

2017

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Recommended Citation

Rogowski, Patryk Oskar (2017) "Damages for Partial Product Design Patent Infringement," *Touro Law Review*. Vol. 33: No. 3, Article 22.

Available at: <https://digitalcommons.tourolaw.edu/lawreview/vol33/iss3/22>

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DAMAGES FOR PARTIAL PRODUCT DESIGN PATENT INFRINGEMENT

*Patryk Oskar Rogowski**

I. INTRODUCTION

Article I of the United States Constitution provides, “Congress shall have Power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹ The power of the patent holder is extraordinarily strong as it grants the patent holder a monopoly over the invention.² As the Supreme Court noted, “The franchise which the patent grants, consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee.”³

In the 2016 term, the Supreme Court of the United States was faced with the issue of determining the appropriate damages for infringement of design patents when the infringed design constituted only a small piece of the end-product.⁴ In *Apple, Inc. v. Samsung Elecs. Co.*,⁵ the jury in the District Court found that Samsung infringed

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¹ U.S. CONST. art I, § 8, cl. 2.

² See 35 U.S.C. § 154 (2006); *United States v. Studiengesellschaft Kohle, M. B. H.*, 426 F. Supp 143, 146 (D.D.C. 1976).

³ *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1852).

⁴ *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

⁵ *Apple Inc. v. Samsung Elecs. Co.*, 920 F. Supp. 2d 1079 (N.D. Cal. 2013), *aff'd in part, rev'd in part*, 786 F.3d 983 (Fed. Cir. 2015), *rev'd and remanded*, 137 S. Ct. 429 (2016).

three design patents owned by Apple.⁶ The jury awarded Apple the total amount of profits that Samsung earned in selling the smartphone device at issue.⁷ To be precise, the full amount of profits included profits derived from components of Samsung's devices, which were designed exclusively by Samsung and had no connection to Apple in any way.⁸

The Federal Circuit upheld the District Court's verdict and award.⁹ The Federal Circuit interpreted 35 U.S.C. § 289¹⁰ to mean that the infringing "article of manufacture" in a multicomponent device refers to the end-product.¹¹ This narrow reading of the statute underlay Samsung's petition for certiorari to the Supreme Court.¹²

In its petition, Samsung argued that the Court should apply an apportionment test, which would result in damages that are proportional to the infringed patents in the final article of manufacture.¹³ Apple, on the other hand, argued that the Supreme Court should uphold the entire-profit test applied by both the District Court and the Federal Circuit.¹⁴

On December 6, 2016, the Supreme Court held that the Federal Circuit interpreted Section 289 too narrowly, and that lower courts can interpret the term article of manufacture to mean either a final product as a whole or one component of the final product.¹⁵ The Court, in a brief and limited opinion, reversed the decision and remanded it to the Federal Circuit.¹⁶ In turn, the Federal Circuit re-

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Apple Inc. v. Samsung Elec.*, 786 F.3d 983, 1001 (Fed. Cir. 2015), *aff'g in part, rev'g in part* 920 F. Supp. 2d 1079 (N.D. Cal. 2013), *rev'd*, 137 S. Ct. 429 (2016).

¹⁰ See *infra* text accompanying note 57.

¹¹ *Apple*, 786 F.3d at 1001.

¹² Petition for Writ of Certiorari, *Apple*, 137 S. Ct. 429 (No. 15-777) [hereinafter *Writ of Certiorari*].

¹³ Brief for Petitioner at 24-25, *Apple*, 137 S. Ct. 429 (No. 15-777) [hereinafter *Brief for Petitioner*]. A court applying the apportionment test would first find the ratio of the total components of the multicomponent device and the infringing components. *Id.* The court would then apply damages proportionally to that ratio. *Id.* If three components in the device were infringing, but the entire device was made up of 100 components, the infringed party would be entitled to three percent of the total profits. *Id.* Thus, Samsung would only pay for what it infringed. *Id.*

¹⁴ Brief for Respondent at 4, *Apple*, 137 S. Ct. 429 (No. 15-777) [hereinafter *Brief for Respondent*]. Under this argument, Samsung would forfeit profits for components of the device, which Apple had no part in creating. *Id.*

¹⁵ *Apple*, 137 S. Ct. at 431.

¹⁶ *Id.*

manded the case to the District Court with explicit permission to formulate a new test in dealing with infringements of multicomponent devices.¹⁷

Broadening a definition of a term or phrase in patent law may lead to an increase in litigation.¹⁸ In *Apple*, the Supreme Court gave lower courts the opportunity to broaden the meaning of article of manufacture.¹⁹ Broadening of the statutory language is likely to create confusion among lower courts as to how exactly to apply the statute.²⁰ Further, the Federal Circuit, in remanding the case to the District Court, did not provide guidance as to what test should be applied in multicomponent device infringement cases, such as *Apple*. Leaving the task to lower courts could add to the complexity of interpreting and applying Section 289. In determining what test the courts should ultimately adopt, it is important to analyze the purpose of design patents, the statutory language governing design patent awards, and economic implications that will result from the application and enforcement of each test.

