has no say in determining its default availability in federal courts. This means not only that the law of the forum state is irrelevant, but that the general law of equity as it exists in the various states is as well. As the Supreme Court has stated, even though “a State may authorize its courts to give equitable relief unhampered by” the historical restrictions on equitable remedies, state-law cases cannot remove those historical “fetters from the federal courts.”

Even if one can consider state decisional law, the confused state of the law at the time of the patent and copyright statutes in 1952 and 1976 would make incorporation of the permanency exception difficult to justify. As Justice Sandra Day O’Connor has explained, “when a significant split in authority exist[s], it strains credulity to argue that Congress simply assumed that one view rather than the other would govern.” If no common themes can be discerned from case law applying the permanency exception, then we cannot incorporate it, and only the default common-law bar on future damages for continuing infringements remains. Additionally, can we really have expected Congress to have mastered this difficult area of nuisance and trespass law in preparation for enacting a patent or copyright statute?

Insofar as some themes can be found in the cases, those trends counsel against using the permanency exception in most infringement cases.

As I have already noted, the exception applies in its most traditional form if the wrong would continue without any affirmative acts on the part of the defendant or its agents. Unlike continuing trespasses—which can be (and often are) committed by failures to undo something once it has already been done—patent and copyright infringement are typically committed by continuing affirmative acts. In the prototypical case, the defendant practices the plaintiff’s invention or prints or sells the plaintiff’s book into the foreseeable future. Additionally, the early trespass cases dealt almost exclusively with actual physical structures. Though one can, of course, infringe a copyright by constructing a structure protected by architectural


345. See, e.g., Sussex Land & Live Stock Co. v. Midwest Ref. Co., 276 F. 932, 948 (D. Wyo. 1922), aff’d, 294 F. 597, 609 (8th Cir. 1923); Quality Excelsior Coal Co. v. Reeves, 177 S.W.2d 728, 734–35 (Ark. 1944).


plans or as an architectural work, that infringement obviously requires affirmative acts and in some cases is continued by other affirmative acts, such as the leasing or selling of the structure.\textsuperscript{348}

Labeling an infringement permanent, for purposes of future damages, could also have unintended consequences on limitation periods. At present, the copyright and patent statutes provide for rolling limitation periods that begin to run from the date of each discrete infringement.\textsuperscript{349} But if an infringement is labeled permanent, then many of the property cases have held that the plaintiff must sue for all damages—from past and future infringements—once and for all within a certain number of years after the first original wrong. The claim for entire damages accrues at once. Thus, after three years of “permanent” copyright infringements, or six years in the case of patents, the plaintiff would be unable to recover at all. Each new infringement would not form the basis for a new cause of action. A plaintiff who misidentified an infringement as temporary, rather than permanent, would thus run the terrible risk of being completely barred even where the infringement was ongoing at the time of trial. To suggest that Congress contemplated such a rule, of course, is absurd. Query whether courts should be allowed to selectively incorporate some common laws into a statute but not others.\textsuperscript{350}

The \textit{Restatement of Torts} approach would also not support imposing prospective compensation in lieu of a final injunction on plaintiffs in most intellectual-property cases. The fact that a court has denied an injunction because it would not be in the public interest does not necessarily empower that same court to force a compulsory license on the plaintiff. That avenue would only be available if the defendant’s conduct constituted an “essential public service.”\textsuperscript{351} And those cases are typically limited to inverse-condemnation analogs. In cases not involving an essential public service, which will constitute the majority of the cases, the Restatement provides that it is the plaintiff who elects in close cases whether to seek permanent damages or to pursue successive actions. The court cannot force a plaintiff to take prospective compensation in lieu of a final injunction. The only party who would have no say in the matter is the adjudged infringer.

\textsuperscript{348} E.g., Christopher Phelps & Assocs. v. Galloway, 492 F.3d 532, 543–44 (4th Cir. 2007).
\textsuperscript{350} Similar difficulties have led some courts in property cases to consider decoupling the consequences of the “permanent” labeling, such that a tort might be labeled permanent for purposes of allowing future damages, but not for purposes of the limitations period. E.g., Beatty v. Wash. Metro. Area Transit Auth., 860 F.2d 1117, 1125 (D.C. Cir. 1988); Cook v. Rockwell Int’l Corp., 358 F. Supp. 2d 1003, 1011–13 (D. Colo. 2004); see also Mangini v. Aerojet-Gen. Corp., 912 P.2d 1220, 1230 (Cal. 1996) (reserving whether to decouple for another day). The Restatement approach appears to approve decoupling.
\textsuperscript{351} \textit{Restatement (Second) of Torts} §§ 930(2) cmt. c, 944 cmt. h (1979).
2. Federal Common Law

The Supreme Court has decided two land cases that require special attention because they have been cited by a handful of copyright and patent decisions as possible authorities for granting prospective compensation.352

