BPLA Submitted *Amicus* Brief in Design Case of the Century

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On October 11, 2016, the United States Supreme Court heard oral argument in its first design patent case in over 120 years. The closely-watched case was brought by Samsung after it was required to disgorge its entire profits—$400 million—from the sale of certain Galaxy® smartphones found to infringe three design patents related to Apple's iconic iPhone®. Samsung did not appeal the infringement ruling. Instead, the appeal was about the scope of the remedy available for infringement of design patents. The issue was how to interpret and apply Section 289 of the Patent Act, which provides in relevant part:

> 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….

Samsung and its *amici* argued that some form of apportionment was required, both as a matter of statutory construction and as a matter of policy. As to the former, Samsung's argument centered on what constitutes the relevant "article of manufacture" to which a design patent is applied and as to which the "total profit" is calculated. As to the latter, Samsung and its *amici*—many of the them technology giants in their own right—warned that allowing disgorgement of profits on the entire product and not the narrower article of manufacture to which a patented design is applied will lead to an explosion of litigation brought by non-practicing entities (NPEs) seeking windfall awards.

Apple did not dispute that the statutory measures of damages is the total profit on the "article of manufacture to which such design . . . has been applied," but argued that determining what constitutes the infringing "article of manufacture" is a question of fact, and that the determination that the relevant article in this case was the entire phone should not be disturbed because it was never contested below. Apple also argued that Congress's intent in enacting Section 289, which replaced an apportionment regime with disgorgement of total profit, was clear, and its judgment should not be substituted for that of the Court. As for Samsung's policy arguments, Apple pointed out that the threatened explosion of design patent assertion had not happened in the 130 years since Congress decreed that disgorgement of total profits was the appropriate remedy for infringement of design patents, and argued there was no reason to believe that would change.

The BPLA submitted a brief supporting Apple to explain why the threatened explosion of design patent assertion had not come to pass and was unlikely to do so in the future. We began by describing the important differences between design and utility patents in terms of their historical evolution, practical purpose, and enforcement. We explained that, unlike utility patents, which protect the way an article is used and works, design patents protect the way the article looks.

And because design patents protect how an article looks, "they often protect what is at the core of a company's brand," which explains why companies are reluctant to sell or license their design patents. "Without a meaningful market for design patents," we explained, "the threat of an explosion of design patent assertion by [NPEs], which typically acquire patents from operating companies, is unlikely to materialize."

We also argued that the special characteristics of design patents support Congress's determination that the proper remedy for design patent infringement is disgorgement of the infringer's total profits. Aside from the close relationship of design patents to brand identity, these special characteristics include the vulnerability of design patents to being infringed purposefully (by copying), the near impossibility of infringing them innocently, and the ease with which infringement can be avoided (it just requires not copying).

In light of these special characteristics, we argued Congress's disgorgement remedy is appropriate for three reasons. First, it reflects Congress's determination that that designs sell products and are copied to compete unfairly and, therefore, that the infringer's profits are the right measure of the patent owner's damages.

Second, it deters would-be infringers from copying and trading off the innovators' brand identity. Design patents are both easy to infringe purposefully but not easy to infringe innocently and, because they do not protect functional features, they are easy to design around. We observed "[t]he countless possibilities at the designer's disposal and the innate creativity of human beings make it highly unlikely that two independent designers will develop the same design." Given that infringement is both inexpensive and potentially very lucrative, disgorgement of total profits provides the appropriate level of deterrence.

Third, it tracks Congress's recognition that the difficulty of proving the portion of the value attributable to the design would prevent any meaningful recovery for design patent infringement. An apportionment regime would only encourage infringement—making it the efficient strategy—in cases such as this, where products are effectively passed off as a competitor's with little consequence. "The problem of efficient infringement already plagues utility patents. … There is no sound policy reason for extending it to design patents, which are both more vulnerable to infringement and also easier to avoid infringing."

A copy of the BPLA *amicus* brief is provided here.

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