SCOTUS UPSETS THE APPLE CART?

The High Court Answers Key Question on Design Patent Damages, But Leaves Many Unanswered

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The United States Supreme Court today overturned a $400 million verdict in a highly-publicized and long-waged patent battle between Apple and Samsung. Samsung Elcs. Co., Ltd. v. Apple Inc., 580 U.S. __ (Dec. 6, 2016). In doing so, it addressed design patents for the first time in 130 years and held that damages in design patent cases do not necessarily need to be based upon the profits made from a whole end product sold to a consumer, but may be limited to a component of that product. Nonetheless, the Court's unanimous opinion, penned by Justice Sotomayor, may raise more questions than it answers.

The Court viewed the fulcrum of its decision as the meaning of "article of manufacture" in the statute governing design patent damages. That statute—35 U.S.C. § 289—provides:

Whoever during the term of a patent for a design…(1) applies the patented design, or any 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…."

Accordingly, the Court found that determining damages in a design patent case involves two steps. The first step requires a determination of what constitutes the "article of manufacture" to which the design is applied. The second step then requires a calculation of the total profits made on that article.

Regarding the first step, Justice Sotomayor looked to the text of § 289, as well as other sections of the Patent Act (including, §§ 101 and 171), to conclude 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." Accordingly, the Court found the Federal Circuit's reading to cover only an end product too narrow. But as to whether the "article of manufacture" here constitutes the entire

smartphone or some component of it, the Court gave no opinion. It also provided little to no guidance as to how that inquiry is to be made. It expressly stated, "We decline to lay out a test of the first step of the § 289 damages inquiry…." The Federal Circuit will now wrestle with that question. How it will do so and what, if any, implications its jurisprudence on apportionment in this context may have on damages for utility patents are to be determined. Further commentary and analysis will follow as this case proceeds.