PROTECTING DESIGNS

Apple v. Samsung, New Damages Trial Ordered Applying New Test

BY ANDREW M. OLLIS | OCTOBER 25, 2017

On October 22, 2017, Judge Lucy Koh ordered a new trial on design patent damages in the long-running dispute between Apple and Samsung playing out its latest chapter in the U.S. District Court for the Northern District of California. Case No. 11-CV-01846-LHK, ECF No. 3530 ("Order").

After the U.S. Supreme Court held that an "article of manufacture" in 35 U.S.C. § 289 (damages provision specific to design patents) could apply to either an article sold to a consumer or a component of the product, the case was remanded to determine whether a new trial was needed on the $399 million award Apple had obtained for Samsung's infringement of several design patents.

As part of her analysis, Judge Koh also had to determine a new test for design patent damages under Section 289. Rejecting the tests offered by both Apple and Samsung, Judge Koh adopted the government's suggestion, stating in conclusion:

> The test for determining the article of manufacture for the purpose of § 289 shall be the following four factors:
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> • The scope of the design claimed in the plaintiff's patent, including the drawing and written description;
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> • The relative prominence of the design within the product as a whole;
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> • Whether the design is conceptually distinct from the product as a whole; and
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> • The physical relationship between the patented design and the rest of the product, including whether the design pertains to a component that a user or seller can physically separate from the product as a whole, and whether the design is embodied in a component that is manufactured separately from the rest of the product, or if the component can be sold separately.
>
> The plaintiff shall bear the burden of persuasion on identifying the relevant article of manufacture and proving the amount of total profit on the sale of that article. The plaintiff also shall bear an initial burden of production on identifying the relevant article of manufacture and proving the amount of total profit on the sale of that article. If the plaintiff satisfies its burden of production on these issues, the burden of production shifts to the defendant to come forward with evidence of an alternative article of manufacture. Order at 35.

Judge Koh also observed that the government's test had largely been adopted by the one other court confronted with the same question. Order at 21, citing Jury Instructions at 15-16, *Columbia Sportswear N. Am., Inc. v. Seirus Innovative*

Accessories, Inc., No. 3:17-cv-01781-HZ (S.D. Cal. Sept. 9, 2017), ECF No. 378.

A new trial is expected in May 2018. Interestingly, both parties indicated they could generally accept the government's test (*see* Order at 13-14, 20), suggesting that each side believes the test is sufficiently flexible to support their point of view. As with all developments in this case, the trial will be closely watched, and another appeal is all but certain absent settlement.

Tags: Apple, Design Patents, District Court, Samsung

PROTECTING DESIGNS

Design Patents Remain a Valuable Part of a Patent Portfolio after Samsung v. Apple

BY ANDREW M. OLLIS | FEBRUARY 2, 2017

On December 6, 2016, the U.S. Supreme Court issued its long awaited opinion addressing the issue of whether design patent owners were always entitled to an infringer's total profits of any end product, even a multi-component product. Samsung Electronics Co., Ltd. v. Apple Inc., 137 S. Ct. 429 (2016). The Supreme Court overturned the widely held understanding that design patent owners were always entitled to an infringer's profits and held that total profits are not necessarily available where the patented design is one component of a multi-component product. Despite the Supreme Court's ruling, and uncertainty in how its decision will be implemented, design patents remain a unique and valuable tool in a U.S. patent portfolio.

Design patent owners have the luxury of choosing between two different types of statutory damages after a finding of infringement. First, just like any utility patent owner, a design patent owner may claim damages under 35 U.S.C. § 284, which provides for damages adequate to compensate for infringement and, at a minimum, a reasonable royalty. Second, under 35 U.S.C. § 289, design patent owners alone have an alternative remedy of the "total profit" on an infringing "article of manufacture." Until now, design patent owners have typically asked for the infringer's total profits under Section 289 presumably because an infringer's profits would be greater than a reasonable royalty.

