Lawyers weigh in on design patent defeat in Apple/Samsung smartphone case (U.S.)

(December 7, 2016) - The U.S. Supreme Court has rejected the Federal Circuit's interpretation of the Patent Act for design patent infringement awards, leaving up in the air a $399 million jury verdict Apple won in a case against Samsung.

Samsung Electronics Co. et al. v. Apple Inc., No. 15-777, 2016 WL 7078449 (U.S. Dec. 6, 2016).

The U.S. Court of Appeals for the Federal Circuit should have recognized that design patent damages can be calculated from infringement of just one component of a multicomponent product, such as a smartphone, Justice Sonia Sotomayor wrote for a unanimous court.

Section 289 of the Patent Act, 35 U.S.C.A. § 289, allows design patent owners to collect total profits from an infringing "article of manufacturer," a term the Federal Circuit interpreted to mean only the end product sold to consumers, Justice Sotomayor wrote.

The high court sent the case back to the Federal Circuit to determine the relevant article of manufacture from which to calculate Apple's damages, opting not to give any further guidance on the issue.

Intellectual property lawyers who were not involved with the case, but who followed it, commented on the decision.

Design patent defeat?

Richard M. LaBarge, a partner at **Marshall, Gerstein & Borun** based in Chicago, described the opinion as blunting the sword-edge that design patents afford to manufacturers.

The Federal Circuit's previous interpretation of Section 289 precluded considering other design or mechanical features when assessing damages, he noted.

"There was no dispute that other design features of the products, as well as mechanical features of those products, contributed to consumers' purchasing decisions, but U.S. design patent law does not require the same apportionment of damages that is used when assessing damages in a utility patent case," LaBarge said.

Christopher E. Loh, a partner in the New York office of **Fitzpatrick, Cella, Harper & Scinto,** said the decision could significantly reduce Apple's damages award.

"At the same time, however, the Supreme Court's decision leaves unresolved the practical question of how litigants and courts are to determine what components of a finished product should factor into a damages calculation under [Section 289]," he said.

"And the decision leaves open the possibility that, depending on the circumstances, the profits from a finished product in its entirety may still be an appropriate basis for calculating damages in design patent suits," he added.

What happens next?

Beth Ferrill, a partner at the Washington office of **Finnegan, Henderson, Farabow, Garrett & Dunner**, said the Federal Circuit will likely develop a test that lower courts may apply to determine the article of manufacture.

After the Federal Circuit decides what factors to consider with its test, it will likely pass the case back to the district court for another damages trial, she added.

"Today's decision only scratches the surface of resolving this case," she said. "The key sticking point at the district court will likely be how much of the profits from the smartphone should be attributed to the identified article of manufacture."

Mark S. Raskin, a partner at **Mishcon de Reya New York LLP**, expressed similar thoughts about the ongoing dispute.

"This decision will ultimately necessitate a new trial on damages," he said.

On a practical level, he added, a decision like this merely increases litigation costs.

"Litigants (and courts) are forced to stab blindly hoping to hit on an approach that might be approved by the Supreme Court some years and millions of dollars down the road," Raskin said.

What is the 'article of manufacture'?

This design patent dispute between the two smartphone manufacturers stems from a lawsuit Apple filed in 2011.

The complaint accused Samsung of multiple intellectual property violations, including infringement of U.S. Patent Nos. D618,677; D593,087; and D604,305, design patents covering elements on the face of Apple's iPhone.

After years of litigation and a jury trial, the case came before the Federal Circuit, which affirmed a $399 million award that Apple won for Samsung's design patent infringement. *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983 (Fed. Cir. 2015).

Samsung filed a certiorari petition in December 2015, saying the Federal Circuit affirmed a miscalculated award.

Apple collected all profits from sales of the allegedly infringing product, smartphones sold to consumers, rather than a "portion of the product to which the patented design is applied," Samsung said.

By interpreting "article of manufacture" to mean an entire product, the Federal Circuit incorrectly affirmed Apple's windfall, despite all the other patented components in a smartphone, Samsung said.

The high court agreed in March to resolve the dispute.

Entire product or component?

During October's oral argument, Samsung argued that infringing design patents covering a smartphone's rounded edges, bezel and graphical user interface should not result in an award of total profits from the phones' sales.

Apple argued the nearly $400 million award was proper for Samsung's infringement of the three relevant design patents, which previously gave iPhones a distinctive and pleasing appearance.

At the argument, Apple also conceded the relevant article of manufacture does not always have to be the final product.

However, Samsung had the opportunity to put forth evidence that showed the article of manufacture was something less than the entire product, and the company's expert chose to use the end product sold to consumers to calculate damages, Apple said.

The U.S. government stepped in as a friend of the court and offered a test to help determine the relevant article of manufacture.

May be both, but no other guidance

In its nine-page decision, the high court refrained from articulating any sort of test to help determine the relevant article of manufacture in future cases.

The justices said the parties had not adequately briefed the issue and that devising a test was unnecessary to resolve the question presented in the case.

Instead, the high court offered examples of the way the term "article of manufacture" has been interpreted in other parts of the Patent Act.

For instance, the Patent Office and courts have understood the term to cover "a component of a multicomponent product" when applying Section 171(a) of the Act, 35 U.S.C.A. § 171(a), which explains what is eligible for design patent protection, the court said.

"Thus, reading 'article of manufacture' in Section 289 to cover only an end product sold to a consumer gives too narrow a meaning to the phrase," the court concluded.

It deferred to the Federal Circuit to resolve this issue on remand.

By Melissa J. Sachs

Related Articles

Related Articles from WESTLAW Intellectual Property Daily Briefing
Article: Supreme Court hears arguments over design patent damages 2016 IPDBRF 0212
Date: Oct. 14, 2016
Samsung Electronics has argued before the U.S. Supreme Court that infringing design patents covering a smartphone face's rounded edges and bezel should not result in an award of total profits from the phones' sales.

End of Document