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Design Patent Damages: A Critique of the Government's Proposed 4-Factor Test for Determining the "Article of Manufacture"

Perry J. Saidman
Saidman DesignLaw Group, LLC, perry.saidman@designlawgroup.com

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PERRY J. SAIDMAN*

INTRODUCTION

The Supreme Court in *Samsung Electronics Co. v. Apple, Inc*. wrestled with the question of determining the meaning of "article of manufacture" in 35 U.S.C. § 289 when it comes to calculating the total profit of the infringer that is awarded to the patentee.[1] That section of the statute says in pertinent part:

> Whoever during the term of a patent for a design, without license of the owner, (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 to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.[2]

In its Petition for Certiorari, Samsung raised the novel theory that the article of manufacture could be less than the entire product sold by the infringer. The Supreme Court agreed to hear the following issue, as framed in Samsung's Petition:

> *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?*

Samsung argued that for a multi-component product, such as a smartphone, the article of manufacture needs to be defined in terms of only portions or components of the smartphone. Since Apple's design patents were drawn to portions of the iPhone, rather than the entire iPhone, Samsung sought to limit its liability to its total profit on those portions. This would have greatly reduced the jury award of $399 million, which had been based on the total profit derived from Samsung's sales of their entire smartphones to which the patented designs had been applied.[3]

The Supreme Court said that the only question before it was narrow:[4] "[W]hether, 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."[5]

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* Principal, Saidman DesignLaw Group, LLC, a law firm in Silver Spring, Maryland that specializes in legal issues involving designs and product configurations. The opinions expressed herein are those of the author only and do not necessarily represent those of any client of the firm.

[1] 137 S. Ct. 429 (2016).

[2] 35 U.S.C.A. § 289 (West 2012).

[3] Apple, Inc. v. Samsung Elecs., Inc., 786 F.3d 983 (Fed. Cir. 2015).

[4] *See generally* Nordock, Inc. v. Sys., Inc., No. 2014-1762, 2017 WL 1034379, at *1 (Fed. Cir. Mar. 17, 2017).

Looking to the statutory text, the Supreme Court concluded that the term "article of manufacture," as it is used in § 289, "encompasses both a product sold to a consumer and a component of that product."[6] The Court further indicated that the term "article of manufacture" is "broad enough to embrace both a product sold to a consumer and a component of that product, whether sold separately or not."[7] The Court declined, however, to "set out a test for identifying the relevant article of manufacture at the first step of the § 289 damages inquiry."[8]

Thus, the narrow question left unanswered from *Samsung* is how to determine the relevant article of manufacture for a multi-component product, such as a kitchen oven (the example given by Justice Sotomayor). If the product is a single component product, such as a dinner plate (again, Justice Sotomayor's example), there is no issue, because, as she put it, "the product [sold to a consumer] is the 'article of manufacture' to which the design has been applied."[9]

The meaning of "total profit" was not at issue; as the Court stated: "'[t]otal,' of course, means all."[10] Thus, the Court left undisturbed the long-standing design patent rule against apportionment of the infringer's total profit, as well as its sister rule prohibiting an inquiry into causation.[11]

As noted above, the Court left formulation of a test for determining the article of manufacture to the lower courts in future litigation.

I. BRIEF CRITIQUE OF SUPREME COURT'S DECISION

The Court in its decision misinterpreted two critical issues that may have affected the outcome of the case.

First, the Court failed to make a distinction between the patentee's product and the infringer's product. The words "article of manufacture" appear in two sections of the statute, § 171[12] that defines it in terms of design patent subject matter, i.e., the patentee's product, and § 289 that defines it in terms of the infringer's product. They are not the same "article of

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[5] *Samsung*, 137 S. Ct. at 434.
[6] *Id.*
[7] *Id.* at 436.
[8] *Id.*
[9] *Id.* at 432. Nothing in the Court's decision affects the calculation of total profit of a single component product regardless of the scope of the design patent.
[10] *Id.* at 434 (citing AMERICAN HERITAGE DICTIONARY 1836 (5th ed. 2011)).
[11] Transcript of Oral Argument at 6:7–13, *Samsung,* 137 S.Ct. 429 (2016) (No. 15-777) ("JUSTICE KAGAN: . . . [I]n other words, you're . . . saying we should only look to what an article of manufacture is and not your other argument that there should be apportionment as to any particular article of manufacture. MS. SULLIVAN: That is correct, Your Honor."); *Id.* at 17:6–23 ("MS. SULLIVAN: . . . The district court shut us out of article of manufacture as the basis for total profit, and it shut us out of causation or apportionment, which we don't press here."); *Id.* at 4:9–19 ("JUSTICE KENNEDY: My preference, if -- if I were just making another sensible rule, is we'd have market studies to see how . . . the extent to which the design affected the consumer, and then the jury would have something to do that. But that's apportionment, which runs headlong into the statute.").
[12] 35 U.S.C.A. § 171 (West 2013). Section 171 is the design patent equivalent to § 101 for utility patents, in that both define statutory subject matter. Section 171 states in relevant part: *Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor . . . . Id.*

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