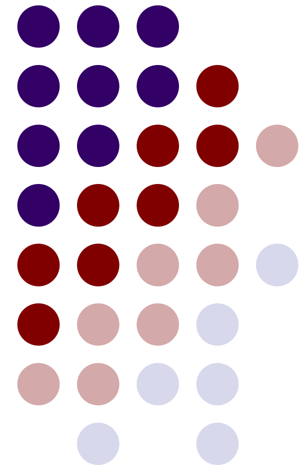
Damages Remedy for Design Patent Infringement (§289)



Samsung Electronics Co., Ltd., et al. v. Apple Inc.

(580 U.S._,2016, Decided December 6, 2016)

Jong Ho ("Hank") Lee

January 25, 2017

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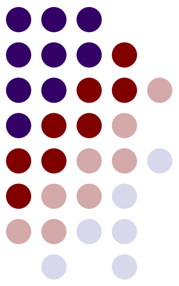
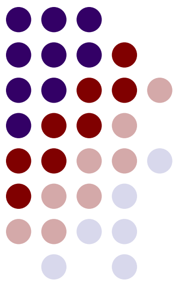


Content:

- Case history
- SCOTUS - Issues
- SCOTUS - §289 of the Patent Act
- SCOTUS – Article of manufacture
- Application to practice
- Q&A

Important design patent case



SUPREME COURT OF THE UNITED STATES

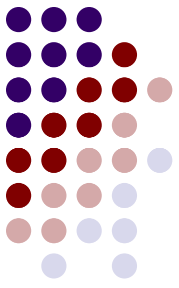
Syllabus

SAMSUNG ELECTRONICS CO., LTD., ET AL. *v.* APPLE INC.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

No. 15–777. Argued October 11, 2016—Decided December 6, 2016

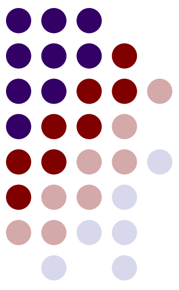
- The first design patent case that reached the Supreme Court in more than 120 years required the Justices to interpret the 1887 statute covering design patents.



Case history – District Ct.

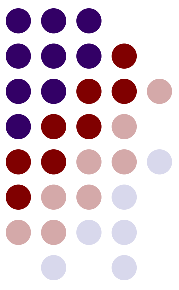
- Apple sued Samsung in U.S. District Court, Northern District of California, in 2011, alleging various Samsung smartphones infringed Apple's design patents.

Case history – District Ct.



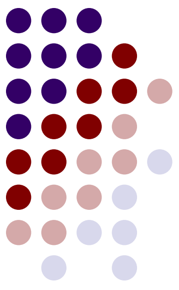
- A jury found several Samsung smartphones infringed Apple's design patents.
- The District Court found Samsung must pay its total profits from the entire infringing phones ($399M) under §289.

Case history - § 289 v. § 284



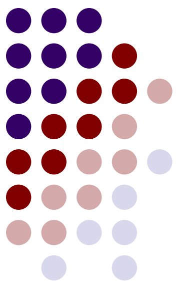
- § 289 provides a damages remedy specific to design patent infringement (total profits).
- § 284 provides a damages remedy to utility patent and design patent (lost profits/reasonable royalty).

Case history – 35 U.S.C.§289

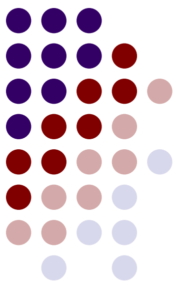


- A person who manufactures or sells any unlicensed **article of manufacture** to which design or colorable imitation has been applied shall be liable to the owner to the extent of his **total profit.** **35 U.S.C. §289.**

Case history - Patents-in-suit

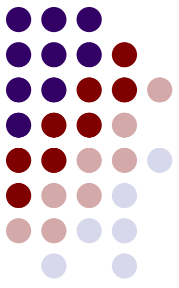


- Apple Inc. released its first-generation iPhone in 2007. The iPhone is a smartphone.
- Smartphone – a "cell phone with a broad range of other functions based on advanced computing capability, large storage capacity, and Internet connectivity." *Riley v. California, 573 U.S. _(2014).*



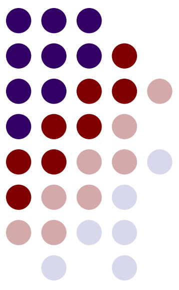
Case history - Patents-in-suit

- Apple Inc. secured many design patents in connection with the release, and sued Samsung based on infringement of (1) D618,677, (2) D593,087 and (3) D604,305.



