

# DETERMINING THE “ARTICLE OF MANUFACTURE” UNDER 35 U.S.C. § 289

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## I. INTRODUCTION

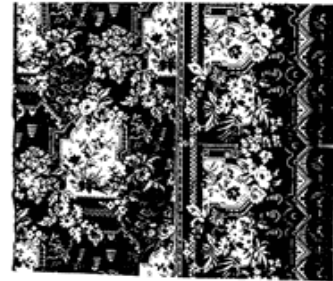
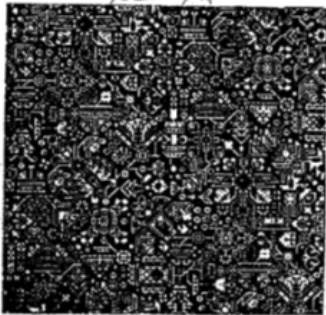
This paper is the result of a collaborative effort among a small group of patent attorneys who specialize in design patent law and are very concerned about the future of the design patent system in the wake of the decision of the U.S. Supreme Court in *Samsung Electronics Co. v. Apple Inc.*, 137 S. Ct. 429 (2016). In this decision, the Court left open the critical question of how to determine an infringer’s “article of manufacture” under 35 U.S.C. § 289 when calculating the total profit to be disgorged by the infringer. The answer to that question will have a profound effect on the effectiveness of the design patent system and the balance between incentivizing design-driven product innovation and deterring knockoff products. Moreover, the uncertainty surrounding the answer to that question requires it to be resolved as soon as possible, so that the users of the design patent system will be able to better evaluate their positions in obtaining and enforcing design patents.

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## II. A BRIEF HISTORY OF 35 U.S.C. § 289

Congress acted to adopt the total profit remedy available to design patentees in 1887 after three Supreme Court decisions, *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885), and *Dobson v. Dornan*, 118 U.S. 10 (1886), revealed the disadvantaged position of design patent holders under the then current law. The *Dobson* cases involved owners of several design patents for carpet designs: U.S. Patent Nos. D11,074; D10,778; and D10,870 (illustrated left to right below).



U.S. Patent No. D11,074   U.S. Patent No. D10,778   U.S. Patent No. D10,870

After proving infringement of their design patents by the Dobson brothers, the three patent owners sought lost profits from sales of the carpets containing the infringing designs. The Court refused this award, instead awarding the patentees six cents, relying on reasoning that Congress would eventually render inapplicable to design patentees through the Act of 1887. Since this reasoning reflects the harm that Congress sought to prevent, revisiting the *Dobson* cases provides insight into the congressional intent behind shielding design patentees from apportionment.

In *Dobson v. Hartford Carpet Co.*, the Court held that design patentees can only receive total profits from a patented article if they prove, “by reliable evidence, that the entire profit is due to the figure [or] pattern.” 114 U.S. at 444. The Court also expressed the view that an article’s design

is only one factor in the decision to purchase the article, for “the article must have intrinsic merits of quality and structure, to obtain a purchaser, aside from the pattern or design.” *Id.* at 445. To give total profits on the article solely because the design patentee contributed to one factor in the purchasing decision “confounds all distinctions between cause and effect.” *Id.* at 445-46. One year later, the Court in *Dobson v. Dornan* failed to find sufficient evidence that profits from sales of the carpets were due to a patented carpet design. *See* 118 U.S. at 17-18.

Congress reacted swiftly to the *Dobson* cases. In the legislative history leading to the passage of the Act of 1887, Congress recognized the value of designs to the American public, as well as to the original designer:

Property in original designs . . . is a property of great and increasing value, intimately related to material progress in the industrial arts. . . .

The sole remuneration to the manufacturer for his large outlay in originating designs is in the increased sales he makes thereby. The design is merely the principle of selection in the purchasing of articles of manufacture. . . .

It was also shown that the advance in the last few years in the application of art to the industrial pursuits had been rapid and great, and was largely due to the existence of design patent laws, and that this growth has been coincident with a steady decline in prices. It was also shown that the effect of design patent laws was to cheapen production and so ultimately to reduce prices, because it enabled the manufacturer to run longer on a given design than he otherwise could, and thus avoid changing machinery.

18 Cong. Rec. 834 (1887) (statement of Rep. John Martin) (explaining bill H.R. 8323 by Rep. Charles Mitchell).

Congress then noted the dire consequences wrought by the decisions in the *Dobson* cases:

It now appears that the design patent laws provide no effectual money recovery for infringement. . . .

