

*If you have any questions
about this Advisory,
please contact:*

JOSEPH CASINO
212.551.2842
jcasino@wiggin.com

ABRAHAM KASDAN
212.551.2841
akasdan@wiggin.com

MICHAEL KASDAN
212.551.2843
mkasdan@wiggin.com

SAPNA PALLA
212.551.2844
spalla@wiggin.com

GREGORY ROSENBLATT
203.498.4566
grosenblatt@wiggin.com

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Supreme Court Decision Regarding Damages for Design Patent Infringement

In a unanimous decision on December 6, 2016, the U.S. Supreme Court overturned a \$400 million jury award to Apple for Samsung's infringement of certain Apple design patents relating to smartphones (*Samsung Electronics Co. Ltd. et al. v. Apple Inc.*, slip op. No. 15-777). This Supreme Court decision is significant because it addresses the proper measure of damages for infringement of a design patent.

By way of background, in 2015 the Federal Circuit (*Apple Inc. v. Samsung Electronics Co., Ltd.*, 786 F.3d 983 (Fed. Cir. 2015)) had affirmed this jury award based on its interpretation of the relevant statute which states, in pertinent part, that whoever **"sells any article of manufacture"** to which an infringing design has been applied **"shall be liable to the owner to the extent of his total profit..."** (see, 35 U.S.C. § 289, emphasis added).

Samsung had unsuccessfully argued that under this statute, damages should have been limited to only the profit attributed to the infringement, or, alternatively to the profit on the infringing "article of manufacture," i.e., the component that is the subject of the design patent, such as the screen or case of a smartphone, rather than the entire smartphone.

The Supreme Court agreed with Samsung, holding that in the case of a multi-component end product, the relevant "article of manufacture" could only be a component of that end product, whether or not that component is sold separately from the end product. Significantly, however, the Supreme Court declined to give further guidance on what that component would be in the context of the disputed design patents, leaving it to the Federal Circuit to resolve such issues on remand, and assumedly to lower courts to address these issues going forward.

While this decision opens the door to reducing damages awarded for design patent infringement, litigants, damages experts and the lower courts are sure to raise many further questions as to how to apply the Supreme Court's guidance to disputes involving design patents. This decision also shows that both patentees and accused infringers need to carefully consider damage valuation as part of their litigation or licensing strategy, including in the context of design patents.