



Samsung Electronics Co. v. Apple Inc., 137 S. Ct. 429 (2016)

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SAMSUNG ELECTRONICS CO. v. APPLE INC., 137 S. Ct. 429 (2016).

I. INTRODUCTION

Two tech powerhouses have been dominating the U.S. cell phone market, and its patent system, for the last six years¹: Samsung Electronics Co., Ltd. and Apple Inc.² With \$399 million at stake, the United States Supreme Court's recent decision in *Samsung Electronics Co. v. Apple Inc.*, is the latest in a string of litigation that has been ongoing between Samsung and Apple since 2011.³ The dispute involved the calculation of damages, specifically whether the term "article of manufacture" includes a *component* of an end product or the entire end product itself, when calculating damages pursuant to 35 U.S.C. § 289.⁴

Part II of this article provides a brief history⁵ of the proceedings leading up to the Supreme Court's opinion, beginning in the United States District Court for the Northern District of California. Part III discusses the Supreme Court's most recent opinion, authored by Justice Sotomayor, in which the issue centered on the Federal Circuit's decision to affirm an award of \$399 million to Apple for Samsung's infringement of various Apple iPhone design patents.⁶ Finally, part IV discusses the future

¹ Apple filed its first complaint against Samsung on April 15, 2011 in the Northern District of California District Court. *Apple, Inc. v. Samsung Electronics Co. Ltd.*, 909 F.Supp.2d 1147, 1149 (N.D. Cal. 2012).

² Hereinafter referred to as "Samsung" and "Apple" respectively.

³ *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 433 (2016).

⁴ Section 289 provides remedies for infringement of design patents and states: "[w]hoever 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, 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" of the patent. 35 U.S.C. § 289 (2017) (emphasis added).

⁵ For brevity's sake, this article discusses only the U.S. litigation history between Apple Inc. and Samsung Electronics Co.

⁶ *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

implications of the unanimous holding and the Supreme Court's definition of article of manufacture as "both a product sold to a consumer as well as a component of that product."⁷

II. BACKGROUND

Apple and Samsung are both competitors in the consumer electronics space and have been battling over cell phone implementations, specifically, for the past six years. The first shots between the battle of the tech titans were fired a few years after Apple first released the iPhone in January 2007.⁸ The two corporations have since been engrossed in litigation for various intellectual property issues, before reaching the United States Supreme Court in March 2016. The instant case was initiated in the United States District Court for the Northern District of California, where a jury found that Samsung infringed Apple's iPhone design⁹ and utility¹⁰ patents, and diluted Apple's trade dress^{11,12}. Specifically, the design patents covered various elements of the iPhone design including the black front face with rounded corners,¹³ the curved bezel with a raised rim,¹⁴ and the ornamental design of the graphical user interface comprising

⁷ *Samsung*, 137 S. Ct. at 435.

⁸ *Id.*, at 433.

⁹ U.S. Design Patent Nos. D618,677, D593,087, and D604,305. *See Apple*, 786 F.3d at 989.

¹⁰ U.S. Utility Patent Nos. 7,469,381, 7,844,915, and 7,864,163. *See Id.*

¹¹ U.S. Trademark Registration No. 3,470,983 and an unregistered trade dress defined in terms of certain elements in the configuration of the iPhone. *See Id.* at 989-90.

¹² *Apple, Inc. v. Samsung Elecs.* 909 F.Supp.2d 1147, 1149 (N.D. Cal. 2012); *Apple*, 786 F.3d at 989.

¹³ U.S. Design Patent No. D618,677. *See Apple*, 786 F.3d at 989.

¹⁴ U.S. Design Patent No. D593,087. *See Mark Nowotarski, The Power of Portfolio: Strong Design Patents III, IP Watchdog, IP WATCHDOG*, August 23, 2013, <http://www.ipwatchdog.com/2013/08/23/the-power-of-portfolio-strong-design-patents/id=44774>.

colorful icons on a black screen,¹⁵ all of which, the jury found to be both valid and infringed. The Northern District of California upheld the jury's findings on both the patent and trade dress disputes. In response, Samsung filed its appeal to the Federal Circuit.¹⁶

The Federal Circuit reversed the district court's decision on the trade dress issues, holding that the claims were protectable; however, affirmed the jury's verdict with respect to infringement of the design patents, validity of the utility patent claims, and the damages awards for both.¹⁷ Samsung, having been found liable for infringing the three Apple design patents, was faced with a \$399 million award to Apple, constituting the entire profits of the iPhone over the relevant term. In affirming the damages amount under 35 U.S.C. § 289, the Federal Circuit held that the components of the Samsung phone could not be considered "articles of manufacture" because consumers cannot purchase the components separately from the phone itself.¹⁸

Samsung filed for *certiorari*, appealing two issues before the United States Supreme Court: (1) where a design patent includes unprotected non-ornamental features, is a district court required to limit the patent to its protected ornamental scope, and (2) where a design patent is applied to only a component of a product, should an award be limited to only those profits attributable to that component?¹⁹ On March 21, 2016, the Supreme Court granted *certiorari* with respect to the second issue and held that an article of manufacture may be defined as "both a product sold to a consumer as well as a component of that product."²⁰

¹⁵ U.S. Design Patent No. D604,305. *See Id.*

¹⁶ *Apple*, 786 F.3d at 990.

