Published on *The National Law Review* https://natlawreview.com

Supreme Court Complicates Design Patent Damage Calculation – Apple v. Samsung

Article By:

Jeanne M. Gills

Richard J. McKenna

Alexander J. Neuworth

On December 6, 2016, the Supreme Court issued a rare unanimous decision on the issue of damages for design patent infringement that continues the *Apple v. Samsung* smartphone legal odyssey. It also marks only the second time in over 100 years that the court has issued a substantive decision in a design patent case. But the result could mean significant challenges in the calculation of damages for design patents and the need for additional factual and expert input, similar to the damage calculation for a utility patent.

In a decision written by Justice Sotomayor, the court reversed the Federal Circuit holding that in the case of a multicomponent product, the relevant "article of manufacture" for arriving at a § 289 damages award need not be the end product sold to the consumer, but may be only a component of that product. The court also remanded the case back to the Federal Circuit for additional briefing on what constitutes an "article of manufacture" in the context of the relevant Apple design patents at issue.

Apple had secured design patents directed to components of a smartphone, such as portions of the external housing and the arrangement of icons appearing on the phone's screen. The Federal Circuit had identified the relevant "article of manufacture" as the entire smartphone because, in part, this is what the consumers could actually purchase in the marketplace. However, the Supreme Court rejected the Federal Circuit's interpretation of § 289 that the permissible "article of manufacture" for the purpose of calculating damages must be the entire smartphone, and instead held that it could be a smartphone component.

In the district court case below, Apple was awarded $399 million in damages —Samsung's entire profit from the sale of its infringing smartphones. The Federal Circuit affirmed the damages award, rejecting Samsung's argument that damages should be limited because the relevant articles of manufacture were the front face or screen rather than the entire smartphone. The Federal Circuit's reasoning was that such a limit was not required because the components of Samsung's smartphones were not sold separately to ordinary consumers, and thus were not distinct articles of

manufacture. This is important because this “article of manufacture” then becomes the basis for the calculation of damages for infringement of design patents which cover the “article.” The Supreme Court held unanimously that the Federal Circuit incorrectly interpreted § 289 in holding that the permissible “article of manufacture” for the purpose of calculating damages must be the entire smartphone.

Instead, the court found that an article of manufacture under § 289 is broad enough to include the entire end product or a component. This reading of § 289 was also consistent with other patent statutes, e.g., §§ 101 and 171(a) of the Patent Act. As the court noted: “A component of a product, no less than the product itself, is a thing made by hand or machine. That a component may be integrated into a larger product, in other words, does not put it outside the category of articles of manufacture.” The court further noted that: “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.”

Justice Sotomayer was, however, quite careful in drafting the court’s opinion to state that the “only question we resolve today is 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 an component of that product.” The court expressly ruled that the relevant article of manufacture may, in some instances, be the end product sold to the consumers, and in other instances may be only a component of the resulting product. The court observed that in the case of a multicomponent product (like a kitchen oven), determining what the “article of manufacture” to which the design is applied is “a more difficult task.” In light of this decision, the lower courts must now determine the relevant “article of manufacture” for each of the infringed design patents, and then potentially recalculate damages, if the relevant article is something other than the entire smartphone.

During the oral arguments and in several of the amicus curiae briefs, the court was presented with various proposed tests for determining the relevant “article of manufacture,” but the court observed that there was inadequate briefing or argument on this issue by Apple or Samsung. So, the court exercised restraint and sent the case back down to the lower courts to formulate such a test for how to best determine the relevant “article of manufacture” for the calculation of damages. The Supreme Court provided no guidance or hints to the lower courts on how to devise such a test.

However, such a future test may examine the relationship among the design, any relevant components, and the product as a whole. In its amicus curiae brief, the United States offered a potential test that looked at several factors:

- Scope of the patented design (focusing on drawings and written description) and how the design relates to the product as a whole
- The relative prominence of the design within the product as a whole
- Whether the design is conceptually distinct from the product as a whole
- The physical relationship between the patented design and the rest of the product

This decision is likely to be viewed as a partial victory for Samsung because it delays any final decision on the damage award and provides a path for arguing that any damages award should be limited to specific smartphone components. This decision may also be significant in future design

patent cases on the issue of damages, particularly when the design patent protection is directed solely to a component or element of a product as compared to the entirety of the product. The net result of this decision is more factual and legal disputes regarding the calculation of design patent damages, including dueling expert opinions, thereby mirroring the challenges for damages calculations in utility patent cases.

National Law Review, Volume VI, Number 341