APPLE AND SAMSUNG AT THE SUPREME COURT: CASE PROVES NEED FOR DESIGN PATENTS IN OVERALL IP STRATEGY



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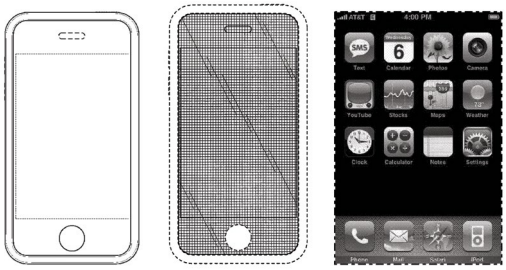
The Supreme Court will dust off its treatises and review design patents for the first time in 122 years in *Samsung v. Apple*. Although the issues in the fray are plentiful, the Justices will only tackle one: how much can a design patent holder recover from an infringer?

Apple and Samsung arrived here after several years of long-running and extraordinarily public litigations over patents and other intellectual property rights both in the United States and internationally. These disputes have been dubbed the "Smartphone Wars." In the case pending at the Supreme Court, Apple asserted design and utility patent infringement and dilution of trade dress. Apple first filed suit against Samsung in the U.S. District Court for the Northern District of California in 2011, asserting Apple's D593,087, D618,677, and D604,305 design patents against various Samsung smartphones (examples of which are shown to the right) and asserting that Samsung diluted its unregistered and registered trade dresses that are materially identical to the designs claimed in its design patents, among other things.[1] A jury found that all three design patents were infringed, as well as dilution of the trade dresses, ultimately awarding damages of $399 million for design patent infringement and $382 million for trade dress dilution.[2]

In awarding $399 million in design patent damages to Apple, the district court applied Section 289 and awarded infringer's profits in the amount of Samsung's entire profits on the sales of the accused phones.




TOP (LEFT TO RIGHT): Apple's Patents: D593,087; D618,6773; D604,305;
BOTTOM (LEFT TO RIGHT): Exemplary Accused Products: Galaxy S 4G; Samsung Fascinate UI

The district court did not require Apple to prove that the patented design features provided a material contribution to Samsung's sales nor did it require any apportionment of the damages award. The Court of Appeals for the Federal Circuit affirmed the district court's design patent award, and held that "total profit" in Section 289 constitutes all of an infringer's profits from an entire product. *Id.* at 1101–1102.

After the Federal Circuit denied rehearing *en banc*, Samsung filed a petition for writ of certiorari to the Supreme Court and challenged two rulings: (1) the panel held design patent infringement depended on the factfinder's review of the overall ornamental appearance of a design, even if the design applied to aspects of the phone that had some utilitarian purpose, and (2) the panel held the text of Section 289 "explicitly authorizes the award of total profit." *Id.* However, the Supreme Court only granted certiorari with respect to the second issue.

35 U.S.C. § 289 states:

> 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. (emphasis added)

SECTION 289 – A SHORT HISTORY

As a short summary of the history behind Section 289, the law was enacted in part due to Congress being dissatisfied with a Supreme Court ruling that a patentee only deserved minimal damages for the infringement of its carpet design patent. When design patent law was established, similar standards were used in determining damages for infringement of both design and utility patents, which required an accounting of the profits attributed to infringing the patented design. Because of this standard, however, design patent owners encountered much difficulty in establishing that the value of the product was attributed to the design and, thus, often only received a nominal damage award.[4] The most often cited example of the application of this standard is in *Dobson v. Dornan*, where the Court determined that a patented carpet design infringement was infringed but only awarded 6 cents in damages, reasoning that the design patent owner failed to establish that the cost of the infringing carpets could be attributed to the patented design.[5]

Dissatisfied with the result in *Dobson,* in 1887, Congress removed the attribution requirement for design patent damages and replaced this provision with the total profit rule providing that an infringer should be required to pay the design patent holder the total profit made in the sale of the infringing product including the patented design, with a minimum liability of $250.[6] Congress later codified the Patent Act of 1887 in 35 U.S.C. § 289, which is at the center of the current Supreme Court case between Apple and Samsung.

DIFFERING VIEWS ON SECTION 289

Much of Samsung's petition for writ of certiorari is dedicated to the Federal Circuit allegedly misinterpreting Section 289 and the "absurd" results that the Federal Circuit's application of Section 289 creates. Samsung argues that the damages award of all profits from its smartphones is disproportionate because it fails to account for how much the design contributed to the product's value or sales. For example, in applying this rule, "a jury that awards infringer's profits must award the entire profits on a car (or even an eighteen-wheel tractor-trailer) that contains an infringing cup-holder…"[7] Samsung also argues that the Federal Circuit erred in construing "article of manufacture" in the statute to mean the "entire product sold separately to

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ordinary customers." (internal quotes omitted). Instead, citing to dictionary definitions and the Federal Circuit's predecessor court, the Court of Customs and Patent Appeals, Samsung argues that an "article of manufacture" is only the portion of the product to which the patented design is applied.[8] In addition, Samsung noted that the "total profit" is limited by the statutory language "profit made from the infringement" in the second paragraph of Section 289.[9] Finally, Samsung argues that the principles of causation and equity render an award of all profits excessive and supports an award of infringer's profits proportional to the infringer's wrong.[10]