The first is *New York City v. Pine*,353 which involved a nearly completed dam. The dam diverted water away from the plaintiff's land to increase the water supply to New York City. The trial court enjoined the city from diverting the water and held in the alternative that the court had no power in equity to ascertain and order the payment of future damages in lieu thereof.354 The Supreme Court disagreed and held that the plaintiff's delay in filing suit, and the public convenience associated with the defendant's conduct, called for only a conditional injunction. The Court stated that the trial court should ascertain in equity the damages the plaintiff would suffer in the future from the dam and then order the defendant to pay the ascertained sum by a certain date or suffer the injunction previously entered by the trial court.355 Notably, in reaching its conclusion, the Court rejected an argument that any power in equity to award future damages would have required legislation similar to Lord Cairns' Act.356

*Pine* does not support the current practice in patent and copyright cases of forcing plaintiffs to take prospective compensation in lieu of a final injunction. For one, the decision seems to leave the plaintiff the option of pursuing the defendant at law with successive actions. The Supreme Court stated that if "the plaintiffs shall prefer to have their damages assessed by a jury, leave may be given to dismiss the bill without prejudice to an action at law."357 Moreover, insofar as *Pine* held that the trial court could award future damages in equity for a continuing tort, the case has been fatally undermined by *Grupo Mexicano de Desarrollo, S. A. v. Alliance Bond Fund, Inc.*358 In the absence of legislation, the default equitable powers in federal court depend on Chancery practice in 1789. The passage of Lord Cairns' Act and the cases I have already discussed demonstrate that no such power existed at law or in equity in England until 1858.

The second case is *Harrisonville v. W. S. Dickey Clay Manufacturing Co.*,359 which some commentators have cited as authority for granting prospective relief regardless of whether a tort is deemed "permanent" or not. There, a city's sewage disposal plant had regularly discharged

---

352. Judges Arthur Gajarsa and Pauline Newman of the Federal Circuit have also cited these cases in support of awarding enhanced damages in lieu of a final injunction. *See In re Seagate Tech., LLC, 497 F.3d 1360, 1378 (Fed. Cir. 2007) (Gajarsa, J., joined by Newman, J., concurring).*
353. 185 U.S. 93 (1902).
354. *Id.* at 95.
355. *Id.* at 108.
356. *Id.* at 107.
357. *Id.* at 108.
358. *See supra* text accompanying notes 179–89.
pollution into a creek since 1923. The plaintiff's farm was seriously affected, and after five years the plaintiff sued for nuisance in federal court. Jurisdiction was "based solely on diversity of citizenship," and the lower court granted a final injunction. The issue before the Supreme Court was whether the injunction should have issued and, if not, what remedy to order instead. The city insisted the nuisance was permanent, as that term was understood under Missouri law, and that the plaintiff's claim had therefore accrued in 1923 and was barred under the applicable statute of limitations.

The Court held that an injunction could not issue because the city's sewage plant engaged in a public service. But more importantly, the Court allowed an award of future damages in lieu of the injunction and held that whether the nuisance was "permanent" or not was irrelevant for determining whether a federal court could allow future damages. This flew in the face of Missouri law, which stated that if a plaintiff was permitted to recover future damages, the nuisance was permanent. The statute would have begun to run once and for all in 1923, and the claim would have been barred.

The Court, acting under its pre-Erie powers, openly ignored Missouri law. "We have no occasion to determine the scope of the doctrine of permanent nuisance as applied in Missouri; nor need we consider to what extent the local law on that subject would be accepted as controlling in the federal courts."

Harrisonville must be ignored for two reasons. First, insofar as it purports to create a new equitable remedy it fails for the same reasons already noted with Pine—the remedy was not available in equity in Chancery circa 1789. Second, given the decision's pre-Erie basis, it seems particularly unwise to rely upon Harrisonville when considering what decisional law we can deem Congress to have incorporated into the copyright and patent statutes. As Justice Hugo Black explained,

Indulging for the moment the convenient fiction that Congress knows all about [a pre-Erie] rule and what it means, why should it think that old rules laid down by this Court and based on the Swift v. Tyson doctrine could survive our decision in Erie v. Tompkins?

It is not uncommon for courts (including the Supreme Court) to question the precedential value of diversity cases decided before Erie. Harrisonville should be no exception.

360. Id. at 336.
361. Id. at 337, 340–41.
362. Id. at 339–41.
363. Id. at 341 (describing Missouri common law).
364. Id.
It also bears noting that neither Harrisonville nor Pine were decided in the face of a federal statute that governed the behavior at issue. The Court therefore did not need to worry about scuttling the views of Congress.

***

The preceding sections have demonstrated several things. First, a damage award for postjudgment continuing infringements or wrongs was never recognized at common law in England. Equity recognized a similar award in certain cases, but that was not until 1858 and only by an act of Parliament. Second, a damage award for postjudgment wrongs was also not recognized at common law in the United States. Though an exception later developed in the states for "permanent" wrongs, the exception cannot be incorporated into the patent and copyright statutes because it amounts to an equitable doctrine that was not recognized in the Court of Chancery in or around 1789. Even if incorporated, the exception would make for a poor fit in most copyright and patent cases.

