Supreme Court Addresses Availability of Damages in Design Patent Infringement Cases, Reverses $399M Verdict

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"Article of Manufacture" can mean the whole product or a component of that product; $399 million verdict reversed and remanded

In a case which will likely have a significant impact on damages in cases alleging infringement of design patents, the Supreme Court on December 6, 2016 announced its unanimous decision in the case of *Samsung Electronics Co., Ltd., v. Apple Inc*. The Court's decision interprets the relevant statute governing damages in design patent cases and overturns a $399 million verdict against Samsung.

The statute that provides for damages in design patent cases refers to "any article of manufacture to which [a patented] design or colorable imitation has been applied."[1] Infringers of such a patent are liable to the owner of the patent "to the extent of his total profit." At issue in the case before the Supreme Court was whether "any article of manufacture" must be the entire product at issue or can be a component. The Supreme Court held that "the term 'article of manufacture' as used in §289 encompasses both product sold to a consumer and a component of that product."[2]

The case arises from a claim brought by Apple that certain Samsung smartphones infringed several design patents owned by Apple. The Court in its opinion summarizes the subject patents as three patents which cover, respectively, "a black rectangular front face with rounded corners," a "rectangular front face with rounded corners and a raised rim," and "a grid of 16 colorful icons on a black screen."[3] A jury found infringement and awarded $399 million in damages based upon the sale of the entire smartphone.[4] At the Federal Circuit, Samsung argued that "basic causation principles" meant that the damages should have been limited to the profit attributable to the infringement.[5] The Federal Circuit rejected the causation argument, citing its own previous decision interpreting the 1887 version of the statute as having "removed the apportionment requirement."[6]

By the time of argument before the Supreme Court, Samsung abandoned its argument that §289 contains a causation requirement.[7] Rather, the Supreme Court's decision hinges on whether the "article of manufacture"could be a component. In reaching its conclusion, the Supreme Court noted that "article of

manufacture" as used in§289 "has a broad meaning."[8] Using contemporary and historical definitions, the Court determined that "an article of manufacture, then, is simply a thing made by hand or machine" which is, in turn, "broad enough to encompass both" a product and a component. The Court found this interpretation consistent with other uses of "article of manufacture" and "any new and useful . . . manufacture" elsewhere in the patent act.[9]

The Court's decision reverses and remands the case for further proceedings.[10] On remand, the court will then have the opportunity to consider the interesting question of whether a group of design patents which cover the exterior of a product should be considered to cover the design of the product as a whole. In this regard, some uncertainty remains as to how the Court's decision will be applied. Design patent holders will be inclined to obtain and enforce patents which they argue apply to whole products, while accused infringers will prefer to argue that such patents cover only components such as the case or skin of a product. This issue is likely to generate significant activity in lower Courts in the future.

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1 35U.S.C. §289

2 *Samsung Electronics Co. v. Apple Inc.* No.15-777, 580 U.S. ___ (2016), slip op. at 6.

3 Slip op.at 3.

4 Slip op.at 4.

5 Apple Inc. v. Samsung Elecs. Co., 786 F.3d 983, 1001 (Fed. Cir. 2015)

6 *Id.*

[7] Slip op at 5, fn. 2.

[8] Slip op.at 6.

[9] *Id.*

[10] Slip op. at 9.