In its opposition to certiorari, Apple argued that Section 289 is clear and mandates awards of all of the infringer's profits. Apple further argued that this is well supported by clear legislative history and case law precedent. Apple argued that in enacting Section 289, Congress's clear intent was to "prevent[] the infringer from actually profiting by his infringement. The patentee recovers the profit actually made on the infringing article…that is what the infringer realized from infringing articles minus what they cost."[11] Apple further argued that Congress had multiple opportunities to revise the "total profit" provision of Section 289 but chose not to do so. For example, in 1946, Congress abolished a similar "total profits" rule for utility patents but did not abolish the design patent equivalent. Also in 1952, Congress updated the language of Section 289, but did not alter the "total profits" provision of section 289.[12] Apple additionally argued that the total profits rule was supported by "an unbroken line of cases… that applied § 289" to mean an infringer's entire profits, not merely some portion thereof. In sum, Apple contends that "Samsung had its day in court…and the…jury was well-justified in finding that Samsung copied Apple's designs and should pay the damages that the statute expressly authorizes."[13]

Samsung's opening brief was due June 1. Apple's response is due July 29, and Samsung's reply brief is due August 29. Oral argument has not yet been scheduled, but pundits predict it will be held in October. Several amici curiae briefs are also expected to be filed in support of both parties.

SIGNIFICANT ROLE OF DESIGN PATENTS

Regardless of the outcome of the Supreme Court decision, this immense clash between two technology titans illustrates the need for companies to obtain broad and varied coverage of their intellectual property rights. Intellectual property rights may be obtained using utility and design patents, trademarks, copyrights, trade dress, and trade secrets. These vehicles each confer different and often overlapping protections.

In the context of the intellectual property at issue in these cases, Apple originally sought $2.75 billion in damages, and in 2012, Apple won a judgment of nearly $930 million including:

- $149 million related to infringement of Apple's utility patents;
- $382 million related to dilution of Apple's trade dresses; and
- $399 million related to infringement of Apple's design patents.[14]

Of the nearly $930 million, Samsung chose not to appeal the $149 million judgment related to Apple's utility patents, and the Federal Circuit eliminated the $382 million portion of Apple's award relating to trade dress dilution, finding Apple's trade dresses to be functional and therefore invalid.[15] Thus, without Apple's design patents, Apple would be left with only $149 million of the $2.75 billion it originally sought.

Design patents are an often overlooked form of intellectual property protection. In 2015, for example, utility patent application

filings outpaced design patent applications by more than 15 to 1 (589,410 utility patent applications to just 39,097 design patent applications).[16] Although design patents may only be obtained for the ornamental design of an item and typically the rights conferred by a design patent are narrower than the rights conferred by a utility patent, they are invaluable to an overall intellectual property portfolio and offer significant benefits over utility patents.

First, design patents are granted more quickly than utility patents. A utility patent can typically take three or more years to grant whereas a design patent may typically grant in as little as six-to-eight months, and in certain instances, as little as three months where expedited examination is requested. Second, design patents are relatively inexpensive compared to utility patents. A design patent may generally be obtained for about one-tenth the cost of a utility patent. Maintenance fees must also be paid to the U.S. Patent and Trademark Office during the life of a utility patent, but no such fees are required to keep a design patent alive. Third, design patents are allowed by the USPTO more frequently than utility patents. Design patents, for example, have an allowance rate of almost 90 percent, while utility patents have an allowance rate of closer to 70 percent.[17] Finally, as evidenced by the *Samsung v. Apple* case, damages related to design patent infringement can be significant as a patent owner can recover the infringer's **total profit**.

Although design patents are not appropriate for all types of inventions, Apple and Samsung's long-running legal battle demonstrates that design patents are a necessary addition to a successful overall intellectual property strategy. ■

[1] Apple also asserted its D504,889 design patent but no infringement was found. Apple has additionally asserted some of its utility patents directed to smartphone technology against Samsung.
[2] The Federal Circuit reversed the $382 million judgment for trade dress dilution and held the asserted trade dresses invalid as functional.
[3] During reexamination, the USPTO in a non-final action dated August 5, 2015, rejected the claim of the '677 design patent on several grounds. The rejection is being challenged by Apple.
[4] Donald S. Chisum, *Chisum on Patents* § 23.05 (1)(a)(2014)
[5] 118 U.S. 10
[6] Patent Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387
[7] *Samsung v. Apple*, No. 15-777, petition for writ of certiorari at 26.
[8] *Id.* at 27.
[9] *Id.* at 30-31.
[10] *Id.* at 32 and 33.
[11] Apple brief in opposition to cert at 5, quoting 18 Cong. Rec. 834.
[12] Apple brief in opposition to cert at 27
[13] Apple brief in opposition to cert at 37
[14] *Apple v. Samsung*, No. 14-1335, Samsung brief at 3
[15] *Apple v. Samsung*, No. 14-1335
[16] http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm
[17] http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1005; and http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1006

BANNER & WITCOFF AND AIA POST-ISSUANCE PROCEEDINGS

Banner & Witcoff continues to increase its involvement in America Invents Act post-issuance review activity, including *inter partes* reviews (IPRs) and post grant reviews. The firm is currently handling 28 IPRs for such clients as NIKE, Inc.; Honeywell International Inc.; and Kimberly-Clark Corp.

Since the AIA took effect, the firm has brought a number of IPRs to a successful conclusion for its clients, including successfully defending an IPR for client Mentor Graphics through appeal to the U.S. Court of Appeals for the Federal Circuit (CAFC). The firm has several other appeals from IPRs currently pending before the CAFC.