C. Copyright and Patent Cases

In Part VII.A, I asked why federal courts believe they can impose continuing royalties on litigants in lieu of a final injunction and I indicated that the simplest answer was probably because U.S. precedent in copyright and patent suits permit them to do so. Indeed, scholars and courts have cited numerous early U.S. copyright and patent cases as support for awarding a judicially imposed license in lieu of a final injunction. I have already shown that those cases are irrelevant for determining the default equitable remedies of federal courts. But even if they are instructive, the cases are actually of no help. None of the cases appearing before the Patent Act of 1952 say anything about continuing royalties, let alone that they may be compulsory. And though one case in 1936 does speak of awarding a lump-sum award in lieu of a final injunction, that case was an anomaly intimately associated with the doctrine of patent exhaustion. Moreover, in the years before the Copyright Act of 1976, two decisions did arise, but they did not yet represent the "general state" of the common law.

Let us look at those decisions more closely.

1. Cases Decided Before 1952

Take, for example, the case of Electric Smelting & Aluminum Co. v. Carborundum Co.,367 which one commentator has interpreted as "issu[ing] a compulsory license."368 The plaintiff patented a process for smelting ores, and the defendant patented an end-product called carborundum. The defendant could only make carborundum by infringing the plaintiff's

367. 189 F. 710 (C.C.W.D. Pa. 1900).
process, and the plaintiff could not make carborundum without infringing the defendant’s patent. The plaintiff sued, and in November 1900 the trial court “granted” an injunction, but made it conditional because of the blocking patents, the importance of carborundum, and the financial ruin the defendant would suffer if the injunction issued. The court referred the case to a master for an accounting of the defendant’s profits and held that “no injunction w[ould] issue until the further order of this court if the defendant . . . file[d] a bond . . . to secure to the complainant the profits and damages which [it] may ultimately be decreed to pay.”

The facts make clear, however, that the case provides no authority for creating a compulsory license for postjudgment infringements. First, because of the date the patent expired (in 1902) and the date the final decree was entered (in 1911), the money award was backward looking. This is not a case of a court ordering a defendant to pay for infringements that will occur after judgment. Moreover, nothing in the case suggests that retaining the case in equity was done against the wishes of the plaintiff. The plaintiff could very well have preferred this procedure over filing a new action at law to obtain a backward-looking award of actual damages from a jury.

Consider also the case of Dun v. Lumbermen’s Credit Ass’n. The trial court denied a final injunction because the defendant had taken only a trifling amount. The court of appeals affirmed, stating that in “such cases the copyright owner should be remitted to his remedy at law.” This must be understood as requiring the plaintiff to file an action for infringements after they arise. The Supreme Court’s opinion affirming the order supports this reading: “[W]e think the discretion of the court was wisely exercised in refusing an injunction and remitting the appellants to a court of law to recover such damage as they might there prove that they had sustained.”

The same must be said of West Publishing Co. v. Edward Thompson Co. The trial court denied a final injunction because the plaintiff had

370. Id. at 712–13. Several commentators have suggested the injunction was denied because the plaintiff was a nonpracticing entity. See Brian D. Coggio et al., Damage Control—What an Adjudged Infringer Can Do To Minimize the Resulting Damage, 15 AIPLA Q.J. 250, 254 (1987); Robert P. Merges, One Hundred Years of Solicitude: Intellectual Property Law, 1900–2000, 88 CAL. L. REV. 2187, 2219 n.148 (2000); Kurt M. Saunders, Patent Nonuse and the Role of Public Interest as a Deterrent to Technology Suppression, 15 HARV. J.L. & TECH. 389, 442 (2002); Venkatesan, supra note 368, at 37. This is incorrect. The plaintiff actually used its patented process on metals. It even made carborundum, albeit not on a commercial scale. See Elec. Smelting & Aluminum Co. v. Carborundum Co., 102 F. 618, 633 (3d Cir. 1900).
374. Dun v. Lumbermen’s Credit Ass’n, 144 F. 83, 85 (7th Cir. 1906).
375. Dun, 209 U.S. at 24 (emphasis added).
376. 176 F. 833 (2d Cir. 1910).
delayed suit for sixteen years and future infringement was unlikely.\textsuperscript{377} The court then refused to retain the case for an accounting of past profits and ordered the plaintiff to bring an action at law. The Second Circuit affirmed in part, but held the trial court could have retained the cause under its equity cleanup jurisdiction to determine the "damages the complainant has sustained."\textsuperscript{378} On remand, the matter was referred to a master to determine the damages the plaintiff suffered. The parties settled,\textsuperscript{379} but it seems the damages would have been retrospective.\textsuperscript{380}