[T]he receipts of the Patent Office in the design department [fell] off upwards of 50 per cent, and the average weekly issue of design patents has also fallen off just one-half. . . .

To fail to pass this or a similar bill is a virtual repeal of the design patent laws.

*Id.*

In passing the Act of 1887, Congress recognized the importance of the design to the sale of the article to which it was applied:

[I]t shall be unlawful for any person other than the owner of said letters patent . . . to apply the design . . . or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall . . . have been applied . . . . Any person violating the provisions . . . of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him . . . exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars . . . .

Act of 1887, ch. 105, 24 Stat. 387 (1887).

Upon passage of the Act of 1887, Congress noted:

It is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered, for it is not apportionable; and it is just that the entire profit on the article should be recoverable and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all, and the patentee is entitled to all the good will the design has in the market . . . .

18 Cong. Rec. 834.

The language of the Act and its legislative history are quite clear: no longer did the design patentee have the burden of proving what profits were attributable to the design as separate from the article to which it was applied—apportionment was dead. Congress clearly did not intend for courts to determine whether the design in fact “sold the article,” because it knew that such evidence would be nearly impossible to produce. Nor did Congress leave room for courts to revert to principles of causation for the same reason: it had decided to award “the entire profit on the article.” *Id.* The purpose of Congress would be frustrated if either apportionment or causation became areas of inquiry for the courts. Thus, causation was buried with apportionment.<sup>2</sup>

The present version of the total profit statute, 35 U.S.C. § 289, is as follows:

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his

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<sup>2</sup> Some commentators have suggested that Congress's decision to enact the total profit damages option for design patents and its retention to the present day should not be viewed as an effort to treat design patents differently than utility or plant patents, yet that is precisely what Congress intended when it enacted Section 289 that is titled “An *Additional* Remedy for Design Patents”.

total profit, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

### III. THE *APPLE/SAMSUNG* DESIGN PATENT LITIGATION

The *Apple/Samsung* design patent litigation first gave rise to the question addressed in this paper. In pertinent part, Apple sued Samsung, alleging infringement of three of Apple's design patents covering different aspects of Apple's original iPhone. In 2012, a jury found Apple's three asserted design patents valid and infringed. Apple was eventually awarded \$399 million—the total profit on the sale of Samsung's infringing smartphones<sup>3</sup>—under 35 U.S.C. § 289. Samsung appealed to the U.S. Court of Appeals for the Federal Circuit, which in 2015 affirmed the jury's award, interpreting the total profit provision of § 289 in the same manner in which it had been interpreted for over 100 years. The Supreme Court agreed to hear the case, but only on the issue of proper interpretation of 35 U.S.C. § 289, and it issued its opinion in December 2016.

### IV. THE SUPREME COURT DECISION

The Supreme Court's decision in *Samsung Electronics Co. v. Apple Inc.*, 137 S. Ct. 429 (2016), was aptly summarized by the Federal Circuit in the similar case of *Nordock, Inc. v. Systems Inc.*, as follows:

Section 289 provides, in relevant part, that whoever manufactures or sells “any article of manufacture to which [a

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<sup>3</sup> Samsung's total sales of the infringing smartphones was in excess of \$7.5 billion. Joint Trial Ex. No. 1500, at 2, *Apple Inc. v. Samsung Elecs. Co.*, No. 5:11-cv-01846-LHK (N.D. Cal. August 9, 2012).

patented] 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.

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The Court . . . explained that the only question before it was narrow: “whether, in the case of a multicomponent product, the relevant ‘article of manufacture’ must always be the end product sold to the consumer or whether it can also be a component of that product.” [*Samsung*, 137 S. Ct. at 434.]

Looking to the statutory text, the Supreme Court concluded that the term “article of manufacture,” as it is used in § 289, “encompasses both a product sold to a consumer and a component of that product.” *Id.* The Court further indicated that the 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.” *Id.* at 436. The Court declined, however, to “set out a test for identifying the relevant article of manufacture at the first step of the § 289 damages inquiry.” *Id.*

*Nordock, Inc. v. Sys., Inc.*, Nos. 2014-1762, -1795, 2017 WL 1034379, at \*1 (Fed. Cir. Mar. 17, 2017) (alteration in original) (summarizing *Samsung*).

