THE
NATIONAL LAW REVIEW

# Samsung v. Apple – Supreme Court Limits Damages in Design Patent Cases

HUNTON
ANDREWS KURTH
Article By
Paul D. Ackerman
Jeff C. Dodd
Daniel G. Shanley
Hunton Andrews Kurth
Press Room

- Intellectual Property
- Litigation / Trial Practice

- All Federal

Monday, December 19, 2016

In a closely watched case involving the cell phone "war" between ***Apple*** and ***Samsung***, a unanimous ***Supreme Court*** reversed a damages award against Samsung of nearly $400 million, and moved the law regarding damages for infringement of design patents into a new area of uncertainty.[1]

The case involved a successful claim by Apple that Samsung infringed three Apple design patents directed to various ornamental features of a cell phone.[2] In a design patent infringement action, besides the traditional measure of patent damages "adequate to compensate for the infringement" available to all patent holders under 35 U.S.C. § 284, there is an "additional remedy for infringement of a design patent" available under 35 U.S.C. § 289 which allows recovery of an infringers "total profit." Specifically, the statute provides that if an infringer "(1) applies the patented design, or any colorable imitation thereof to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit… ."[3] It was under this statute that Apple secured its damages award in a jury trial that was affirmed by the Federal Circuit. The issue presented to the Supreme Court was whether the phrase "article of manufacture"

used in Section 289 necessarily referred to the product being sold or could include components of the thing sold.

Apple argued that neither the district court's jury instructions nor the Federal Circuit's opinion required that "the relevant article of manufacture must always be the entire product as sold," but rather the question as to the relevant "article of manufacture" on "which the infringer's 'total profit' should be awarded is, when disputed, a factual question for the jury." This very factual issue the jury determined against Samsung—at least according to Apple.[4] Samsung, predictably enough, disagreed, arguing that the Federal Circuit's opinion created a categorical rule that the design-patent holder prevailing in an infringement case would always be awarded "the infringer's total profit on the entire product as sold—no matter how partial the patent or how limited the contribution of the patented feature to the product's value or sales."[5] Samsung also argued that an award of infringer's profits should be limited to the profit "attributable to the 'article of manufacture' to which an infringing design is 'applied'" and '"made from the infringement'" (i.e. the patent owner would have the burden to prove profits were "attributable to infringement of the patented design.").[6]

The United States appeared as amicus curiae supporting neither party. It rejected Samsung's apportionment limitation, arguing that Section 289 "unambiguously permits a patent holder to recover the infringer's entire profits from the "article of manufacture" to which the design was applied, regardless of the extent to which those profits are attributable to the infringing design." However, it also maintained that the '"article of manufacture' will not always be the finished product that is sold in commerce. Rather, the relevant article will sometimes be a component of the ultimate item of sale. In such cases, the patentee is entitled only to the infringer's total profit for that component, not its total profit for the finished item." In this it disagreed with the Federal Circuit's approach, which it characterized, contrary to Apple's position, as invariably making the "article of manufacture" the "entire product as sold." This the United States maintained "would result in grossly excessive and essentially arbitrary awards." Instead, the United States offered that the '"article of manufacture' inquiry entails a case-specific examination of the relationship among the design, any relevant components, and the product as a whole" and it suggested several detailed considerations that should be weighed in the inquiry.[7]

The Supreme Court set out a two part test for a recovery of an infringer's profits under Section 289: "First, identify the 'article of manufacture' to which the infringed design has been applied. Second, calculate the infringer's total profit made on that article of manufacture."[8] Thus, it accepted the United States' position that the focus initially was on what the article of manufacture in issue was and that the award of profits would be determined based on the article of manufacture, not based on the extent to which the profits were attributable to the infringing design. Moreover, the Supreme Court held that the "term 'article of manufacture' is broad enough to encompass both a product sold to a consumer as well as a component of that product."[9] After acknowledging that the predecessor of Section 289 was instituted by Congress in direct response to an 1885 Supreme Court decision[10]—which limited damages for design patent infringement—the Supreme Court engaged in a

construction of the statute that has the potential to significantly limit damages, or at least make establishing proof of damages in many design patent cases more difficult. Specifically, contrary to the longstanding interpretation by the Federal Circuit that the “article of manufacture” in the statute is the product being sold, the Supreme Court held that "article of manufacture" in Section 289 was a broad term embracing anything "made by hand or by machine," which would include both a product sold to customers or the components thereof.[11]

After broadly defining "article of manufacture," however, the Supreme Court declined to articulate a test for determining “the relevant article of manufacture at the first step of the §289 damages inquiry.”[12] Instead, it remanded the case to the Federal Circuit to tussle with the issues related to this all-important determination.

For products where the product being sold is the “article of manufacture”—for example a dinner plate or fork—there should be little change in the application of Section 289. For multicomponent products, however, the Supreme Court’s two-step test has the potential to present significant challenges for litigants and the courts. Absent an analytical framework from the Supreme Court for determining when a design patent is directed to the complete product or a component of the product, this test will likely develop over time as the district courts and the Federal Circuit wrestle with the issue.

Further, once the “article of manufacture” is found in the first step, if it is an unsold component of the product, it may be equally challenging to determine the “total profit” attributable to the component. For example, one of the design patents at issue is directed to “a grid of 16 colorful icons on a black screen.”[13] It is not hard to imagine significant disputes regarding what the “article of manufacture” is in this case (the screen, the screen apportioned by the time that the icons are displayed, the entire device, since in order to display the icons, the entire device must be operational, etc.). If the conclusion from the first step is that the article of manufacture is a component that is not separately sold, the parties will then likely dispute how to apportion profits of the product sold to that component. Clearly, this is far more challenging than the straight forward calculation of “total profit” that is applicable when the product sold is the relevant “article of manufacture.”

Finally, we note that when Congress first approved the predecessor to Section 289, it was responding to and overruling *Dobson v. Dornan*,[14] which had held that the “plaintiff must show what profits or damages are attributable to the use of the infringing design.” Courts will need to proceed with caution to insure that the new two-step test articulated by the Supreme Court does not simply restore the *Dobson* analysis expressly rejected by Section 289—all without the benefit of clear guidance from the Supreme Court as to the relevant article of manufacture. Nonetheless, although the Court’s decision introduces some uncertainty into one measure of available damages, design patents may still have significant strategic importance as part of an overall intellectual property strategy. Going forward, careful consideration regarding the scope of new design patent applications in view of the developing law regarding what “article of manufacture” is being claimed may be important in maximizing the value of a design patent portfolio going forward.

---

1. Samsung Electronics Co., Ltd. et al. v. Apple Inc., 15-777, U.S. Supreme Court, December 6, 2016

2. D593,087; D618,677; and D604,305

3. 35 U.S.C. 289

4. Apple Brief at p, 26.

5. Samsung Brief at p. 4.

6. Samsung Brief at pp. 24-25.

7. Brief of the United States at pp. 27-29.

8. Slip Op. at 5.

9. Slip Op. at 6

10. Dobson v. Hartford Carpet Co., 114 U.S. 439 (1885)

11. Slip Op. at 6.

12. Slip Op. at 8.

13. Slip Op. at 3.

14. 118 U.S. 10,17 (1886)