Case history - Patents-in-suit

- Design patents are limited to "any new, original and ornamental design for an article of manufacture." 35 U.S.C. §171(a).



Case history - Patents-in-suit

- (1) **D618,677** – Claims the front face of the iPhone, covering a black rectangular front face with rounded corners.

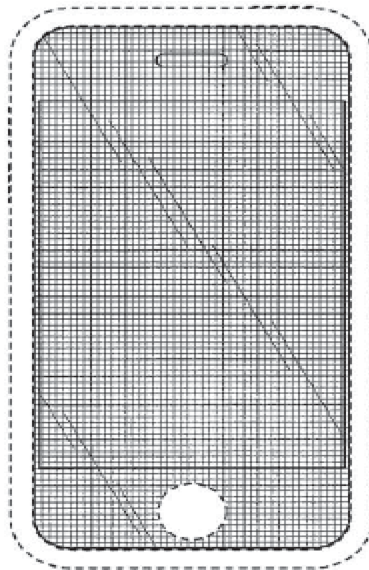


FIG. 3

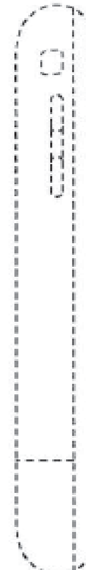


FIG. 7

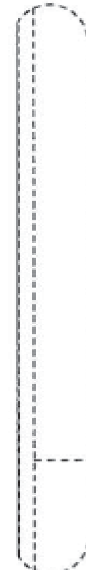
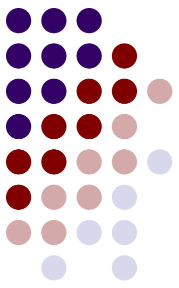


FIG. 8



Case history- Patents-in-suit

- (2) **D593,087** – Claims a rectangular front face with rounded corners, a bezel encircling the front face, and a flat contour of the front face.

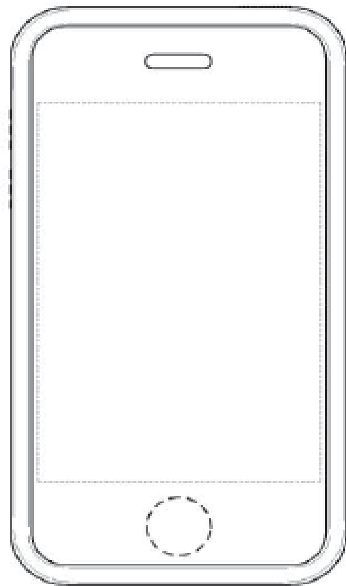


FIG. 19

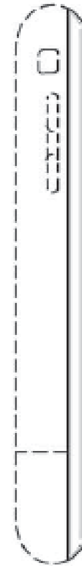


FIG. 23

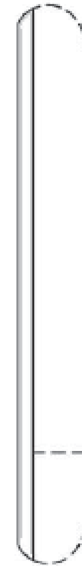
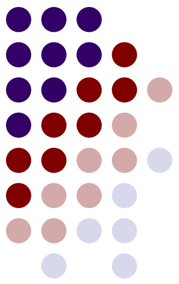
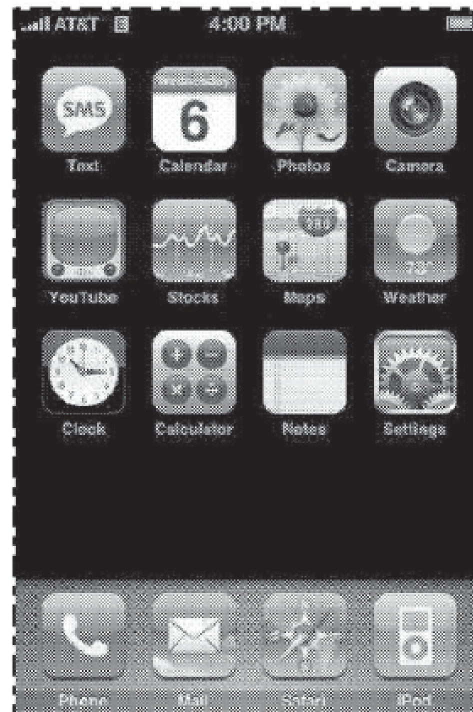


FIG. 24

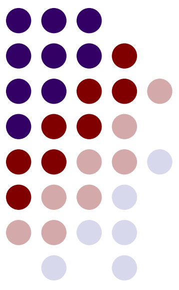


Case history - Patents-in-suit

- (3) **D604,305** – Claims a grid of 16 colorful icons on a black screen (the arrangement of icons on the home screen).