¹⁷ *Id.* at 989.

¹⁸ *Id.* at 1002.

¹⁹ *Samsung Elecs. Co. v. Apple Inc.*, 909 F.Supp.2d 1147 (N.D. Cal. 2012), *petition for cert. filed*, (U.S. Dec. 14, 2015) (No. 92-212).

²⁰ *Samsung*, 137 S. Ct. at 435.

III. THE CASE

In defining an article of manufacture as either an entire product or a component of that product, the Supreme Court first looked to 35 U.S.C. § 289 which governs additional remedies for infringement of design patents.²¹ Section 289 provides that whoever infringes the patented design “to any article of manufacture . . . shall be liable to the owner to the extent of his total profit”²² The calculation seems straightforward, when dealing with a simple device, “such as a dinner plate,” however, in today’s world of intricate, multi-component products, the calculation becomes more complex.²³ Specifically, if a patent covers only a portion of a product, how do courts identify the “article of manufacture”? The Federal Circuit defined “article of manufacture” as the entire product, viewing the problem through the lens of a consumer, who is unable to purchase, individually, the various components of the end product.²⁴ Though this viewpoint may seem reasonable given past interpretations of design patent infringement,²⁵ the Supreme Court held that this reading is inconsistent with § 289.²⁶

Design patents became available as part of the Patent Act of 1842, and currently protect any “new, original, and ornamental design for an article of manufacture.”²⁷ Patentable designs “give[] peculiar or distinctive appearance to the manufacture, or article to which it may be applied, or to which it gives form.”²⁸ As far back as 1885, the Supreme Court has limited damages for design patent

²¹ 35 U.S.C. § 289 (2017).

²² *Id.*

²³ *Samsung*, 137 S. Ct. at 432.

²⁴ *Id.*

²⁵ “[A] design patent is infringed ‘if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same.’” *Id.* (quoting *Gorham Co. v. White*, 81 U.S. 511, 528 (1872)).

²⁶ *Id.*

²⁷ *Id.* at 435 (citing 35 U.S.C. § 171(a) (2017)).

²⁸ *Id.* at 432 (citing *Gorham Co. v. White*, 81 U.S. 511, 525 (1872)).

infringement to only those profits that are “due to” the design.²⁹ In *Dobson v. Hartford Carpet Co.*, the lower courts awarded design patentee’s the entire profit made on the manufacture and sale of carpets, rather than only the portion attributable to the protected design.³⁰ Despite the language of the Act at the time, allowing for recovery of “the actual damages sustained,” the Supreme Court reversed the holding below, requiring apportionment of the total profit to only the protected elements.³¹ Congress reacted by codifying a specific provision for design patent damages in 1887, holding a design patent infringer liable for \$250 or “the total profit made by him from the manufacture or sale . . . of the article or articles to which the design, or colorable imitation thereof, has been applied.”³² This text formed the basis for the current § 289, codified in 1952.³³

Section 289 of the Patent Act provides that a design patent infringer is “liable to the owner to the extent of his total profit.”³⁴ This seems reasonable given that courts interpret this to mean all profits made on the device.³⁵ However, the Supreme Court applies a two part test to determine damages, which includes: (1) “identify[ing] the ‘article of manufacture’ to which the infringed design has been applied,” and (2) “calculate[ing] the infringer’s total profit made on that article of manufacture.”³⁶ This brings the Supreme Court to its ultimate issue: defining the scope of “article of manufacture.”³⁷

²⁹ *Samsung*, 137 S. Ct. at 432 (citing *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 443 (1885)).

³⁰ *Id.* at 432-33 (2016) (citing *Dobson*, 114 U.S. at 443).

³¹ *Id.* at 433 (2016) (citing *Dobson*, 114 U.S. at 443).

³² *Id.*

³³ *Id.*

³⁴ 35 U.S.C. § 289 (2017).

³⁵ “‘Total,’ of course, means all.” *Samsung*, 137 S. Ct. at 434 (citing *American Heritage Dictionary* 1836 (5th ed. 2011)).

³⁶ *Id.*

³⁷ *Id.*

The Supreme Court first utilizes dictionary definitions which define “article” as “a particular thing” and “manufacture” as “the conversion of raw materials by hand or machine, into articles suitable for use by man.”³⁸ Combining these definitions, the Supreme Court equates “article of manufacture” as any “thing made by hand or machine.”³⁹ According to the Supreme Court, this definition is “broad enough to encompass both a product sold to a consumer as well as a component of that product” as components of products, too, are things made by hand or machine.⁴⁰

This broad definition is consistent with prior case law interpreting 35 U.S.C. § 171(a) and § 101.⁴¹ In *Ex parte Adams*, the Patent Office noted that “the several articles of manufacture of peculiar shape which when combined produce a machine or structure having movable parts may each separately be patented as a design”⁴² Additionally, *Application of Zahn* indicates that § 171 “is not limited to designs for complete articles, or ‘discrete’ articles, and certainly not to articles separately sold”⁴³ Finally, the Supreme Court has previously read “the term ‘manufacture’ in § 101 . . . to mean ‘the production of articles for use from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.’”⁴⁴

After defining “article of manufacture” as encompassing either a product or a component of that product, the Supreme Court remanded the case back to the Federal Circuit to determine

³⁸ *Id.* at 434-35 (citing J. Stormonth, *A Dictionary of the English Language* 53, 589 (1885); *American Heritage Dictionary* 101, 1070 (5th ed. 2011)).