Another commonly cited case is \textit{City of Milwaukee v. Activated Sludge, Inc.}\textsuperscript{381} The trial court permanently enjoined the City of Milwaukee from operating a sewage plant because of patent infringement. The appellate court reversed because the plaintiff had delayed in filing suit, and closing the plant would be against the public interest. The court said little about what alternative remedy, if any, would be appropriate, other than that "[t]he damages of appellee may be compensated by a money judgment."\textsuperscript{382} \textit{Vitamin Technologists, Inc. v. Wisconsin Alumni Research Foundation},\textsuperscript{383} which some courts and scholars have also cited, says nothing about what alternative relief may be appropriate when a final injunction is denied. At most, the appellate court stated in obiter dictum that a trial court can deny a final injunction to a patent holder when the defendant's use of the patented process is necessary to ensure public health. In point of fact, the court had held that the plaintiff's patents were invalid.\textsuperscript{384}

There is one case that granted a lump sum in lieu of a final injunction, \textit{Curtiss Aerocar Co. v. Springer},\textsuperscript{385} but it seems to be an unprecedented extension of patent exhaustion and was an anomaly not seen again. An explanation of the exhaustion, or first-sale, doctrine helps place the case in context. Exhaustion occurs when a patentee unconditionally sells or authorizes the sale of a product that embodies the patented invention. The purchaser is then permitted, for the useful life of the item, to use it or sell it to another person even though use and further sale technically constitute prima facie infringement of the patented component.\textsuperscript{386} This implied-in-

\footnotesize
\begin{itemize}
  \item 378. \textit{West Publ'g}, 176 F. at 839.
  \item 381. 69 F.2d 577 (7th Cir. 1934).
  \item 382. \textit{id.} at 593. The court's use of "judgment" instead of "decree" in this pre-1938 merger case indicates that the court had a judgment at law, rather than a decree in equity, in mind.
  \item 383. 146 F.2d 941 (9th Cir. 1944).
  \item 384. \textit{id.} at 946--47, 956.
  \item 385. 81 F.2d 668, 669 (5th Cir. 1936).
\end{itemize}
PROSPECTIVE COMPENSATION

law license lasts as long as the particular item does—not necessarily as long as the patent term—and does not permit later manufacture.

In the late 19th century, courts extended this doctrine to cases where the initial manufacture or sale of the patented product was unauthorized. If the patentee had obtained and collected a more-than-nominal patent-infringement judgment against the entity that placed the infringing products into the stream of commerce, the patentee would not be allowed to sue and enjoin any downstream consumers for using the patent-embodied products.387 The basis for extending exhaustion was that once the patentee had obtained full compensation in the suit against the manufacturer, the patentee had effectively adopted the manufacturer's infringing sales as if they had been the patentee's own.388 A few courts then extended this doctrine to protect a downstream user where the patentee had not yet collected a judgment against the initial manufacturer, so long as the patentee had successfully sued the manufacturer and it appeared the manufacturer would be able to pay the judgment (e.g., by posting a bond).389

It was in this context that the Fifth Circuit decided Curtiss. There, the patentee held a design patent for a trailer vehicle and sued another manufacturer for infringement. The patentee obtained a decree of infringement and a permanent injunction, but no award of damages or profits.390 While the case was on appeal, a consumer purchased a trailer vehicle from the accused manufacturer on the assurance that the manufacturer had the right to sell it. The patentee then sued the consumer on the ground that his use of the manufacturer's vehicle constituted infringement. The trial judge granted an injunction against the user but carved out an exception that permitted continued use of the vehicle throughout its reasonable life, "restraining the defendant as to it only from making major repairs substantially amounting to a reconstruction."391

The Fifth Circuit reversed. Noting that the patentee had not been compensated, the court held that a fuller injunction against the consumer prohibiting use of the trailer would have to issue.392 But the court then stated that the consumer could avoid the injunction if he paid a lump sum sufficient to compensate the patentee for use of the design embodied in the vehicle.393 Cognizant, perhaps, of the desire to protect downstream customers, the court effectively allowed the consumer to pay where the infringing manufacturer had not. This extension is understandable insofar as the court recognized (as it must have) that pricing damages on a single item would be relatively easy. It also seems likely, given the defendant,

390. Harris & Schafer, Inc. v. Curtiss Aerocar Co., 69 F.2d 264, 264 (5th Cir. 1934).
391. Curtiss Aerocar Co. v. Springer, 81 F.2d 668, 669 (5th Cir. 1936).
392. Id.
393. Id. at 670.
that the plaintiff did not object. In any event, the decision was novel and effectively dead on arrival. With one inapposite exception, Curtiss has never been cited in a reported case in the last seventy-four years.