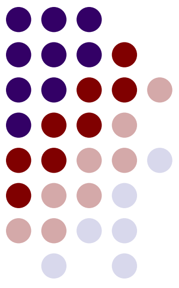


Case history - Patents-in-suit



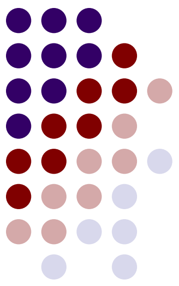
- The case revolves around how the phone looks (design patents), not how it works (utility patents).

Case history – SEC's argument

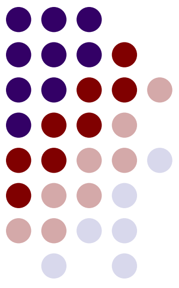


- "A patent on the portion of the appearance of a phone should not entitle the design patent holder to all the profit on the entire phone."
- Samsung's argument was supported by the tech industry including Google, HP, Dell, and other major firms.

Case history – SEC's argument



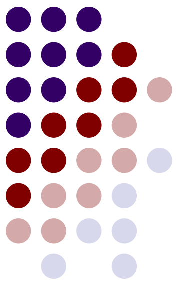
- Samsung argued that the profits awarded should have been limited to the infringing article of manufacture - e.g., the 'screen' or 'case' of the smartphone – not the entire smartphone. **786 F.3d 983, 1002 (2015).**



Case history – SEC's argument

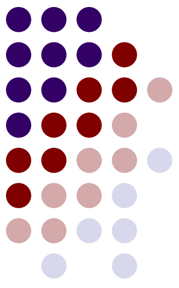
- "Paying Apple its total profits from the infringing phones would make design patents too valuable & would have disastrous practical consequences that Congress did not intend."

Case history - Fed. Circuit



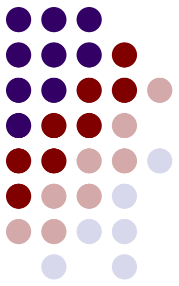
- The Federal Circuit rejected Samsung's argument, and affirmed the design patent infringement damages award ($399M).

Case history – Fed. Circuit



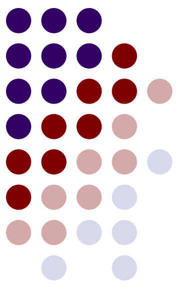
- The Federal Circuit reasoned that "limiting the damages award was not required because the innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers."

Case history - SCOTUS

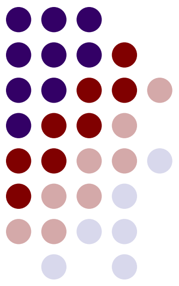


- The SCOTUS granted *certiorari*, *reversed* and *remanded* in an 8-0 ruling (decided December 6, 2016).

Issues – Federal Circuit's ruling



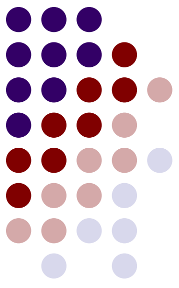
- The Federal Circuit identified the entire smartphone as the only permissible "article of manufacture" for the purpose of calculating §289 damages because consumers could not separately purchase components of the smartphones.



Issues - SCOTUS

- The question before the SCOTUS is whether that reading is consistent with § 289.

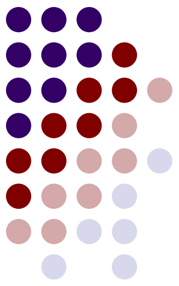
Issues – Ultimate question



- "How lower courts should assess design patent damages under §289, particularly when the infringing article has multiple components?"

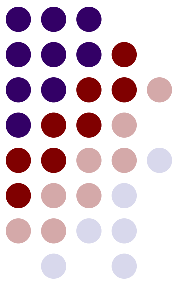
  To answer this question, the Court should construe the meaning of the term "article of manufacture"under §289.