In its patent litigation against Samsung involving cell phones and tablets, Apple followed this approach and sought damages under Section 289. Apple then won a $399 million damages award in district court after a finding that Samsung infringed three of Apple's design patents. The three design patents (D593,087, D618,677, and D604,305) cover the shape of certain iPhones® and an arrangement of icons on the phone.

The case ultimately traveled to the Supreme Court, which granted certiorari on the following question:

> "Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?"

The Supreme Court first explained that a determination of damages under Section 289 requires a two-step process (137 S. Ct. at 434):

1. Identify the "article of manufacture" to which the infringed design has been applied, and
2. Calculate the infringer's total profit on that article of manufacture.

The Court next found that the term "article of manufacture" in 35 U.S.C. § 289 is broad enough to encompass both a product sold to a consumer and a component of that product, and not simply the product sold to a consumer as the Federal Circuit had found. 137 S. Ct. at 434-6. However, the Supreme Court refused to decide whether for each of the design patents at issue the relevant article of manufacture was the accused smartphone or a smartphone component such as the case or screen. Id. at 436. Instead, the Supreme Court remanded the case to the Federal Circuit for the difficult task of

sorting this out.

This posture leaves the status of design patent damages law uncertain. Unanswered questions remain as to, for example, what constitutes a “component” of a product and how damages should be determined if a design is found to cover only a component of a multi-component product. There is an expectation that damages on a component will be lower than those obtained on the complete product. How much lower remains to be seen, and it will likely take years to find out as a body of law implementing the Supreme Court’s decision develops.

Regardless, the decision should not cause anyone to lose sight of the continued importance of design patents in a portfolio. Design patents still provide a range of substantial benefits. These include:

1. **Diversity in Protection.** Design patents provide a way to claim patent protection for ornamental aspects of commercial products that cannot be claimed in utility patents and that words can almost never exactly convey.
2. **Speed.** Design patents can typically be obtained in less than 15 months, far faster than a typical utility patent. Expedited examination, which can result in a patent in as little as 5 months, is also available. See, e.g., our previous article.
3. **Cost.** The cost of obtaining a design patent is typically a third to a sixth of a utility patent and, unlike utility patents, design patents require no maintenance fees.
4. **Strength.** Recent court cases and challenges at the U.S. Patent Office indicate that design patents are difficult to invalidate.
5. **Flexibility in Scope.** Design patents offer a wide scope of protection depending on what lines are selected for inclusion in the drawings and the use of phantom lines to show optional unclaimed elements.
6. **Flexibility in Origin.** Design patent applications can be filed as a divisional of a utility patent application. This can come in handy where a design patent application was not filed within one year of a bar date, but utility patent drawings show an ornamental design later copied by a competitor.
7. **15 Year Term Regardless of Filing Date.** Design patents have a fixed term of 15 years regardless of the filing date of an application or any parent application.
8. **Knock-offs.** One of the most immediately useful benefits of design patents is the ability to protect against a direct copy of a consumer product or spare part.
9. **Injunctions.** Design patents can serve as the basis for preliminary or permanent injunctions to prevent the introduction of competitive products.
10. **Order Excluding Importation.** Design patents can be asserted in the International Trade Commission to block importation of infringing products.
11. **Increased Damages.** Just like utility patents, damages can be increased up to 3 times in egregious cases under 35 U.S.C. § 284.
12. **Future Royalties.** Even if damages for past infringement might be lower as a result of the Samsung ruling, just like utility patent infringement, if no injunction issues after an infringement finding, district courts frequently award higher royalty rates for future infringement than for past infringement.
13. **Complement to Trade Dress.** An ornamental design can be protected by both a design patent and trade dress, and a design patent can often be obtained for a similar design before trade dress can be established.

In short, the Supreme Court’s decision should have almost no impact on whether to seek design patent protection in the first instance. Design patents remain an effective and inexpensive tool, especially when wielded in combination with utility patents, and retain their essential place in U.S. patent portfolios.

Tags: Apple, CAFC, Design Patents, Federal Circuit, GUI, Samsung, SCOTUS, Filings and Decisions