In light of the foregoing, it is impossible to argue that Congress contemplated and incorporated a judicially imposed compulsory license into the Patent Act of 1952, whether it be in the form of a continuing royalty or a lump-sum award. When one reads the cases with the gloss of the common law, which should now be fresh in the reader's mind, the context and limited scope of the cases become clear.

2. Cases Decided Between 1952 and 1976

Two circuit court cases decided before the Copyright Act of 1976 could conceivably have influenced congressional intent in passing that Act, though whether to label them as a common-law trend suitable for incorporation seems incredibly doubtful. Both decisions are patent-infringement suits decided by the Second Circuit in 1961 and 1974. Though the first states its approval of a continuing royalty, it actually does less than what others have imagined. The second unequivocally adopts a continuing royalty in lieu of a final injunction.

In Royal-McBee Corp. v. Smith-Corona Marchant, Inc., the plaintiff held a patent for an automatic margin regulator for typewriters. The plaintiff sued two defendants in separate cases in March 1947, one of which involved the defendant in suit Smith-Corona. The trial court entered interlocutory orders on October 3, 1947, declaring both defendants had infringed the patent. The court later entered a permanent injunction against one defendant, but not against Smith-Corona because the plaintiff had suggested in a 1940 letter to Smith-Corona that its typewriters no longer infringed. The denial of the injunction was contingent on the defendant paying a "fair royalty" of $1.09 on each infringing typewriter from the date of the suit until the expiration of the patent in 1950. There seems to be little doubt that this constituted a continuing royalty. Smith-Corona did not appeal the unpublished decision and the case was instead held in abeyance while the other defendant's case was heard on appeal.

The Second Circuit affirmed the companion case in May 1948, and that case terminated in the Supreme Court in November of the same year. Smith-Corona then continued to litigate its case before the district court,

---

394. 295 F.2d 1 (2d Cir. 1961).
397. Royal-McBee, 295 F.2d at 4–6.
398. Id. at 2–3. The trial court barred the plaintiff from seeking damages prior to suit because of laches. Id. at 5.
399. Royal Typewriter Co. v. Remington Rand, Inc., 168 F.2d 691 (2d Cir. 1948).
attempting in 1951 to amend its counterclaims in an effort to invalidate the 
patent.\textsuperscript{401} After that attempt failed, the parties attempted to settle but the 
negotiations broke down. Smith-Corona finally submitted to an 
“accounting” before a master long after the patent had already expired in 
1950. Indeed, the Second Circuit itself noted that the appeal from the final 
judgment occurred “more than ten years after the patent expired.”\textsuperscript{402} The 
order on appeal, therefore, turned out to be nothing more than a standard 
case, with the master simply assessing a reasonable royalty up through the 
time of his hearing of the matter. Though the district court’s decision, 
initially, was forward looking, the order that became final for appeal and 
that the Second Circuit reviewed was solely backward looking. Thus, the 
Second Circuit’s statement that it approved the district court’s “flexible 
approach towards a difficult problem” was not necessary to decide the 
case.\textsuperscript{403} Of course, it still signaled to the world that it would likely approve 
the same in the future. Notably, however, it remains unclear whether the 
continuing-royalty approach was taken without the parties’ consent. 

In 1974, the same court decided \textit{Foster v. American Machine \& Foundry 
Co.},\textsuperscript{404} a decision on which there can be no splitting of hairs. The trial 
court by interlocutory order in August 1968 held that the plaintiff’s patent 
was valid and infringed and initially signaled it would enter a final 
injunction.\textsuperscript{405} In September 1968, the court then reconsidered the remedy 
and denied the plaintiff a final injunction because he did not practice the 
invention and had not licensed it.\textsuperscript{406} The matter was referred to a special 
master to assess the plaintiff’s damages, and while that was pending, the 
interlocutory finding of infringement was affirmed in 1969.\textsuperscript{407} The master 
completed his report in September 1972, and it reflected the defendant’s 
infringements prior to that date. The damages amounted to $344,000 at a 
special royalty rate of $20.\textsuperscript{408} This, of course, was nothing out of the 
ordinary—the award was entirely backward looking. 

But the trial judge did more. In December 1972, the court tentatively 
approved the master’s report and stated that “future sales should be 
accounted for by virtue of a judgment ‘consonant with the notion of a 
compulsory licensing agreement.’”\textsuperscript{409} When the judge finally approved the 
report in February 1973, he inserted the following provision into the final 
judgment:

