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Supreme Court Decides to Hear Samsung v. Apple, Appears Ready to Weigh-In on Patent Damage Calculations

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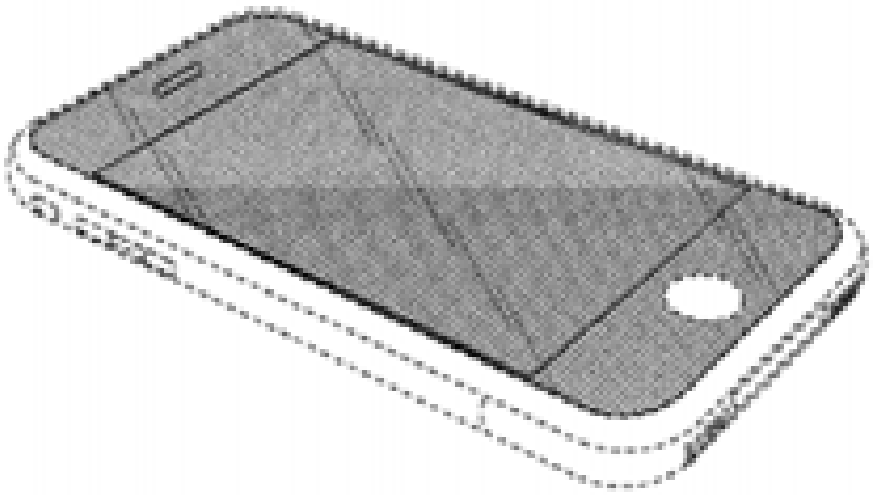
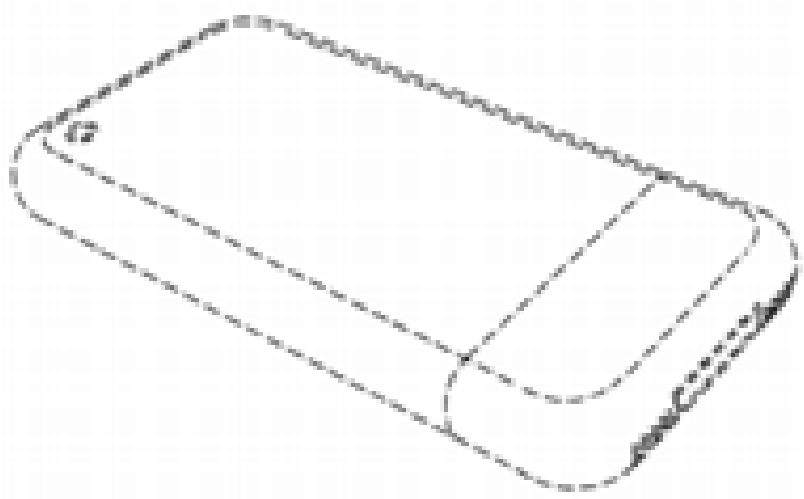
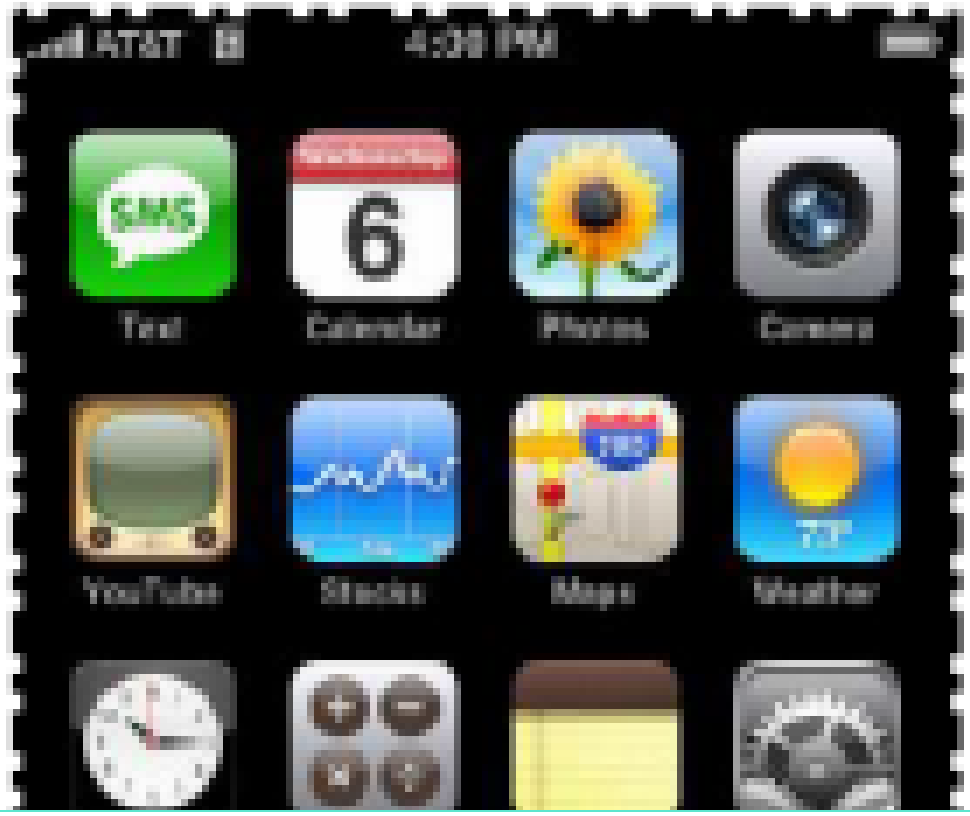
This week, in *Samsung Electronics Co. v. Apple Inc.*, No. 15-777, the Supreme Court granted Samsung's petition for certiorari and agreed to hear the case about Apple's smartphone design patents in its upcoming term. This will be the first time in over a century that the Supreme Court will hear a design patent case, the most recent case being *Dunlap v. Schofield*, 152 U.S. 244 (1894), involving certain rugs bearing a patented design. The Supreme Court's decision in *Samsung v. Apple* has the potential to cause a significant shift in the law of damages, reigning in the potential amount of damages for successful patent-owners. The only question on which the Court granted review is:

> Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

Apple originally filed this patent-infringement action in the U.S. District Court for the Northern District of California in 2011, alleging that Samsung's smartphones infringed three of Apple's design patents. Petition for a Writ of Certiorari, *Samsung Electronics Co. v. Apple Inc.*, No. 15-777 at 14 (U.S. Dec. 14, 2015). The jury found infringement of all three design patents, and the district court entered final judgment awarding $399 million attributable to Samsung's infringement of the design patents. The Federal Circuit upheld the lower court's judgment on the amount of damages for infringement of the design patents, to which Samsung filed a petition for certiorari to the Supreme Court. Samsung alleged in its petition that "[t]he three design patents at issue here cover only specific, limited portions of a smartphone's design: [(1)] a particular black rectangular round-cornered front face, [(2)] a substantially similar rectangular round-cornered front face plus the surrounding rim or 'bezel,' and [(3)] a particular colorful grid of sixteen icons." The patented front face, surrounding bezel, and colorful grid are depicted below:



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On the damages question, the Federal Circuit previously held in *Apple Inc. v. Samsung Elecs. Co*. that the statutory language of 35 U.S.C. § 289 "explicitly authorizes the award of *total profit* from the *article* of manufacture bearing the patented design." (Emphases added). The Federal Circuit stated that while "Samsung argues for limiting the profits awarded to 'the portion of the product as sold that incorporates or embodies the subject matter of the patent[,]'…[t]he innards of Samsung's smartphones were not sold separately from their shells as distinct *articles* of manufacture to ordinary purchasers." In its petition, Samsung disagreed with the lower court's ruling, arguing that "the Federal Circuit allowed the jury to award Samsung's *entire profits* [to Apple] from the sale of smartphones found to contain the patented designs—here totaling $399 million...no matter how little the patented design features contributed to the value of Samsung's phones." (Emphasis added).

The potential implications of the Supreme Court's decision on this issue—the first Supreme Court decision on design patents in more than 120 years—will be important to follow. Not only are there design patents on numerous other features of today's smartphones, but also, a decision in favor of Samsung could add momentum to a similar wave in the law curtailing damages to utility patent owners, based on 35 U.S.C. § 284, for example in *Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys.* ("Under § 284, damages awarded for [utility] patent infringement 'must reflect the value attributable to the infringing features of the product, and no more.'" (citing *Ericsson, Inc. v. D-Link Sys., Inc.*)). Stay tuned to the blog since we will be following this case as it travels through the Supreme Court docket and will be paying close attention to the oral argument and written decision.

Authors