Moritt Hock & Hamroff LLP
ATTORNEYS AT LAW
STRENGTH IN PARTNERSHIP®

ALERT

March 2025

Supreme Court Upholds Principle of Corporate Separateness in Vacating Award to Dewberry Engineers

By: Michael J. Schwab

In a decision that strongly endorsed the principle of corporate separateness – where a company's affiliates are not financially responsible for the legal obligations of their parent – the U.S. Supreme Court unanimously reversed the $47 million award that an appeals court had compelled Dewberry Group Inc. (DGI) to pay to Dewberry Engineers Inc. (DEI) for trademark infringement. The two businesses are unrelated companies in the real estate industry. While the Court's decision provided little guidance for how the lower court should determine how to disgorge profits from DGI, it did make one thing crystal clear – courts are only permitted to disgorge profits from defendants named in a case.

The Supreme Court remanded the case back to the U.S. Court of Appeals for the Fourth Circuit, which initially ruled last August that, since DGI itself had no funds, DGI's affiliates were liable for the damages that DGI had incurred for infringing on the DEI trademark. This despite the fact that none of the DGI affiliates were defendants in the case. A major factor in the appeals court verdict had been that the affiliates generated all DGI's revenues (just $4 million less than the award), hence, DGI and those affiliates should be viewed as one business.

The Supreme Court said otherwise in its decision issued on February 26, 2025. Specifically, Justice Elena Kagan's majority opinion averred that a trademark infringement suit brought under the Lanham Act required a court to "award only profits ascribable to the defendant itself." As the typical legal term "defendant" refers to the party being sued for damages, and DEI neglected to name the affiliates as defendants, "the affiliates' profits are not the (statutorily disgorgable) 'defendant's profits' as originally understood."

DGI had sought the high court's review of the earlier verdict by claiming the appeals court had wrongly believed the Lanham Act allowed it to decide the case without giving weight to the established doctrine of corporate separateness. However, DEI had objected to that review by asserting the lower court's broad discretion under federal trademark law to cast a wider net that would corral "creative infringers" of a trademark.

Moritt Hock & Hamroff LLP
ATTORNEYS AT LAW
STRENGTH IN PARTNERSHIP®

ALERT

The Supreme Court's decision should cause plaintiffs in trademark disputes to consider including multiple defendants in their complaints and/or seeking to add defendants to a case if, during discovery, it becomes clear that the named defendant's affiliates are also using the infringing mark.

Here is a link to the alert we published earlier this year detailing the history of the case and the Fourth Circuit Court's previous decision.

If you have any questions regarding the matter raised in this Alert, please feel free to contact Michael J. Schwab at mschwab@moritthock.com or (212) 239-5527.

Founded in 1980, Moritt Hock & Hamroff is a 90-attorney full service, AV-rated commercial law firm that provides a wide range of legal services to businesses, corporations and individuals worldwide from its offices in New York City, Garden City and Fort Lauderdale. The firm's practice areas include: closely-held/family business practice; commercial foreclosure; commercial lending & finance; condominium & cooperative services; construction; copyrights, trademarks & licensing; corporate, mergers and acquisitions, & securities; creditors' rights, restructuring & bankruptcy; dispute resolution; domicile planning; employment; healthcare; landlord & tenant; lender finance; litigation; marketing, advertising & promotions; not-for-profit; privacy, cybersecurity & technology; real estate; secured lending, equipment & transportation finance; sports law; tax; and trusts & estates.

◆ ◆ ◆ ◆ ◆