\begin{quote} 
\textsuperscript{401} \textit{Royal-McBee}, 295 F.2d at 3. 
\textsuperscript{402} \textit{Id.} at 6. 
\textsuperscript{403} \textit{Id.} at 6. 
\textsuperscript{404} 492 F.2d 1317, 1324 (2d Cir. 1974). 
\textsuperscript{406} \textit{See Respondents’ Brief in Opposition to Petition for Writ of Certiorari at} 4, 7–8, 10, 
\textit{app. lb, Foster v. Magnetic Heating Corp.,} 419 U.S. 833 (1974) \textit{(No. 73-1744) \textit{[hereinafter \textit{Respondents’ Brief}]}}. 
\textsuperscript{407} Foster v. Magnetic Heating Corp., 410 F.2d 12 (2d Cir. 1969). 
\textsuperscript{408} Foster, 492 F.2d at 1322. 
\textsuperscript{409} Respondents’ Brief, \textit{supra} note 406, at 10 (quoting Foster v. Magnetic Heating 
Corp., No. 65 Civil 1114 (S.D.N.Y. Dec. 20, 1972) \textit{(order denying injunction), reprinted in} 
Respondents’ Brief; \textit{supra} note 406, \textit{app. at 14b}).
\end{quote}
Defendants . . . shall pay to plaintiff the sum of $20 per kilowatt of the rated output power of each [infringing product] sold or leased by them from the date of the filing of the Master's Report (September 22, 1972) until the expiration date of the Foster patent (April 14, 1976) for use in the United States in the production of [piping] . . . .

The Second Circuit expressly approved the order, citing the dictum of *Royal-McBee*. Interestingly, the plaintiff sought certiorari on this point, but the Supreme Court denied the petition. The petition was poorly written. If the following is any indication of the petition's quality, the plaintiff inserted seven exclamation marks into the petition for emphasis.

Assuming arguendo that these U.S. decisions are relevant, it is difficult to state that *Royal-McBee* and *Foster* represented the general state of the common law at the time the Copyright Act was enacted in 1976. For one, the cases involved patents, rather than copyrights. And though that alone should not be dispositive, one cannot help but consider the two rights are not identical. Second, one cannot forget that the cases were watershed, breakaway cases coming from a sole circuit. No other circuit court relied on either case before 1976, and their effect in district courts prior to that date was slight. In 1974 and 1975, two district courts in patent cases cited *Royal-McBee* in dicta for the proposition that a continuing royalty might be proper. Additionally, no reported decision cited *Foster* for its holding on continuing royalties until 1997, when a trial court applied it. Admittedly, the Second Circuit holds a lofty position in the eyes of the law because of its history and size. But even so, *Royal-McBee* and *Foster* can only be described as holding an unusual position in 1976.

3. Cases Decided After 1976 but Before eBay

The remaining cases that are often cited by post-*eBay* cases and scholars as support for continuing royalties all occur well after the patent and copyright statutes were enacted in 1952 and 1976, respectively. First and foremost are the several Supreme Court decisions discussed previously in

---

411. *Foster*, 492 F.2d at 1324.
414. *Siemens Aktiengesellschaft v. Beltone Elecs. Corp.*, 407 F. Supp. 807, 811 (N.D. Ill. 1975); *Minn. Mining & Mfg. Co. v. Berwick Indus.*, Inc., 373 F. Supp. 851, 870 (M.D. Pa. 1974). Another case in 1969 did not cite *Royal-McBee*, but might have been influenced by it. See *Allied Research Prods.*, Inc. v. *Heatbath Corp.*, 300 F. Supp. 656 (N.D. Ill. 1969). There, the court denied a final injunction because the plaintiff had refused to license its patent to the defendant for personal reasons. The court held that this was “unfair discrimination” and that the defendant was “entitled to be licensed by plaintiffs on the same royalty basis as plaintiffs were granting licenses to other manufacturers who were competing with plaintiffs and defendants.” *Id.* at 657. The decision is bizarre and wrong.
Part III.A. I have already shown that the pertinent statements are unconsidered dicta. As for lower court decisions, most also simply state in obiter dicta that continuing royalties are permissible. Another case alluded to as much. One case approved of the royalty rate set by a judge, but it does not seem that the royalty as an award *per se* was raised on appeal. And yet another court actually ordered a compulsory license, but that was then reversed on appeal on other grounds. Obviously, given the dates of those decisions, we cannot assume Congress contemplated that they would fill the interstices of the statutes.

D. The Inapplicability of Antitrust Remedies

In a prior discussion, I noted that the Federal Circuit in *Paice LLC v. Toyota Motor Corp.* cited Supreme Court precedent that permits continuing royalties on patents where necessary to prevent anticompetitive behavior. It is true that the Court has expressly allowed royalties in such cases. One could thus argue that the Court’s decisions in the antitrust context are erroneous because they permit an equitable remedy that the English Chancellor did not recognize circa 1789. But those decisions are more easily and correctly dispatched on the ground that federal courts actually have statutory authority under the antitrust laws to grant compulsory licenses of patents and copyrights as a means of restraining anticompetitive behavior. The antitrust cases therefore make for poor analogies in assessing whether a similar remedy is permissible as a matter of a federal court’s default equitable powers in cases where an ongoing copyright or patent infringement (rather than antitrust violation) is at issue.

