



CRA Insights: Intellectual Property

CRA Charles River
Associates

December 2016

CRA Insights: Intellectual Property is a periodic newsletter that provides summaries of notable developments in IP litigation

Recent developments in IP damages

Samsung Electronics Co., Ltd., et al. v. Apple Inc., No. 15-777 (United States Supreme Court)

On December 6, 2016, the United States Supreme Court issued a unanimous (8-0) decision to reverse and remand the determination of damages for Samsung's infringement of three design patents owned by Apple.

Apple sued Samsung in 2011 alleging, among other claims, that certain Samsung smartphones infringed three of Apple's design patents related to certain elements of its smartphone models – specifically, patents covering a black rectangular front face with rounded corners (U.S. Patent No. D618,677), a rectangular front face with rounded corners and a raised rim (U.S. Patent No. D593,087), and a grid of 16 colorful icons on a black screen (U.S. Patent No. D604,305). At trial, a jury found that several Samsung smartphones did infringe the asserted design patents. Apple was ultimately awarded \$399 million in damages for that infringement, which constituted the total profit Samsung made from its sales of the infringing smartphones.

Samsung appealed the damage award, arguing that under 35 U.S.C. §289 (§289), the profits awarded should have been limited to those associated with the infringing article of manufacture—i.e., the screen or case of the smartphone, rather than the smartphone itself. The Federal Circuit upheld the jury's award, reasoning that “‘limit[ing] the damages award was not required because the ‘innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers.’” The Supreme Court disagreed, holding that the Federal Circuit's decision was not consistent with §289.

In its decision, the Supreme Court explained that the analysis of a damages award under §289 involves two steps. First, it is necessary to identify the “article of manufacture” to which the infringed design has been applied. Second, one must calculate the infringer's total profit made on that article of manufacture. It added, “[t]he only question we resolve today is whether, in the case of a multicomponent product, the relevant ‘article of manufacture’ must always be the end product sold to the consumer or whether it can also be a component of that product.”

Citing the dictionary definitions of the terms “article” and “manufacture,” the Supreme Court determined that “the term ‘article of manufacture’ is broad enough to encompass both a product sold to a consumer as well as a component of that product. A component of a product, no less than the product itself, is a thing

made by hand or machine. That a component may be integrated into a larger product, in other words, does not put it outside the category of articles of manufacture.”

The Supreme Court explained that its reading of §289 is consistent with the application of 35 U.S.C. §171(a), which makes “new, original and ornamental design[s] for an article of manufacture” eligible for design patent protection, and 35 U.S.C. §101, which makes “any new and useful...manufacture...or any new and useful improvement thereof” eligible for utility patent protection. Thus, the Supreme Court concluded that the Federal Circuit’s reading of “article of manufacture” in §289 to cover only an end product sold to a consumer gives too narrow a meaning to the phrase.

The parties had asked the Supreme Court to resolve whether, for each of the design patents at issue, the relevant article of manufacture is the smartphone, or a particular smartphone component. However, the Court noted that “[d]oing so would require us to set out a test for identifying the relevant article of manufacture at the first step of the §289 damages inquiry and to parse the record to apply that test in this case.” It declined to lay out such a test, deeming it not necessary to resolve the question presented in this case, and indicating that the Federal Circuit may address any remaining issues on remand.

Justice Sotomayor delivered the decision on behalf of the Court.

Editors

Kimberly J. Schenk

Principal

Chicago

+1-312-377-2249

kschenk@crai.com

John G. Plumpe

Principal

Chicago

+1-312-377-9230

jplumpe@crai.com

Sean D. Sheridan

Principal

Chicago

+1-312-377-9237

ssheridan@crai.com

www.crai.com/ip



The conclusions set forth herein are based on independent research and publicly available material. The views expressed herein are the views and opinions of the authors and do not reflect or represent the views of Charles River Associates or any of the organizations with which the authors are affiliated. Any opinion expressed herein shall not amount to any form of guarantee that the authors or Charles River Associates has determined or predicted future events or circumstances, and no such reliance may be inferred or implied. The authors and Charles River Associates accept no duty of care or liability of any kind whatsoever to any party, and no responsibility for damages, if any, suffered by any party as a result of decisions made, or not made, or actions taken, or not taken, based on this paper. If you have questions or require further information regarding this issue of *CRA Insights: Intellectual Property*, please contact the contributor or editor at Charles River Associates. Detailed information about Charles River Associates, a registered trade name of CRA International, Inc., is available at www.crai.com.

Copyright 2016 Charles River Associates