Patent Law Alert:
Supreme Court Clarifies Lost Profit Remedy for Design Patent Infringement in *Samsung Electronics Co., Ltd. v. Apple, Inc.*

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On December 6, 2016, the United States Supreme Court issued its decision in *Samsung Electronics Co., Ltd. v. Apple Inc.*, unanimously reversing the United States Court of Appeals for the Federal Circuit's decision which affirmed the award to Apple of $399 million in damages for Samsung's design patent infringement -- the entire profit Samsung made from its sales of infringing smartphones. The Court reversed the decision of the Federal Circuit as inconsistent with Section 289 of the Patent Act and remanded the case for further proceedings consistent with the opinion of the Court. Slip op. at 8-9.

Pursuant to Section 289 of the Patent Act, damages specific to design patent infringement are as follows:

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 purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289.

The issue as decided by the Court was whether, in the case of a multi-component product, the

term "'article of manufacture' must always be the end product sold to the consumer or whether it can also be a component of that product." Slip op. at 5. Here, the distinction was between the smartphone in its entirety or the portion of the smartphone that was the subject of the patented design (e.g., the front face).

Relying upon the text of the statute and the ordinary meaning of the terms, the Court found that "the term 'article of manufacture' is broad enough to encompass both a product sold to a consumer as well as a component of that product. That a component may be integrated into a larger product, in other words, does not put it outside the category of articles of manufacture." Slip op. at 6. The Court noted that this reading is consistent with 35 U.S.C. § 171(a) which allows for design patent protection for only a component of a multicomponent part, as well as 35 U.S.C. § 101 which permits patent protection for "any new and useful . . . manufacture," including parts of a machine separate from the machine itself. *Id.* at 7.

The Court thus set forth a new "two step" test for "[a]rriving at a damages award under § 289":

1. "identify the 'article of manufacture' to which the infringed design has been applied."; and

2. "calculate the infringer's total profit made on that article of manufacture."

Id. at 5.

With respect to the first step, the Court declined to set forth a test for identifying the relevant article of manufacture. *Id.* at 58.

While not necessary to the resolution of the case, we note that the Court did reaffirm its prior infringement test from *Gorham Co. v. White*, 14 Wall. 511 (1872), stating that "[t]his Court has explained that a design patent is infringed 'if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same.'" Slip op. at 2 (quoting *Gorham Co. v. White*, 14 Wall. 511, 528 (1872)).

We will continue to monitor the Courts for the latest developments on this issue.

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