Breaking monopolies apart sometimes requires the assignment or licensing of intellectual-property rights from the right holder to another entity. Section 4 of the Sherman Act expressly empowers courts to prevent and restrain its violation. The provision is much broader than the provisions contained in the patent and copyright acts. It is not limited to

---


420. *See supra* text accompanying note 55.


423. 15 U.S.C. § 4 (2006) (“The several district courts of the United States are invested with jurisdiction to prevent and restrain violations of sections 1 to 7 of this title; . . . such violation[s] shall be enjoined or otherwise prohibited.”).
injunctions, and it broadly permits relief to prevent anticompetitive behavior. Similarly broad language may be found in the Clayton Act, which invests courts with jurisdiction "to prevent and restrain violations of this Act." Quite simply, if a defendant wishes to take advantage of a compulsory license under the scheme recognized by the antitrust cases cited in Paice, he or she should then make out a case against the plaintiff under the antitrust statutes themselves.

VIII. THE STANDARD FOR INJUNCTIVE RELIEF REDUX

One of the consequences of misunderstanding the authority to grant prospective compensation is that federal courts have misapplied the standard for injunctive relief as well. Many post-eBay decisions that have denied final injunctions to prevailing plaintiffs have done so erroneously. The courts have committed two errors. First, courts deny injunctions in part because they believe they are authorized to impose prospective compensation instead and that therefore another remedy exists that can adequately compensate plaintiffs. I have already demonstrated that this avenue is unavailable to federal courts. Second, courts state that prospective compensation—whether a continuing royalty or a lump-sum award—constitutes an adequate remedy at law. It is this second mistake that I address here. The mistake demonstrates that some courts have failed to properly understand and adhere to the equity-law distinction.

Many courts have actually stripped themselves of their jurisdiction in equity to award the very alternative prospective compensation that they have granted. As I have already explained, the Judiciary Act of 1789 limited the equitable jurisdiction of the federal courts to cases where there was no adequate remedy at law. Though Congress repealed that section in 1948, the repeal had no effect on the substantive rules of equity, nor did the merger of law and equity procedure in 1938. Thus, the fusion of the two systems is incomplete, much as it is in other common-law systems.

425. See supra Part V.B.1.
426. Courts in England, Australia, and New Zealand have grappled with whether the combination of law and equity procedure in their countries eliminated all distinctions between law and equity. See generally McCORMICK, supra note 232, at 105–06; R. P. MEAGHER, J. D. HEYDON & M. J. LEEMING, EQUITY: DOCTRINES AND REMEDIES 52–54 (4th ed. 2002). The answer is that many substantive distinctions remain. See Jill Martin, Fusion, Fallacy and Confusion: A Comparative Study, 1994 CONV. & PROP. LAW. (N.S.) 13; Julie Maxton, Some Effects of the Intermingling of Common Law and Equity, 5 CANTERBURY L. REV. 299 (1993); Michael Tilbury, Fallacy or Furphy?: Fusion in a Judicature World, 26 U. NEW S. WALES L.J. 357 (2003). For a call to discard the baggage associated with whether a claim, remedy, or defense was historically legal or equitable, see ANDREW BURROWS, FUSING COMMON LAW AND EQUITY: REMEDIES, RESTITUTION AND REFORM 3 (2001); Andrew Burrows, We Do This at Common Law but That in Equity, 22 OXFORD J. LEGAL STUD. 1 (2002).
The inadequate-remedy-at-law requirement remains “jurisdictional” in a sense, albeit not with the same significance as subject-matter jurisdiction.\textsuperscript{427} Judgments rendered without subject-matter jurisdiction are void \textit{ab initio}, and party consent cannot cure the defect.\textsuperscript{428} The same is not true of equity jurisdiction. An equitable remedy that issues where there is an adequate remedy at law remains enforceable until overturned.\textsuperscript{429} The parties can also expressly or implicitly consent to equity jurisdiction in cases where ordinarily there would be none.\textsuperscript{430} But if timely objected to, an improper exercise of equity jurisdiction constitutes an abuse of discretion that courts can correct on appeal.

The Supreme Court has confirmed that the \textit{sine qua non} of equitable relief is still the “inadequacy of legal remedies.”\textsuperscript{431} The principle applies not only to injunctive relief, but to any form of equitable relief in federal court.\textsuperscript{432} Implicit within the requirement is that if there is an adequate remedy at law, then the plaintiff must make do with that remedy and cannot resort to any other in equity.\textsuperscript{433} The rule also acts prophylactically to help preserve the right to a jury trial. A party cannot be forced to face an equitable remedy at a bench trial when an adequate remedy, and thus a right to a jury trial, would be available at law.\textsuperscript{434}

