
Supreme Court: Court Rules on Damages for Design Patent Infringement

By Charles T.J. Weigell, III

Apple Inc. v. Samsung Electronics Co., Ltd. et al, 137 S. Ct. 429 (2016)

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The ongoing design patent infringement action between Apple, Inc. (“Apple”) and Samsung Electronics, Co. (“Samsung”), over smartphone designs took yet another turn on December 1, 2016 when the U.S. Supreme Court set aside the \$400 million in damages awarded Apple. The Supreme Court also remanded the case for further proceedings.

The jury award of damages reflected the “total profit” of all infringing phones Samsung sold. But Samsung appealed and questioned whether this award was justified under Section 289 of the U.S. Patent Act. [1] This section mandates the award of the “total profit” of an infringing “article of manufacture” as appropriate damages in a design patent infringement case. Applying this statute as directed by the trial court, and considering the vast sales numbers of Samsung phones, the jury arrived at damages that were over \$800 million (the trial court later reduced this to \$400 million). On appeal, the Federal Circuit Court of Appeals found the award consistent with the plain wording of Section 289 of the Patent Act.

However, a unanimous Supreme Court disagreed, and held that an “article of manufacture” embodying a patented design could be just a component of an overall device, and not necessarily its entirety. As

such, awarding the “total profit” based on sales of the entire device would not necessarily be warranted. But having established this crucial distinction, the Court proceeded no further. Citing a lack of briefing by the parties on the issue, the Court declined to set out a test to determine what the relevant “article of manufacture” may be.

Subsequent proceedings have so far shed no further light on what an “article of manufacture” comprises in any given design patent infringement context. On February 9, 2017, the Federal Circuit remanded the case back to the trial court, the United States District Court for the Northern District of California. The Federal Circuit opinion stated that “the district court is better positioned to parse the record to evaluate the parties’ competing arguments.” The Federal Circuit also held that the further proceedings could include a new trial on damages, but did not mandate this.

With more proceedings and appeals likely, it seems it will be quite some time before any final test is fashioned. But in its decision, the Supreme Court recognized potential unfairness in awarding exceptional damages based on all profits from the sales of a product in cases when an infringing design is less significant when compared with other product features. In a way then, the Court’s decision sought balance between the gravity of the infringement and the remedy.

However, striking this balance would be difficult in view of Section 289 of the Patent Act, and its award of the “total profit” for an “article of manufacture.” This statute was derived much later from an earlier statute adopted to counteract the holding in a nineteenth-century Supreme Court case (*Dobson v. Dorman*, 118 U.S. 10 (1886)). *Dobson* required the apportionment of profits that were actually attributable to the infringing design. As such, without disturbing the statutory intent of Section 289 and its award of the “total profit,” it would have been difficult for courts to allow an apportionment of damages to cover only those fewer profits attributable to the design. The Court then dealt with this by interpreting Section 289’s “article of manufacture” more broadly to encompass components of a product, and not only the design, and thus balancing the monetary effect of design infringement.

Balance may be a worthy objective, but properly fashioning and applying a test that could find numerous “articles of manufacture” in a single product clearly has its challenges. One of these is determining the nature and role of the design in any given product. It seems though that those designs deriving most, if not all, of their appeal as an “article of manufacture” from aesthetic features would be subject to a proportionally larger award of profits (if not the total profit). For instance, fashion designs

such as shoes, clothing, handbags, fragrance containers and other products with a pronounced aesthetic component and composition would seemingly be found to have fewer distinct “articles of manufacture” for purposes of assessing total profits in infringement actions. For products like these where the exterior designs are the paramount concern, the *Apple v. Samsung* decision may have little effect on computing damages.

But even for such fashion items, subsequent decisions may open the door to more complicated and involved damages phases for trial courts to wade through as accused infringers parse utilitarian features from the decorative in order to identify separate “articles of manufacture” and subtract their “profits” from any potential damages award.

Much remains to be done before there is more certainty as to what damages are available under Section 289 for any given infringed design. Nonetheless, in the U.S., there are few alternatives to design patenting in the protection of product design. Copyright has a very limited role and will not cover primarily utilitarian articles at all. Trademark protections, meanwhile, will not attach to many products unless the design is non-functional and it achieves distinctiveness or “secondary meaning,” usually through extensive sales and promotions over years.

So even though the total of damages to be awarded may be difficult to ascertain for various patented product designs, the mere fact that design patents provide a ready source of protection with available monetary damages of at least some sort, still provides a significant deterrent to potential infringers.

[1] 35 U.S. Code § 289

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