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Supreme Court Upsets the Design-Patent Damages Apple Cart – Remands to Federal Circuit

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On December 6, 2016, the Supreme Court in [Samsung Electronics Co. v. Apple Inc.](#) upset the framework for determining damages for infringement of a design patent in the context of a multicomponent product. Under § 289 of the Patent Act, the infringer of a design patent is liable for all of its profit from the manufacture or sale of the infringing “article of manufacture.” In a short opinion, the Court unanimously held that “article of manufacture” may refer to either a product as a whole or a component of that product but provided little clarification otherwise. The Supreme Court remanded the case to the Federal Circuit for further proceedings consistent with its opinion.

Background

This decision is just the latest in a long and continuing legal battle between Apple and Samsung. In 2011, Apple alleged that Samsung’s sale of several smartphones infringed Apple’s utility patents, design patents, and trade dress. As relevant here, the jury found in favor of Apple on the design patent claim. Pursuant to a jury instruction that provided that “Apple is entitled to all profit earned by Samsung on sales of articles that infringe,” the jury returned an award of \$399 million in design patent damages.

Samsung appealed the decision to the Federal Circuit, which affirmed the jury’s damages award. In its decision, the Federal Circuit examined § 289 of the Patent Act, which codifies an additional remedy for infringement of a design patent:

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 purposes of sale, or (2) sells or exposes for sale any **article of manufacture** to which such design of colorable imitation has been applied shall be liable to the owner **the extent of his total profit**....(emphasis added)

Samsung argued that, in a multicomponent device, the “article of manufacture” described in Section 289 should be the infringing component of the device (e.g., the screen or case of a smartphone) rather than the entire infringing product, the smartphone itself.^[1] In rejecting this argument, the Federal Circuit reasoned that because the infringing components of Samsung’s smartphones were not sold separately to ordinary purchasers, they were not distinct articles of manufacture for the purposes of § 289. Samsung appealed the decision to the Supreme Court.

Supreme Court Decision

The Supreme Court, in a unanimous decision, reversed the Federal Circuit’s decision and held that the term “article of manufacture” is broad enough to encompass both a product sold to a consumer as well as a component of a product. In its decision, the Supreme Court examined various other portions of the

Patent Act, finding that “article of manufacture” and “manufacture” are used throughout to include a component of a multicomponent product as well as the entire product. Thus, the Supreme Court found that the Federal Circuit interpreted “article of manufacture” too narrowly and reversed.

Both parties urged the Court to resolve whether in the instant case the “article of manufacture” is the entire smartphone or just a component of the smartphone; however, neither party briefed the issue of the appropriate test. The Supreme Court declined to lay out a test for this determination and instead remanded the case to the Federal Circuit to address any remaining issues.

Takeaways

Following the Supreme Court’s decision, determination of damages for infringement of a design patent involves two steps: (i) identifying the “article of manufacture” to which the infringed design has been applied; and (ii) calculating the total profit made on that article of manufacture. The Supreme Court’s opinion provides no guidance on how the “article of manufacture” is to be identified; instead it leaves the issue for the Federal Circuit.

[1] Samsung also argued that Section 289 contains a causation requirement, limiting the award to the total profit made due to the infringement. The Federal Circuit rejected this argument as well, and Samsung abandoned this theory at oral argument before the Supreme Court.

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If you have any questions or wish to discuss how this decision impacts your business, please contact one of our [Brinks Attorneys](#).