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Apple v. Samsung: What Does it Really Mean for Consumer Product Companies?

Article By
Tracy-Gene G. Durkin
Sterne, Kessler, Goldstein & Fox P.L.L.C.

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In 2011, Apple sued Samsung in the U.S. District Court for the Central District of California (*Apple Inc. v. Samsung Electronics Co., Ltd.*) alleging that several Samsung smartphones infringed utility and design patents owned by Apple. The centerpiece of the case eventually became three design patents asserted by Apple, which claim portions of a smartphone design (the bezel and front face). The patents were found to be valid and infringed, and Samsung was eventually ordered to pay Apple $399 million for the infringement.

The damages were significant because of a little-known provision in the patent law unique to design patents, which provides that companies found to infringe a design patent are liable for their total profits from the infringing sales. 35 U.S.C. § 289. Samsung appealed the damage award to the U.S. Supreme Court arguing that the damages were improperly calculated based on its total profit on the entire smartphones sold by Samsung, rather than on the total profit from just the patented portions. At oral argument, it became clear that fashioning a test to determine when and how to award total profit on less than the article as sold was difficult to say the least.

Therefore, and perhaps not surprisingly, the Court sidestepped the issue entirely by reversing and remanding the case back to the Court of Appeals for the Federal Circuit holding that in the case of a multicomponent product, the relevant article of manufacture for arriving at a damages award under Section 289 need not be the end product sold to the consumer but may be only a component of that product. No guidance on when and how to parse such a damages award was given.

On February 7, the Federal Circuit similarly dodged the issue when it remanded the case back to the trial court to determine what jury instruction the current trial record supports with regard to the relevant article of manufacture (must it always be the end product sold to the consumer) and to determine what additional proceedings, if any, are needed. According to the Federal Circuit, if the trial court determines that a new damages trial is necessary, it will have the opportunity to set forth a test for identifying the relevant article of manufacture for purposes of § 289, and to apply that test to this case.

What does this case mean for the future of damages for design patent infringement? While we continue to wait for a possible new approach to calculating damages for design patent infringement, the threat of disgorgement of an infringer's total profit from the sale of infringing products should and will continue to be a deterrent to manufacturers of knockoffs, particularly where the design patent covers the entire product as sold. In cases where the patent covers only a small portion of the infringing product, infringers may be better positioned to argue that the damage award should be based on only the portion of the total profit which is attributable to the patented design. In the meantime, when possible consumer product companies should take a comprehensive approach with their design patent portfolio that includes both protection for product features and the product as a whole.

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