³⁹ *Id.* at 435.

⁴⁰ *Id.*

⁴¹ *Samsung*, 137 S. Ct. at 435.

⁴² *Id.* (quoting *Ex Parte Adams*, 84 Off. Gaz. Pat. Office 310, 311 (1898)).

⁴³ *Application of Zahn*, 617 F.2d 261, 268 (CCPA 1980).

⁴⁴ *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) (quoting *American Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 11 (1931)).

whether the article of manufacture in this case is the smartphone or a particular smartphone component.⁴⁵

IV. LEGAL ANALYSIS

Although the Supreme Court had the opportunity to define a test for part one, identifying the relevant article of manufacture, of the two step damages calculation, the Supreme Court declined to do so.⁴⁶ On remand, the Federal Circuit also deferred, leaving the Northern District of California to define an adequate test that is consistent with § 289 and the Supreme Court's holding.⁴⁷ As *amicus curiae* Nike, Inc. argued, in order for the patent system to work as intended, there must be a robust and administrable remedy for infringement.⁴⁸ Unfortunately the Supreme Court has left lower courts guessing as to the appropriate framework.

The Supreme Court did, however, leave some breadcrumbs leading to its preferred test, citing the United States's Brief as *amicus curiae*.⁴⁹ Under this test, identifying the relevant article of manufacture is a task that is inherently up to the factfinder.⁵⁰ As patentable designs are those that give peculiar or distinctive appearance to the manufacture, or article to which it is applied, the question is what article does the peculiar or distinctive appearance modify?⁵¹ This requires identification of the article which the patented design prominently features, without unnecessarily sweeping in aspects of the product that are unrelated to that

⁴⁵ *Samsung*, 137 S. Ct. at 436.

⁴⁶ *Id.*

⁴⁷ *Apple Inc. v. Samsung Elecs. Co.*, 2017 WL 490419, at *2 (Fed. Cir. Feb. 7, 2017).

⁴⁸ *Samsung*, 137 S. Ct. at 436. See Brief of amicus curiae of Nike, Inc. in support of neither party, filed June 8, 2016 at 10, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

⁴⁹ Brief of amicus curiae, United States in support of neither party, filed June 8, 2016 at 16, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

⁵⁰ *Id.*

⁵¹ *Id.* at 25-26 (citing *Gorham Co. v. White*, 81 U.S. 511, 525 (1872)).

design.”⁵² The inquiry is case-specific and should take into account the following factors: (1) the scope of the design claimed in the patent; (2) the relative prominence of the design within the product as a whole; (3) whether the design is conceptually distinct from the product as a whole; and (4) the physical relationship between the patented design and the rest of the product.⁵³

Unfortunately, this test still leaves manufacturers and design patent holders in a quandary as to the worth of their temporary monopolies. Those designs that cover an entire product are not affected (as the relevant article of manufacture is the entire product itself), but designs that only cover a portion of a multi-component product may be left fighting for only a fraction of the total profits earned on a product. The issue is further complicated by current trends in design patent prosecution to limit the article featuring the design to only the portion of the product affected by the particular feature.⁵⁴ Design patent practitioners are thus currently faced with striking a balance between broadly defining the article in order to increase recovery should litigation occur, yet doing so with enough specificity so as to include all potential infringers.

V. CONCLUSION

Apple, Inc. filed suit against Samsung Electronics, Co. for infringing three of its design patents related to Apple’s iPhone smartphone. After finding the patents valid and infringed, a jury awarded Apple \$299 million, constituting the entire profit earned.

⁵² *Id.* at 26.

⁵³ *Id.* at 27-29.

⁵⁴ Dashed lines are used to show the remainder of the article without including it in the claimed matter. See Thomas J. Daly and Katherine Quigley, *Patent Infringement as Applied in Samsung v. Apple*, 40 Los Angeles Lawyer 10, *10-11 (2017) (suggesting that patent prosecutors are wary of overstating the article affected by the design for fear of exculpating potential infringers).

After the Federal Circuit affirmed the award, the United States Supreme Court reversed, holding that an “article of manufacture” as defined by § 289 of the Patent Act may be a component of a product, and need not always be the entire product. While this would seem a win for Samsung, it still leaves open the question of defining an article of manufacture, and the subsequent calculation of “total damages” therefrom. This holding has left practitioners waiting for a clear definition of “article of manufacture” in order to enable effective drafting of design patent claims to maximize potential infringement damages while at the same time clearly describing the scope of the article covered in the claims.

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