Damages for Design Patent Infringement:

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Yesterday, the Supreme Court held that in the case of a multicomponent product, the relevant article of manufacture for arriving at a damages award under 35 U.S.C §289 of the Patent Act need not be the end-product sold to the consumer, but rather, it may be only a component of that end-product.

The present holding is one outcome of the now infamous "smartphone patent wars" between Apple Inc. and Samsung Electronics. At issue was whether the jury award of damages to Apple of Samsung's total profits derived from its infringing smartphones, the staggering amount of $399 million USD, was warranted given that the infringed design patents were only directed to the face of the device and not to the entire device.

Per 35 U.S.C. §289 of the Patent Act, a person who manufactures or sells "any article of manufacture to which [a patented] design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit." The Federal Circuit had previously affirmed the jury's damages award to Apple, rejecting Samsung's argument that damages should be reduced, because the relevant "articles of manufacture" were limited to the front face of the smartphones and not the entire article.

Issuing the Opinion of the Court, Justice Sotomayor indicated that the threshold matter was what constitutes an "article of manufacture" per the Patent Act. In brief, the Court unanimously rejected the Federal Circuit's narrow reading of "article of manufacture" to mean that components of the infringing smartphone could not be the relevant article of manufacture because consumers could not purchase those components separately from the smartphones." But rather, the Court found 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." Justice Sotomayor opined that the Court's broad interpretation of "article of manufacture" is consistent with 35 U.S.C. §101 of the Patent Act, "which makes 'any

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new and useful…manufacture…or any new and useful improvement thereof' eligible for utility patent protection."

In the end, the Court declined to resolve whether the relevant article of manufacture in the case at hand was a component of the smartphone or the smartphone itself and remanded the case back to the Federal Circuit. How the Federal Circuit sets out a test for identifying the relevant "article of manufacture" as a first step of the §289 damages inquiry remains to be seen. In any case, the result is likely to cause a headache for companies that rely upon the look of their products to win with consumers at the point of purchase.

Consider that if the total profit for design patent infringement is calculated based upon the profit from only a component of an article of manufacture, then the risk of a major damages award for design patent infringement may be somewhat diminished, a result that may make copycats somewhat bolder when designing competing products. Take for example the common practice of companies selling private label products in competition with consumer giants. Often the goal of a private label company is to design its products to look as close as possible to best-selling products to compete with them on the store shelve. Given the Court's interpretation of an "article of manufacture," it may embolden private label companies to more closely copy the most recognizable features of leading products. After all, what would the damages be for selling a tub of detergent with a handle that infringes the design patent of a consumer giant, if the total profits are calculated on the sales of the handle and not the sales of the detergent itself?

In the end, the Court's decision stresses the importance of protecting the look of a product and its packaging using a multilayered approach. Intellectual property strategies should be comprised not only of design patent protection, but should also include other forms of intellectual property protection such as trademark protection of product designs and packaging. Utilizing a multi-layered approach for protecting the look of product designs and packaging may be one approach that will mitigate the potential effects of the Court's decision by providing an additional incentive for stopping copycats in their tracks.

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