SCOTUS - Legislative history of §289



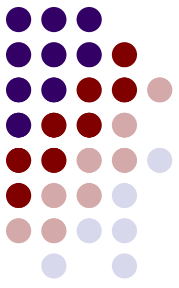
- In Dobson case (1885), the SCOTUS held: "[T]he plaintiff must show what profits or damages are attributable to the use of the infringing design..."
- *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885).

SCOTUS - Legislative history of §289



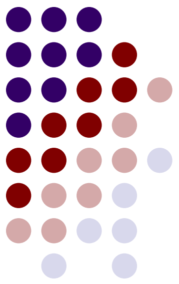
- Congress enacted an "additional specific damages remedy for design patent infringement" in 1887 ("1887 statute") in response to the *Dobson* case (1885).

SCOTUS - Legislative history of §289

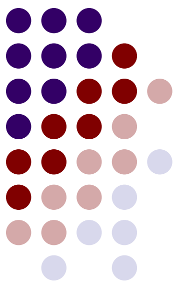


- The 1887 statute makes a design patent infringer "liable in the amount of $250 or the total profit made by him from the manufacture or sale … of the article or articles to which the design, or colorable imitation thereof, has been applied."
- The Patent Act of 1952 codified this provision in §289. 35 U.S.C. § 289.

SCOTUS – Article of manufacture

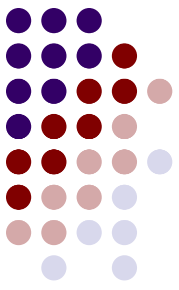


- To assess damages under §289:
(1) identify the article of manufacture to which the infringed design has been applied, and
(2) calculate the infringer's total profit made on that article of manufacture.



SCOTUS – Article of manufacture

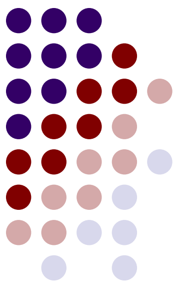
- A single component product is not an issue.
- In the case of a multi-component product, the relevant "article of manufacture" can be either:
  (1) the end product sold to the consumer or (2) a component of that product.



SCOTUS – Article of manufacture

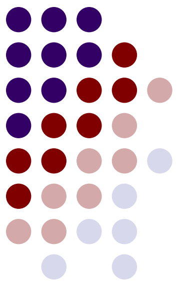
- An “article” is just “a particular thing” and “manufacture” means “the articles so made.”
- An article of manufacture, then, is simply a thing made by hand or machine. A Dictionary of the English Language 53 (1885), and American Heritage Dictionary, at 101.

SCOTUS – Article of manufacture



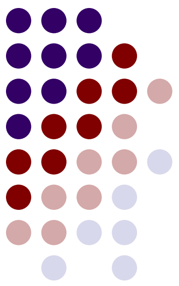
- The term ‘article of manufacture,’ as used in §289, has a broad meaning and encompasses both a product sold to a consumer and a component of that product.

SCOTUS – Article of manufacture



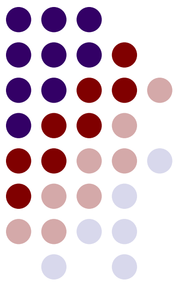
- This broad interpretation of the term "article of manufacture" is consistent with 35 U.S.C. §171(a), which makes "new, original and ornamental design for an article of manufacture" eligible for design patent protection.
- Application of Zahn, 617 F.2d 261, 268 (CCPA 1980) - "Section 171 authorizes patents on ornamental designs for articles of manufacture. While the design must be embodied in some articles, the statute is not limited to designs for complete articles, or discrete articles, and certainly not to articles separately sold…"

SCOTUS – Article of manufacture



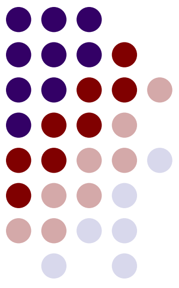
- This broad interpretation of the term "article of manufacture" is also consistent with 35 U.S.C. §101, which makes "any new and useful … manufacture … or any new and useful improvement thereof" eligible for utility patent protection.
- Chisum, Patents §23.03[2], pp.23-23 to 23-13 (2014) (noting that "article of manufacture" in §171 includes "what would be considered a 'manufacture" within the meaning of Section 101").