This Note will argue that the Supreme Court erred by stating a broader interpretation of Section 289 may be appropriate without providing clear guidelines as to how courts should apply this broader interpretation. This Note will propose four tests that the judicial branch could apply to provide predictability to litigants and direction to courts.²¹

This Note will be divided into twelve sections. Section II will discuss design patents, including the key differences between a design patent and a utility patent. Section III will examine the Patent Act of 1952, and introduce Section 289, which is at the heart of this Note. Section IV will provide the procedural history of the *Apple* litigation. Section V will analyze the arguments presented by both parties at the Supreme Court. Section VI will discuss the important 2016 Supreme Court decision in *Apple*, in which the Court found itself with the task of defining the phrase article of manufacture in Section 289. Section VII will examine the history of apportionment, the

¹⁷ *Apple Inc. v. Samsung Elec. Co.*, No. 5:11-cv-01846-LHK, 2017 WL 490419 (Fed. Cir. Feb. 7, 2017).

¹⁸ Lucas S. Osborn, *Ripple Effects in the Law: The Broadening Meaning of an "Offer to Sell" in Patent Law*, 17 STAN. TECH. L. REV. 546, 556 (2014).

¹⁹ *Apple*, 137 S. Ct. at 431.

²⁰ *Id.* The confusion stems primarily from a lack of guidance as to when the term should apply to the final product and when it should apply solely to the infringing component. *Id.*

²¹ See *infra* text accompanying notes 233-302.

leading method courts utilized in dealing with similar damages issues. Section VIII will discuss the importance of rewards for innovators. Section IX will present the judicial approaches to damages in utility patent cases. Section X will propose four tests that the judiciary could adopt for design patent infringement cases in which only one or a few components in a multicomponent product are infringed. This section will analyze how each proposed approach would apply to *Apple* if a court were to adopt the applicable test. Section XI will focus on proposed legislative solutions to clarify Section 289 and provide predictability to future litigants and guidance to the courts. Finally, Section XII will conclude that a consumer demand approach is the best approach for the Supreme Court to ultimately adopt.

II. PATENTS IN GENERAL

There are two main types of patents—design patents and utility patents.²² Courts treat them separately when it comes to awarding damages, and thus, it is critical that inventors determine what type of patent applies to their product because each type protects a product differently, which ultimately affects how damages are calculated.²³

Despite the differences between design and utility patents, courts sometimes treat design patents and utility patents similarly.²⁴ In certain jurisdictions, “courts have . . . required some degree of ‘patentable distinction’ or ‘inventive faculty’ similar to the obviousness requirement for utility patents.”²⁵ However, in general, the courts, especially in the realm of awarding damages, treat design and utility patents differently.

A. Design Patents

A design patent is defined, generally, as “a patent granted for

²² Additionally, there are plant patents, but they are outside the scope of this Note. See 35 U.S.C. § 161 (2006) (“Whoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.”).

²³ *Utility vs. Design*, NEUSTEL, ATTORNEYS AT LAW, <https://www.neustel.com/patents/utility-vs-design/> (last visited March 13, 2017).

²⁴ Bruce A. Kugler, *A Fresh Perspective on Design Patents*, 38 COLO. LAW. 71, 73 (2009).

²⁵ *Id.*; see *In re Bartlett*, 300 F.2d 942 (C.C.P.A. 1962); see also *Fields v. Schuyler*, 472 F.2d 1304 (D.C. Cir. 1972).

a new, original, and ornamental design²⁶ for an article of manufacture.”²⁷ Notably, a design patent does not protect utilitarian features of the product, which are “afford[ed a] legally separate protection.”²⁸ A design patent does not protect functional aspects of an article of manufacture but rather its appearance and visual features.²⁹ Design patents require the design to be “new, original, and ornamental.”³⁰ Design patents, like the ones at issue in *Apple*, provide protections for inventions including an animated graphical user interface,³¹ ornamental design of a keyboard,³² or application icon.³³

A design patent is of great importance to an innovator.³⁴ Design patents provide the inventor with a monopoly over the design for fifteen years from the date of issue.³⁵ As evidenced by *Apple*, a design patent is so valuable in its nature that its infringement warrants aggressive litigation between two of the world’s largest smartphone device manufacturers.³⁶

B. Utility Patents

While a design patent protects the aesthetic and visual features of an article,³⁷ a utility patent protects how the product works and functions.³⁸ Utility patents originally protected primarily mechanical and electrical devices.³⁹ However, today, utility patents

²⁶ In re Harvey, 12 F.3d 1061, 1064 (Fed. Cir. 1993) (“An ornamental design has “no use other than its visual appearance.”).

