

# ALERT

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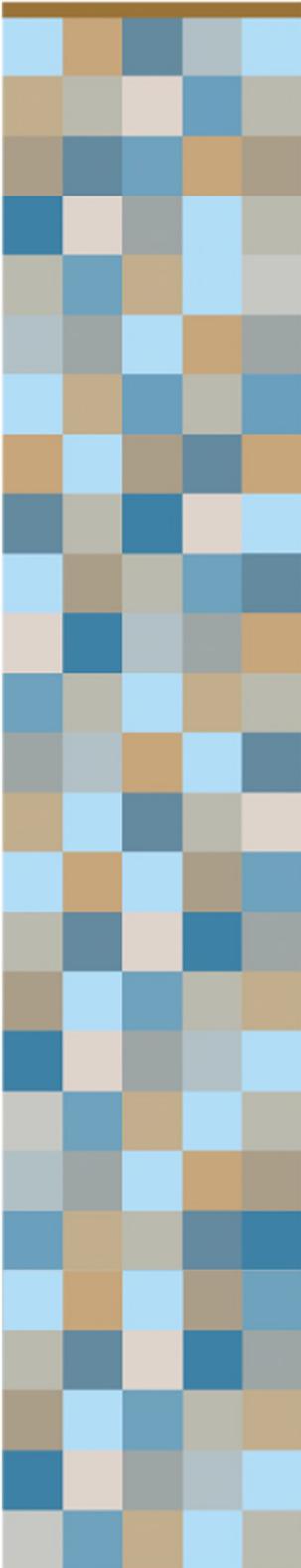
## Is Your Design Worth \$400 Million Dollars?

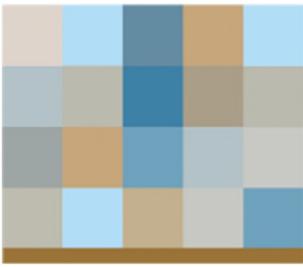
On December 6, 2016, the Supreme Court clarified the scope of damages in a design patent infringement case.

Unlike utility patents which have utilitarian functions, design patents relate to the look and feel of a new design. The design is reviewed by the Patent Office for issues relating to novelty and obviousness. The scope of a design patent is based on the drawings. If a design is dictated by its function, that design may be declared invalid. An infringement analysis is based on the ordinary observer test – in the eye of an ordinary observer, does the resemblance of one design deceive the observer, inducing the observer to purchase one design supposing it to be the other?

In 2011, Apple sued Samsung for infringement of design patents and utility patents. Samsung countered with infringement claims of its own. The two companies have been battling these cases out for years. In March 2015, the Court of Appeals for the Federal Circuit confirmed an award against Samsung totaling approximately \$1 billion dollars. To be clear, that decision was based on infringement of both design and utility patents but the design patent award totaled about \$400 Million dollars. In essence, the Federal Circuit confirmed a calculation based on an effective disgorgement of all of Samsung's profits on its phones found to infringe the relevant design patent. The theory behind awarding all profits was that the innards of Samsung's smartphones were not sold separately as distinct articles of manufacture.

Samsung appealed the decision to the Supreme Court. The pertinent patent statute (35 U.S.C. § 289) allows for an award of the infringer's "total profit". The issue before the Supreme Court was whether that "total profit" relates to the entire product, i.e. Samsung's phone, or could relate to a component in a product. In a relatively brief and unanimous decision, the Court set out the following rubric for determining damages in a design patent case. First, identify the article of manufacture. Second, calculate the infringer's total profit made on that article of manufacture.





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In this case, the Court indicated that the relevant article of manufacture may be an end product sold to a consumer AND it may be a component of that product whether sold separately or not. The Supreme Court ruled that the Federal Circuit's analysis, predicated on the presumption that consumers could not purchase components separately for their smartphones, was not appropriate. The Court declined to rule whether the relevant article of manufacture here was the smartphone or a smartphone component because the parties had not sufficiently briefed this issue.

Historically a somewhat sleepy area of patent law, design patents are seeing a resurgence because of cases like *Apple v. Samsung*. Your complete approach to intellectual property protection should include an analysis of design patents, utility patents, trade secrets, trademarks, and copyrights.



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