Thus, the narrow question left unanswered from *Samsung* is how to determine the relevant article of manufacture for a multi-component product, such as a kitchen oven (the example given by Justice Sotomayor). If the product is a single component product, such as a dinner plate (again, Justice Sotomayor’s example), there is no issue, because, as she put it, “the

product [sold to a consumer] is the ‘article of manufacture’ to which the design has been applied.”<sup>4</sup> *Samsung*, 137 S. Ct. at 432.

The meaning of “total profit” was not at issue; as the Court stated: “[t]otal,’ of course, means all.” *Id.* at 434 (citing *American Heritage Dictionary* 1836 (5th ed. 2011)). Thus, the Court left undisturbed the rule against apportionment of the infringer’s total profit, as well as its sister rule prohibiting an inquiry into causation.

The purpose of this paper is to propose a test to determine the article of manufacture that is consistent with the language of the statute and the legislative intent of § 289, the applicable case law, including *Samsung*, and strikes a fair balance between the interests of the litigants.

## V. A PROPOSED TEST

The Supreme Court in *Samsung* said:

Arriving at a damages award under § 289 thus involves two steps. First, identify the “article of manufacture” to which the infringed design has been applied. Second, calculate the infringer’s total profit made on that article of manufacture.

*Id.*

The Court indicated that if the relevant “article of manufacture” is the “end product sold to the consumer,” then “a patent holder will always be entitled to the infringer’s total profit from the end product.” *Id.* The Court also indicated that the relevant “article of manufacture” could be a component of the end product, in which case a patent holder will sometimes be entitled to the infringer’s total profit from the end product, or from a component of the end product. *Id.*

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<sup>4</sup> Nothing in the Court’s decision affects the calculation of total profit of a single component product regardless of the scope of the design patent.



The authors propose that the two steps articulated by the Court be carried out using the following analysis.

**A. Step One: Identify the Relevant Article of Manufacture to Which the Patented Design Has Been Applied**

The end product as sold is the default article of manufacture for the purpose of calculating the infringer's total profit under § 289. The infringer, however, at its election, may proffer that the relevant article of manufacture is something other than the end product as sold, for example, only a component of the end product as sold. The infringer in such circumstance carries the burden of proving that its proffered relevant article of manufacture is less than the end product as sold.<sup>5</sup>

In some cases, the patentee, at its election, may proffer that the relevant article of manufacture is something other than the end product as sold.<sup>6</sup>

The finder of fact shall determine the relevant article of manufacture for a given case in light of the following factors:

1. the visual contribution made by the patented design to the overall appearance of the end product sold by the infringer, in the eye of an ordinary observer;
2. whether at the time of the infringement, the patentee or infringer separately sold its proffered articles of manufacture;

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<sup>5</sup> Brief for the United States as Amicus Curiae Supporting Neither Party at 30-31, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777) (“The defendant should bear the burden of producing evidence that the relevant “article of manufacture” in a particular case is a portion of an entire product as sold.”).

<sup>6</sup> In such cases, if the infringer proffers that the article of manufacture is something different than that proffered by the patentee, the infringer bears the burden of proving that its proffered article of manufacture is the relevant article of manufacture.

3. the intent of the infringer in appropriating the patented design; and
4. the degree of difficulty in calculating total profit of the proffered articles of manufacture.

**B. Step Two: Calculation of Total Profit Made on the Relevant Article of Manufacture**

The patentee bears the ultimate burden of establishing the amount of the infringer's total profit.<sup>7</sup>

In the event that the relevant article of manufacture is determined to be the end product as sold, the patentee is entitled to the infringer's total profit from the end product as sold.

In the event that the relevant article of manufacture is determined to be less than the end product as sold, calculation of the infringer's total profit should typically include the identification of:

1. the total profit (applicable revenue and costs) associated with the end product as sold;
2. the relative revenue and costs associated with the relevant article of manufacture as compared to the end product as sold; and
3. other evidence reflecting applicable total profit of the relevant article of manufacture.

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<sup>7</sup> See *supra* note 5.

## VI. COMMENTARY

### A. Step One

The Supreme Court mandated as the first step the identification of the relevant article of manufacture “to which the infringed design has been applied.”<sup>8</sup> *Samsung*, 137 S. Ct. at 434.

Factor 1 examines the visual contribution that the patented design makes to the infringer’s end product as sold. If the visual contribution of the patented design is significant, then factor 1 weighs in favor of the article of manufacture being the end product as sold. If the visual contribution of the patented design is not significant, this factor weighs in favor of the article of manufacture being something less, e.g., a component or components of the end product as sold.

