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IP FRONTIERS

Supreme Court curtails design patent damages in Samsung v. Apple

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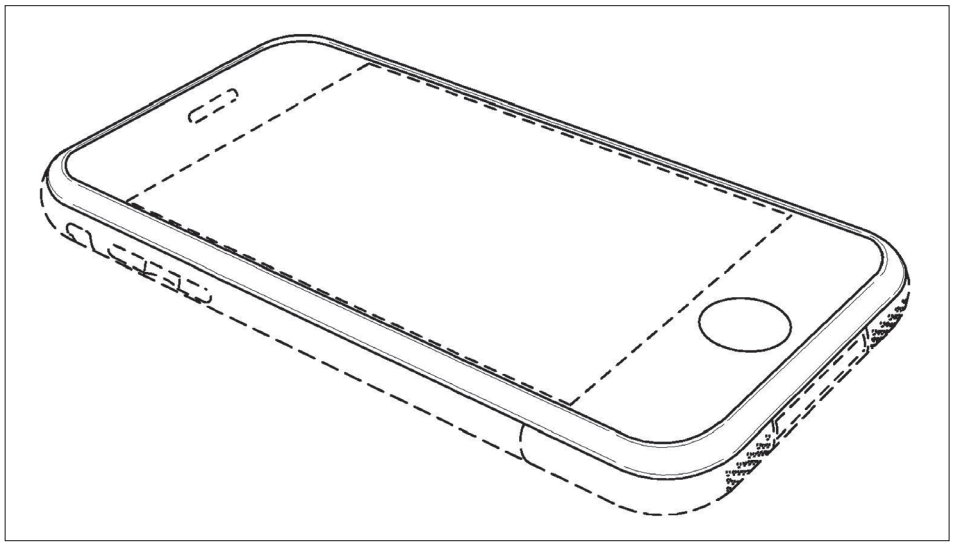

There are generally three types of patents — utility, design and plant patents. Plant patents cover new plant breeds and hybrids. Utility patents cover the function and/or structure of processes, articles of manufacture and compositions of matter. Design patents cover ornamental designs for articles of manufacture. Thus, an article of manufacture can be the subject of utility patents or design patents. A design patent would cover the article's ornamental design features, while a utility patent could cover the article's structure or function. For example, a design patent may cover the ornamental design of a chair or other piece of furniture, while a utility patent may cover the structure or functional features of the chair.

Although utility patents and design patents may cover aspects of the same article of manufacture, each type of patent provides different legal benefits. One benefit of a design patent is that damages for infringement thereof may be measured by either the infringer's profit or the patent owner's lost profits. However, for utility patents, measure of damages is limited to the patent owner's lost profits. Thus, a major advantage of a obtaining a design patent is that it allows the patent owner to recover the infringer's profits, which in most instances is much more than the patent owner's lost profits.

In a recent decision by the U.S. Supreme Court, in *Samsung v. Apple* the Court decided that the infringer's profits may be based upon a component of the entire article of manufacture, as opposed to the entire article of manufacture. Prior to this case, the owner of a design patent was entitled to the infringer's profits based upon its sale of the entire article of manufacture, and not based upon a component or smaller part of the entire article.

In the *Samsung v. Apple* case, Apple sued Samsung for infringement of three Apple design patents, two of which were titled "An Electronic Device." Thus, the article of manufacture covered by these design patents was "an electronic device." The Apple design patents covered their iPhone design and Apple sued Samsung alleging that Samsung's phones infringed Apple's design patents because their designs were substantially the same. At trial, the jury found that Samsung infringed Apple's design patents and awarded Apple $399 million based upon Samsung's profits gained by virtue of its sales of the infringing phones.

A view one of the Apple patents is shown here. According to the Apple design patent, "[n]one of the broken lines form part of the claimed design."

Samsung filed its first appeal. Samsung appealed the award of damages, in part, on the grounds that the damages award was excessive as it was improperly based upon its profits derived from the entire article of manufacture, namely, the entire electronic device. According to Samsung, the design patents ornamental features, which do not include the broken lines, were only directed to a component of the article of manufacture, particularly, the screen and curved edge of the phone. Therefore

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Samsung argued that the damages award should have been limited to its profits derived from the screen and edge as opposed to the entire phone. And if the award was based upon the screen and edge, the damages award would have been much lower. The Appeals Court found that the jury award was correct because, according to its interpretation of the law, the infringer's profits must be based upon the entire article of manufacture.

Samsung appealed again, this time to the U.S. Supreme Court. The Supreme Court agreed with Samsung, holding that an infringer's profits must not always be based upon the entire article. Rather, it could be based upon either the entire article of manufacture or a component thereof. According to the Supreme Court, there is no automatic rule that the infringer's profits must be based upon the entire article of manufacture. The Supreme Court did not decide whether the damages for infringement of Apple's design patents should be based upon only a component of the electronic device such as the screen and curved edge. Rather, the Supreme Court sent the case back down to the lower courts to determine if Samsung's damages should be based upon a component of the electronic device.

The Supreme Court's decision in the *Samsung v. Apple* case is a groundbreaking decision with respect to design patents. The Supreme Court rarely decides design patent cases and has not done so, prior to this case, in many years. After *Samsung v. Apple*, damages based upon an infringer's profits may, in some case, be limited to only a component of the article of manufacture. For example, we can expect infringers to argue that their profits should be based upon only the ornamental design features actually shown in solid lines on the design patent, and not what is shown in broken lines (which are no part of the claimed design). For example, if a design patent is titled "a phone," but the design drawings show the design is directed to the screen of the phone (because all of the other features of the phone other than the screen are in broken lines), then the infringer may now argue that its profits should be based only on the screen. In this regard, if the screen is only a fractional part of the cost of manufacturing the entire device, then the profit and the damages should also be only a fraction of the profits from the entire device.

It will be interesting to see if the lower courts decide whether Apple's damages should be limited to Samsung's profits based upon the screen and curved edge, or the entire electronic device. If it's the screen and edge, the damages may be substantially less than $399 million. Stay tuned!

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