SCOTUS – Article of manufacture



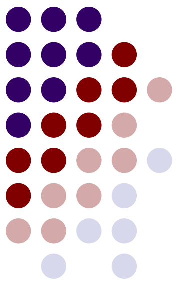
- "Because the broad interpretation of the term "article of manufacture" is consistent with 35 U.S.C. §171(a) and §101, the Federal Circuit's narrower reading of "article of manufacture" cannot be squared with the text of §289."

SCOTUS - Ruling

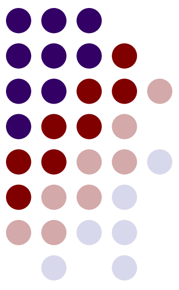


- In a unanimous opinion, the SCOTUS reversed a federal court ruling that found Samsung must pay its total profits from the entire phones, but did not determine how much the damages award should be, leaving the question to the Federal Circuit on remand.

SCOTUS - Ruling

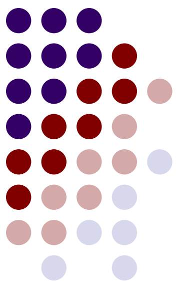


- Justice Sotomayer said: "[T]he term 'article of manufacture' is broad enough to embrace both a product sold to a consumer and a component of that product, whether sold separately or not."



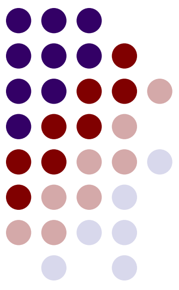
SCOTUS - Ruling

- Justice Sotomayer said: “[T]hus, reading ‘article of manufacture’ in §289 to cover only an end product sold to a consumer gives too narrow a meaning to the phrase.”



SCOTUS - Ruling

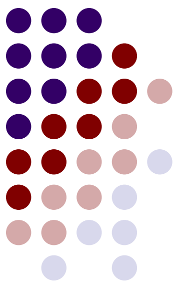
- Justice Sotomayor said: “[O]wners of design patents aren’t always entitled to the total profits from the infringing product sold to consumers. When the device has multiple components, the award may be limited to the feature that infringed.”



SCOTUS - Ruling

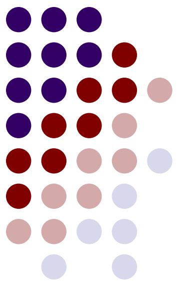
- The judgment of the Federal Circuit is therefore *reversed* and the case *remanded* for further proceedings consistent with this opinion.

SCOTUS - Ruling



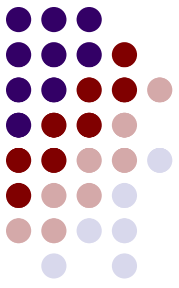
- The SCOTUS declined to lay out a test for identifying the relevant article of manufacture at the first step of the §289 damages inquiry in the absence of adequate briefing by the parties. Doing so was not necessary to resolve the question presented in this case.

SCOTUS - Ruling



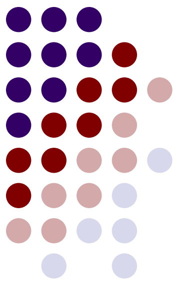
- The ruling is an express invitation from the SCOTUS for the Federal Circuit to fashion a test/guideline to identify the relevant article of manufacture.

Application to practice

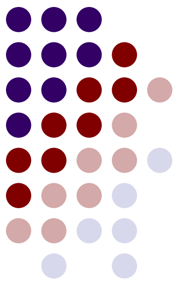


- Samsung v. Apple case is still underway because the Supreme Court did not determine how much the damages award should be, leaving the question to the Federal Circuit on remand.

Application to practice



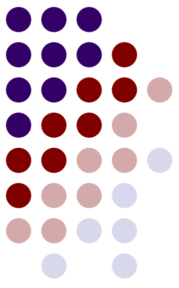
- The Federal Circuit will set a guideline/test that can be used by the lower courts to determine how much design patent owners can be awarded in damages.



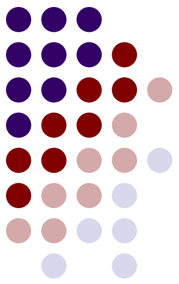
Application to practice

- The key question is how to determine the relevant ‘article of manufacture’ for which damages are awarded.

Application to practice



- In preparing design patent applications for a multi-component product, consider whether the claimed design can cover an entire article to be sold to a consumer or only a component of the entire article.



Questions & Answers

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