In circumstances where the patented design may not have a significant visual contribution to the end product as sold, e.g., a cup holder in a car, the patentee, recognizing this possibility, may choose to proffer an article of manufacture that is something less than the end product as sold, e.g., the center console of the car, where the car is the end product as sold.

Having the patented design as a frame of reference in factor 1 takes into account the scope of the patented design.<sup>9</sup> Care must be taken by the trier of fact not to overemphasize the scope of the patented design and to avoid an oversimplified conclusion that the relevant article of manufacture is determined by a one-to-one mapping of the patented design onto the infringer’s proffered article of manufacture, a conclusion that would render the remaining factors irrelevant.

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<sup>8</sup> As a matter of semantics, “infringed design” and “patented design” mean substantially the same thing, and may be used interchangeably in this paper.

<sup>9</sup> It is widely recognized that a simple reference to the drawings is the preferred claim construction for a design patent. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679 (Fed. Cir. 2008) (en banc).

Factor 2 goes to the question of whether a proffered article of manufacture—if a component of a multi-component product—is sold separately, which in turn bears on whether there are separate markets for the same. Therefore, if a proffered article of manufacture is sold separately, this factor weighs in favor of that proffered article of manufacture being the relevant article of manufacture. This question should be evaluated as of the time of the infringement to avoid post-infringement market manipulation.

Factor 3 addresses the infringer’s intent in appropriating the patented design. This is a proper consideration because, unlike the legal remedy of damages provided under 35 U.S.C. § 284, the disgorgement of infringer’s total profit under § 289 is an equitable remedy, where the intentions of the infringer are relevant. Further, the infringer’s profit cannot be enhanced for willful infringement under § 284, which is reserved for trebling damages.<sup>10</sup> This factor also takes into account cases of innocent infringement. Thus, if the intent of the infringer is to take advantage of the goodwill engendered by the patented design in order to sell its competing product, this factor weighs in favor of the relevant article of manufacture being the patentee’s proffered article of manufacture. If, however, the infringer had no intent to simulate the patented design, and/or the infringer’s proffered article of manufacture was conceived and produced independently and without knowledge of the patented design, this factor weighs in favor of the relevant article of manufacture being the infringer’s proffered article of manufacture.

Factor 4 addresses one of the original underlying rationales for awarding total profit under § 289, which is the inherent difficulty, if not impossibility, of calculating total profit from a patented design separate from that of the end product as sold. Accordingly, if the total profit of a proffered article of manufacture is susceptible to a straightforward,

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<sup>10</sup> *Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 824 n.17 (Fed. Cir. 1992) (“The district court erroneously concluded that the treble damage provision of 35 U.S.C. § 284 also applies to ‘profits’ awarded under 35 U.S.C. § 289.”).

objective calculation, then this factor weighs in favor of that proffered article of manufacture being the relevant article of manufacture.

Determination of the relevant article of manufacture ideally takes place after a finding that the patented design has been infringed, and therefore after the scope of the patented design has been determined by the court as a matter of law.<sup>11</sup> There may be cases where the relevant article of manufacture is determined before, or concurrent with, the establishment of infringement liability.

## **B. Step Two**

When the relevant article of manufacture is determined to be the end product as sold, the calculation proceeds as it had before *Samsung*—the patentee is entitled to the infringer’s total profit, which is the infringer’s total revenue minus total costs.<sup>12</sup>

To calculate the profits from the relevant article of manufacture when it is determined to be less than the end product as sold, often times the only revenue data comes from the end product as sold. Accordingly, to lessen speculation, the calculation will normally have to consider the total profit associated with the end product as sold to help more accurately determine the total profit associated with the infringing article of manufacture forming a portion thereof. Revenue and costs associated with the infringing article of manufacture relative to the end product as sold provide another important data point to help calculate the total profit associated with an article of manufacture. Finally, since fact patterns regarding sales and product costs vary greatly from case to case, additional evidence that could shed light to more accurately aid in the determination of the total profit associated with an article of manufacture should be permitted in this calculation.

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<sup>11</sup> See *supra* note 9.

<sup>12</sup> *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1448 (Fed. Cir. 1998); *Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1171-73 (6th Cir. 1980).

