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Scotus Apple v. Samsung Ruling, Just the FAQs

Steve S. Chang
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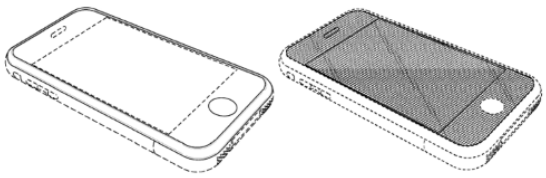
With its decision in the Apple v. Samsung case, the Supreme Court made a narrow ruling on the issue of how to value damages in cases of products like smartphones made up of many components.

In a nutshell, the Supreme Court decided one point in the longstanding dispute between Apple and Samsung[1], and sent the case back to the lower court for further proceedings. That question, and other details of the case, are addressed in the FAQs below.

Q: What was the original case about?

This part of the case[2] was about design patent infringement. Apple had several design patents covering various aspects of the iPhone's display, and accused several of Samsung's smartphones of infringing by having the same or similar displays. Below are the designs in the relevant Apple design patents:



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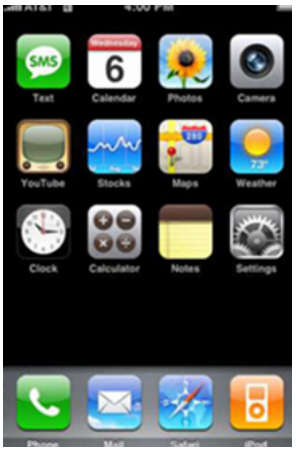

When most people think of a patent, they think of the better mousetrap, or some kind of new and useful technological innovation. Those patents are utility patents.

Design patents do not cover those kinds of "useful" inventions. Instead, design patents cover only "ornamental" inventions — they are focused on just the appearance of something. In this case, Apple's design patents cover the ornamental appearance of the designs shown in the images above.

From the trial, 11 of Samsung's smartphones were found to infringe the designs claimed in the patents, and Apple was ultimately awarded $399 million — Samsung's entire profits on those smartphones.

Q: Why was Apple awarded all of Samsung's profits?

This is due to the way the design patent laws are written. In particular, Section 289 states:

Whoever during the term of a patent for a design . . . , (1) applies the patented design, or any colorable imitation thereof, to any *article of manufacture* for the purpose of sale . . . shall be liable to the owner to the extent of his *total profit*, but not less than $250 . . ."

35 U.S.C. § 289 (emphasis added). Section 289 has pretty simple language — "total profit." Since the displays of the Samsung smartphones are not sold separately from the smartphones themselves, the damages calculation was based on the "total profit" of the smartphones. In other words, the smartphones were considered to be the "article of manufacture" for purposes of calculating damages.

Q. Why was the law written that way?

The law was actually added by Congress in the 1800s in response to a series of court cases dealing with carpets[3]. In those cases, the Supreme Court ruled that the design patent holder would need to prove how much of the carpet profits were due to the design of the carpet and how much were due to other aspects of the carpets.

Congress was concerned that this would create unreasonably difficult proof hurdles for design patent owners. With things like carpets in mind (which are decorative in nature), Congress enacted a design patent damages provision that used the "total profit" and "article of manufacture" language found in today's patent law.

Q: What did the Supreme Court decide?

The Supreme Court only decided a specific point — the "article of manufacture" for damages calculations did not have to be the entire end product sold to consumers.

Notably, there were a lot of other things that the Supreme Court *could* have addressed, but chose not to. Throughout the briefing and oral arguments, there was a lot of discussion about things like how you should decide what the "article of manufacture" was (if it was not the total end product), how you assign profits to individual portions of an end component, how you treated design patents that focused on sub-components, what role experts might have, etc.

As is true in all appeals cases, the appellate court is primarily focused on deciding just the case at hand. It tries to avoid saying any more than needed for that purpose. Here, the Supreme Court sent the case back to the lower court to further develop that issue.

Q: What happens now?

The lower court, the U.S. Court of Appeals for the Federal Circuit, will review the Supreme Court's decision and decide what needs to happen next. It could offer a revised decision based on the record, which could potentially provide additional guidance on what it believes the relevant legal standard for analysis ought to be. It could even further remand to the trial court for additional evidence. So, it isn't over yet, and we will just have to wait and see.

Q: How will this affect future patent cases?

Creators of innovative designs will continue to protect their designs, and much of patent life will continue unchanged. In those future cases, you can expect that if the accused product is a multicomponent product like a smartphone, there will be evidence and argument regarding how much of that product is the "article of manufacture" for damages purposes. However, since the Supreme Court declined to address the details of how that analysis would be undertaken, we will have to await development of those details in lower court decisions.

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End notes

[1] *Samsung Electronics Co. et al. v. Apple Inc.*, No. 15-777 (U.S. December 6, 2016)

[2] There were many other issues, such as other patents and trade dress, but this Supreme Court case only dealt with the design patent damages question.

[3] *See, e.g., Dobson v. Dorman*, 118 U.S. 10 (1886); *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885); *and Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885).

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