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U.S. Supreme Court Sets the Bar Higher for Obtaining Damages for Design Patent Infringement

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Bottom Line:

The Supreme Court's decision sets the bar higher for design patent holders to recover for infringement and opens the door to apportionment of damages. Parties looking to file for design patents will likely consider claiming their patents more broadly, in order to avoid the specter of reduced damages in the event the design patent is infringed. They may also consider alternative forms of protection, such as trade dress and copyright if appropriate. In addition, how damages should be apportioned will now be an important part of both side's litigation strategy.

As the Court refused to delineate a test for determining the infringing article of manufacture, address whether there must be a causal link between the total profit made and the infringing article of

manufacture, or explain how to apportion "total profits" by component, further Federal Circuit decisions on these issues are likely to follow.

In its first design patent case in over a century, the U.S. Supreme Court has redefined the meaning of an infringing "article of manufacture." In the process, it has raised the bar for obtaining damages in design patent infringement cases.

In connection with the *Apple v. Samsung* suit over Apple's design patents in its iPhones, the Supreme Court rejected the U.S. Court of Appeals for the Federal Circuit's theory that the article of manufacture must be the end product sold to the consumer. Instead, for complicated, multi-component products, the Court noted that article of manufacture could also mean a *component* of the entire end product.

Background on Design Patents

The law provides for two types of patents: a *utility* patent, which covers a product's functionality, and a design patent, which covers the appearance of a product. Recently, design patents have experienced a resurgence, as they are less costly to prepare and easier to obtain. In addition, design patents have become popular because the law to date has provided a significant damages remedy for infringement: disgorgement of the total profit earned on any infringing "articles of manufacture." The *Samsung v. Apple* Supreme Court case specifically addresses the meaning of this term of art.

***Apple v. Samsung* – Lower Court Decisions**

Apple first sued Samsung for patent and trade dress infringement in 2011. The suit alleged, among other things, that critical design patents covering Apple's ground-breaking iPhone were infringed by Samsung's smartphone products. At trial, the jury agreed and awarded Apple $399 million for design patent infringement – i.e., the total profit from Samsung's smartphones.

On appeal, Samsung argued that the district court erred in awarding Apple the total profit from Samsung's smartphone sales. Instead, it advanced a theory that the appropriate articles of manufacture were the specific products covered by the design patents, and that damages should be thus be apportioned. The Federal Circuit disagreed. Noting that the infringing portions of the smartphones were not sold separately to consumers, it found that the appropriate articles of manufacture were the phones themselves and upheld the $399-million verdict.

***Samsung v. Apple* – The Supreme Court's Decision**

Despite affirming the district court, the Federal Circuit's decision acknowledged that "an award of a defendant's entire profits for design patent infringement [may] make[] no sense in the modern world." Perhaps sensing the disconnect between modern technology and this aspect of design patent law, the Supreme Court agreed to hear the case on the limited question of "whether, in a multi-component product, the relevant article of manufacture … [can] be a component of that product." Justice Sotomayor, writing for a unanimous Court, found that it could. The jury's verdict finding that Samsung was liable for infringing Apple's design patents was not on appeal to the Supreme Court.

Relying heavily on dictionaries, the Supreme Court found that article of manufacture simply means a "thing made by hand or machine." Thus, the Court continued, "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." The Federal Circuit's more narrow reading – which essentially created a "not sold separately" test for multi-component products – was therefore rejected by the Supreme Court.

Notably, the Supreme Court declined to set out a test to determine whether the appropriate article of manufacture is the end product or one of its parts. It also refused to opine on whether the appropriate

article of manufacture in this case was the Samsung smartphone or one of the phone's component pieces. Instead, it remanded to the Federal Circuit for further resolution of these issues.

In response to the Supreme Court's decision, Apple issued a statement that it remains optimistic that the Federal Circuit will maintain its $399-million judgment for Samsung's infringement.

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