Under Step Two, the total profit calculation makes it clear that the total profit to be awarded is based on the relevant article of manufacture without any apportionment between, for example, the technology that may be embedded in, or part of, the article and the visual appearance of the article, and without regard to causation. As previously noted, this is in accordance with the history and purpose of § 289. As explained by the Solicitor General of the United States:

Congress deemed that change [permitting the patentee to recover the infringer’s entire profit on the article] . . . appropriate because . . . patentees would find it difficult to establish the portion of an infringer’s profit that was “directly due to the *appearance* of those articles as distinguished from their material, their fabric, [and] their utility.”<sup>13</sup>

Thus, the Solicitor General explained that the “manifest purpose” of the 1887 Act (the first law containing the “total profit” language) was “to declare that the measure of profits recoverable on account of the infringement should be considered to be the total net profits upon the whole article.”<sup>14</sup>

### C. Invisible Theory

Subsequent to the Court’s opinion, arguments have been made in a pending case<sup>15</sup> that the calculation of total profit should be based only on the visible part(s) of the design depicted in the design patent. Under this theory, the so-called “invisible” part(s) of the infringing design would be excluded from the total profit calculation. This theory should be viewed as

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<sup>13</sup> Brief for the United States as Amicus Curiae Supporting Neither Party at 12, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777) (second alteration in original) (quoting H.R. Rep. No. 49-1966, at 3 (1886)).

<sup>14</sup> *Id.* (quoting *Untermeyer v. Freund*, 58 F. 205, 212 (2d Cir. 1893)).

<sup>15</sup> *Dyson, Inc. v. SharkNinja Operating LLC*, No. 1:14-cv-00779 (N.D. Ill.).

merely a creative attempt to achieve the apportionment that Congress eliminated in the Act of 1887.

The case in question involves design patents for a vacuum cleaner. The accused infringer argues that the asserted “design patents cover *only* the exterior design of a vacuum cleaner, not the design of any internal components of that vacuum cleaner, such as the motor itself,”<sup>16</sup> and therefore the total profit should be “based strictly on the visibility of the components at issue”<sup>17</sup> and should not cover any “invisible” components.

Excluding internal components of a product from the relevant article of manufacture and total profit determination disregards the infringer’s rationale for infringing the patented design in the first place, i.e., to sell its products—including so-called invisible parts—to the public, and thereby take advantage of the design that was invented, manufactured, marketed, and sold by the patentee. An infringer does not infringe a patented design merely to sell the so-called visible parts. Separating total profit between so-called visible and invisible parts is inconsistent with one of the central goals of § 289, which is for the infringer to disgorge its ill-gotten gains on the product that it has sold by appropriating the patented design.<sup>18</sup> The infringer did not infringe simply to sell more vacuum cleaner casings—it infringed to sell more vacuum cleaners.

Moreover, the visible/invisible theory advanced by the infringer in that case is based on considering only the scope of the patented design, i.e., on claim construction. However, if the relevant article of manufacture is simply coextensive with the scope of the patented design, then no further analysis would be necessary. In contrast, the Court found that for a multi-component product, the article of manufacture could be the end product as

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<sup>16</sup> SharkNinja’s Opposition to Dyson’s Motion to Exclude Certain Rebuttal Opinions at 10, *Dyson, Inc. v. SharkNinja Operating LLC*, No. 1:14-cv-00779 (N.D. Ill. June 7, 2017), ECF No. 444.

<sup>17</sup> *Id.* at 14.

<sup>18</sup> See *Nike, Inc. v. Wal-mart Stores, Inc.*, 138 F.3d at 1448 (Newman, J.) (“The statute requires the disgorgement of the infringers’ profits to the patent holder, such that the infringers retain no profit from their wrong.”).

sold or a component of that product, leaving open the possibility that even if the patented design is limited to only to a portion of a product, the total profit could still be based on the end product as sold, based on a consideration of factors which the Court declined to enumerate.<sup>19</sup> In this paper, four such factors are proposed.

Under the test proposed herein, an infringer is free to assert that the relevant article of manufacture is a casing, separate and apart from components within the casing. However, the fact that a component is visible or invisible is not, and should not, be considered in determining the relevant article of manufacture.

## **VI. CONCLUSION**

The authors hope that this paper sets forth an objective, balanced, and relatively easily evaluated set of factors for determining the relevant “article of manufacture” under 35 U.S.C. § 289 in design patent total profit calculations. Although it is believed that the test set forth herein is sufficiently general to be applied to any situation, a court may identify other considerations that may be brought to bear on the question, depending on the facts of each case.

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<sup>19</sup> Of course, a design patent claiming substantially the entirety of a product would entitle the patent owner to the total profit of the end product as sold, regardless of whether the end product as sold is a single component or multi-component product.