

REPORT

**SUPREME COURT RESHAPES
DESIGN PATENT INFRINGEMENT DAMAGES****December 21, 2016**

On December 6, the Supreme Court issued a unanimous decision in *Samsung Electronics Co. Ltd. et al. v. Apple Inc.* (Appeal No. 15-777) interpreting 35 U.S.C. §289, which governs damages for design patent infringement. The Court held that damages in design patent cases may be limited to profits attributed to just the infringing component of a product, rather than to profits based on sales of the entire product. Thus, the decision potentially limits the amount of damages awarded for infringement of design patents claiming less than all of the components of multicomponent products.

I. Background

Section 289 of the Patent Act states that a person who applies a "patented design" to any "article of manufacture" is liable for infringement and "shall be liable to the owner to the extent of his total profit." Prior to the *Samsung v. Apple* decision, §289 was interpreted to mean that the "article of manufacture" is the final end product, if the infringing component is not sold separately from the end product. Based on this interpretation, infringement damages for design patents were based on the profits of the entire end product, not just the infringing component itself. This was an important, although arguably unfair, advantage for design patent holders.

In the underlying litigation, Apple sued Samsung in 2011 alleging that Samsung's smartphones infringed several of Apple's design patents. Apple's patents were each directed to separate components and features of its smartphone (e.g., the design of the phone's front face, the appearance of a rectangular phone with rounded corners and a bezel). A jury found that several of Samsung's smartphones infringed Apple's design patents, and Apple was awarded \$399 million in damages, which was the entire profit Samsung made from the sale of its infringing smartphones. Consistent with the interpretation of §289 at that time, the damages were based on the profits made from the entire product.

On appeal to the Federal Circuit, Samsung argued that the damages should have been limited to the profits made from the infringing components alone and not based on profits made from the entire product. Samsung reasoned that a design component is just one aspect of the sale of a final end product. Moreover, under the prior interpretation of §289, for example, infringement of a patented car cupholder design (a single component) could result in an award based on the total profit of the car, which Samsung argued would be absurd.

December 21, 2016

The Federal Circuit rejected Samsung's argument and affirmed the design patent infringement damages award. Among other things, the Federal Circuit held that because the infringing components were not sold separately from the entire Samsung smartphone, they are not considered "articles of manufacture" to ordinary purchasers of smartphones.

II. Supreme Court Decision

The Supreme Court disagreed with the Federal Circuit and held that the term "article of manufacture" is broad enough to encompass both the end product sold to the consumer and a component of that product, whether sold separately or not. The Court reasoned that this interpretation of §289 is consistent with (i) 35 U.S.C. §171(a), which the USPTO and courts have interpreted to "permit a design patent for a design extending only to a component of a multicomponent product" and (ii) 35 U.S.C. §101, which similarly allows for a utility patent on "parts of a machine considered separately from the machine itself" (internal citations omitted).

The Supreme Court ultimately concluded that "[t]he Federal Circuit's narrower reading of 'article of manufacture' cannot be squared with the text of §289." However, the Supreme Court declined to take the next step and set forth a test for identifying the relevant "article of manufacture," leaving that to the Federal Circuit to address on remand. The Supreme Court reversed and remanded the case back to the Federal Circuit to (i) reassess which part(s) of Samsung's smartphone constitute(s) the "article of manufacture" and (ii) recalculate damages accordingly.

III. Effects of Decision

Because an "article of manufacture" may now include a component of a product, rather than just the final end product, it is likely that the Supreme Court's decision will have a substantial impact on design patent damages going forward. Of course, in the absence of any specific guidance from the Court on how to determine what constitutes the relevant component, we will have to wait and see how the Federal Circuit will apply this new standard on remand.

As noted in the Court's decision, the United States as an *amicus curiae* proposed a four-factor "totality of the circumstances" test for identifying the relevant "article of manufacture." Although the Court declined to adopt or comment on that test, it may provide some helpful insight. For example, the proposed test goes beyond just "the scope of the design claimed in the plaintiff's patent, including the drawing and written description," and also considers the "relative prominence of the design within the product as a whole," "whether the design is conceptually distinct from the whole," and the "physical relationship between the patented design and the rest of the product." In addition, it would be the defendant's burden to produce "evidence that the relevant 'article of manufacture' in a particular case is a portion of an entire product as sold."

This decision also raises some potentially interesting strategic issues relating to the scope of design patent claims. A design patent claiming only a part of a product is a broader design, for which it is easier to establish infringement. But now, a design patent claiming an entire product, which is a narrower design, could result in a larger damages award.

December 21, 2016

Thus, applicants should take great care in balancing claim breadth vs. potential damages when determining which portions of a product to claim in a design patent. Also, applicants should consider filing multiple design applications of varying scope to cover important product designs to take advantage of both broad claims and potentially larger damages.

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We will update our Special Report when the Federal Circuit issues its decision on remand.

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