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Supreme Court Addresses Design Patent Damages for First Time in 120 Years: New Era of Design Patent Damages Dawn

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On December 6, 2016, the ***United States Supreme Court*** threw out a $399 million damages award against ***Samsung*** for infringing three design patents, opening the door on a new era in design patent infringement damages and the value of certain design patents. Reversing the Federal Circuit, the decision enables juries and courts to determine that an infringing "article of manufacture" is less than a product as sold in toto, potentially reducing the value of damages available to patentees. The lower courts have been left to determine the details of the ruling, and we will be closely monitoring these developments.

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Section 289 of the Patent Act prohibits the unlicensed "appli[cation]" of a "patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale" or the unlicensed sale or exposure to sale of "any article of manufacture to which [a patented] design or colorable imitation has been applied." 35 U.S.C. § 289. The Act goes on to state that an infringer is "liable to the owner to the extent of his total profit, but not less than $250." Id. (emphasis added).

In the litigation, the damage award was based on profits attributable to sales of the infringing products as whole, rather than on profits attributable only to the infringing components. Samsung challenged the long-standing approach of awarding damages for the profits on the sale of an entire product versus a component thereof. Samsung's argument requires the statutory term "article of manufacture" to apply to components of a product, and not merely refer to the entire product.

The Supreme Court began its analysis by defining the term "article of manufacture." Specifically limiting the scope of its ruling, the Court said that the only question it is resolving is whether, "in the case of a multi-component product, the relevant 'article of manufacture' must always be the end product sold to the consumer or whether it can also be a component of that product." Relying on dictionary definitions from 1885 and 2011, the Court held that "article of manufacture" can mean "both a product sold to a consumer and a component of that product." Components can be integrated into a larger product, and can be sold as a part of a whole, or potentially sold separately. In so holding, the Court expanded the potential definition of "article of manufacture."

The Court, however, declined to rule on whether the relevant article of manufacture in the dispute is the smartphone in toto or a particular component thereof. The case was remanded to the Federal Circuit for further proceedings consistent with the Court's opinion. We expect the Federal Circuit to articulate a test to determine the relevant "article of manufacture" in design patent cases.

Regardless of the parameters of this test, damages in design patent cases will now involve a new analysis. This new approach may also warrant differentiated patent prosecution strategies depending on the design in question.