There are exceptions to the inadequacy requirement. The first is where the subject matter of the suit falls within the traditional concurrent jurisdiction of a court of equity.\textsuperscript{435} I have recently argued that copyright cases that seek injunctions fall under equity’s concurrent jurisdiction, thus making inadequacy irrelevant.\textsuperscript{436} Courts have yet to consider that argument, however, and we must proceed assuming they may not adopt it. The second exception is where Congress specifically empowers a court to award an equitable remedy without incorporating traditional equitable limitations.\textsuperscript{437} The copyright statute, for example, entitles a copyright

\begin{itemize}
\item \textsuperscript{428} See United States v. Griffin, 303 U.S. 226, 229 (1938).
\item \textsuperscript{429} See generally 1 Dobbs, supra note 427, § 2.6(8), at 213.
\item \textsuperscript{430} See Pennsylvania v. Williams, 294 U.S. 176, 181 (1935).
\item \textsuperscript{433} See 1 Dobbs, supra note 427, § 2.5(1), at 127.
\item \textsuperscript{435} Gómez-Arostegui, supra note 3, at 1277–79. The Supreme Court has held, however, that the existence of traditional concurrent jurisdiction may not necessarily affect the right to a jury trial. \textit{See} Beacon Theatres, 359 U.S. at 506–07.
\item \textsuperscript{436} Gómez-Arostegui, supra note 3, at 1277–79. My article was limited to copyright cases and did not purport to argue (nor exclude the possibility) that concurrent jurisdiction would apply to patent cases.
\end{itemize}
owner to recover the defendant’s profits—an equitable remedy. 438 Nothing in the statute, however, requires a plaintiff to demonstrate that her remedies at law—actual damages or statutory damages—are inadequate before the profits become recoverable. 439 This second exception cannot apply to prospective compensation given the language of the applicable statutes. 440

How is it, then, that federal courts can grant the equitable remedy of prospective compensation when they have just held that the plaintiff has an adequate remedy at law? The simple answer is they cannot. Courts with a proper understanding of equity recognize as much, and when they deny a final injunction on the ground an adequate remedy exists at law, the principal remedy they leave the plaintiff is successive actions at law for past damages. Naturally, litigants sometimes consider successive actions inadequate, and courts have declared that successive actions are often an inadequate remedy. 441 Thus it would technically be more correct to say that there is no adequate remedy at law—thereby triggering equitable “jurisdiction”—but that an injunction should nevertheless be denied because there is no irreparable injury. Losses from future infringements would then be reparable by another remedy in equity. 442 Alternatively, a court could deny a final injunction because of the public interest.

Of course, this would not aid courts that desire to award continuing royalties or lump-sum damages for postjudgment infringements. Holding as much simply triggers an equitable jurisdiction to award remedies that existed and were being administered by the English Court of Chancery around 1789, namely an injunction. By ruling as they did, many courts placed themselves into a feedback loop and, as a result, many of the injunctions that they denied should probably have been granted instead.

IX. CONCLUSION

eBay has dropped a bombshell on the federal courts. They have been told to more rigorously screen requests for final injunctions and as a consequence injunctions have been denied more frequently than in the past. Unfortunately, the Supreme Court did not indicate what relief, if any, lower courts should award in lieu of a final injunction where the plaintiff prevailed on the merits. Courts have turned to their “equitable powers” to craft what they believe are appropriate alternative remedies, some of which are sensible in the abstract.

439. Accord Sheldon v. Moredall Realty Corp., 95 F.2d 48, 50 (2d Cir. 1938).
440. See supra Part IV.
442. For more on the potential differences between the inadequate-remedy-at-law and irreparable-injury requirements, see Gómez-Arostegui, supra note 3, at 1205 n.17.
As this Article has shown, however, federal courts actually have no power to order lump-sum awards or continuing royalties in lieu of a final injunction as either a matter of common law or equity. The most that federal judges can do is encourage the parties to expressly consent to some form of prospective compensation. For example, a plaintiff who has lost a motion for a final injunction after trial can conditionally stipulate to an award of a continuing royalty in lieu of the injunction in the abstract, and simply reserve the right to appeal the denial of the injunction and the royalty rate.\textsuperscript{443} Barring a zealous appellate court, litigants can largely control this remedial portion of the litigation. If a plaintiff refuses to stipulate, however, then courts must permit her to sue again at a later date.

Only Congress has the power to alter this state of affairs and empower courts to impose compulsory licenses. Congress is in the best position to carefully consider and balance the interests of right holders and of those who infringe those rights. It is also the only institution that can free the courts from most of the artifacts of the law and equity distinction that remain today. For instance, Congress can permit courts to consider prospective compensation as a basis for denying a final injunction despite the fact those remedies are equitable. And Congress can statutorily provide plaintiffs a right to a jury trial for prospective compensation where they otherwise might not have a right under the Seventh Amendment. A plaintiff would thus not need to pursue the defendant in a subsequent suit.

Congress needs guidance on how best to proceed. This Article has provided fodder on some issues, but left many others untreated. I will soon address many of them in another article. But in the meantime, I am hopeful that my conclusions will prompt courts to recognize the limits of their powers and further spur stakeholders to redirect their attention to the legislative process.