²⁷ *Design Patent*, BLACK’S LAW DICTIONARY (10th ed. 2014).

²⁸ *A Guide to Filing a Design Patent Application*, UNITED STATES PATENT AND TRADEMARK OFFICE, https://www.uspto.gov/web/offices/com/iip/pdf/brochure_05.pdf. (last visited Apr. 11, 2017). Utilitarian features are features which are functional and serve some purpose of use, as opposed to decorative or ornamental use. *Id.*

²⁹ 35 U.S.C. § 101 (2006); 35 U.S.C. § 171 (2006).

³⁰ RONALD B. HILDRETH, ET AL., PATENT LAW: A PRACTITIONER’S GUIDE § 1:7.2 (4th ed. 2016).

³¹ U.S. Patent No. D613,300 (issued Apr. 6, 2010).

³² U.S. Patent No. D616,886 (issued June 1, 2010).

³³ U.S. Patent No. D671,558 (issued Nov. 27, 2012).

³⁴ See generally William J. Seymour & Andrew W. Torrance, (*R*)evolution in Design Patentable Subject Matter: The Shifting Meaning of “Article of Manufacture”, 17 STAN. TECH. L. REV. 183 (2013).

³⁵ 35 U.S.C. § 173 (2012). The term for a design patent was extended to 15 years from the date of grant for applications filed on or after May 13, 2015.

³⁶ *Apple Inc. v. Samsung Elec.*, 786 F.3d 983, 1001 (Fed. Cir. 2015).

³⁷ 35 U.S.C. § 171 (2006).

³⁸ 35 U.S.C. § 101 (2006).

³⁹ J. David Gonce, *My Client Has This Great Idea. Now, What am I Supposed to Do With*

protect a wider array of subject matter such as computer programs,⁴⁰ methods of doing business,⁴¹ and genetically modified living organisms.⁴²

A utility patent gives the inventor a monopoly to manufacture, use, and sell the patented device for twenty years from the filing date.⁴³ Utility patents cover parts of the smartphone such as list scrolling,⁴⁴ application programming interfaces for scrolling operations,⁴⁵ or graphical user interface for displaying structured electronic documents.⁴⁶ Those three utility patents were part of the *Apple* litigation at the District Court, and the Federal Circuit upheld their infringement.⁴⁷

III. THE PATENT ACT OF 1952

The Patent Act of 1952 was a congressional initiative to codify federal patent laws.⁴⁸ The Act established Title 35 of the United States Code.⁴⁹ One of the Act's purposes was to provide protections for the patent holder.⁵⁰ While there is no physical barrier preventing any individual from explicitly infringing on a patent, patent holders have the option to pursue a financial or equitable remedy when they believe that their patent was infringed.⁵¹ Sometimes, the award of an injunction against the infringer is not enough and the court also awards damages.⁵² If the patent holder obtains an injunction against the infringer, there is a high likelihood that the infringer has pro-

It? Protecting Your Client's Intellectual Property, 42 TENN. BAR J. 14, 15 (2006).

⁴⁰ See generally *Dealtracker, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012) (discussing a patent for a program which aided the processing of credit card applications over electronic networks).

⁴¹ See generally *eBay Inc. v. MercExchange*, 547 U.S. 388 (2006) (discussing a patent for the method of conducting on-line sales).

⁴² See generally *Dealtracker, Inc.*, 674 F.3d at 1315; see generally *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (holding that "a live, human-made micro-organism is patentable subject matter under [35 U.S.C.] § 101").

⁴³ 35 U.S.C. § 154(a)(2) (2006).

⁴⁴ U.S. Patent No. 7,469,381 (Issued Dec. 23, 2008).

⁴⁵ U.S. Patent No. 7,844,915 (Issued Nov. 30, 2010).

⁴⁶ U.S. Patent No. 7,864,163 (Issued Jan. 4, 2011).

⁴⁷ *Apple Inc. v. Samsung Elec.*, 786 F.3d 983, 989 (Fed. Cir. 2015).

⁴⁸ 1 R. CARL MOY, MOY'S WALKER ON PATENTS § 1:23 (4th ed. 2016).

⁴⁹ *Id.*

⁵⁰ 35 U.S.C. § 284 (2006); 35 U.S.C. § 289 (2006).

⁵¹ 35 U.S.C. § 289 (2006).

⁵² *Id.* (specific statutory language permitting financial damages for infringement).

duced, manufactured, and sold the product containing an infringing article of manufacture.⁵³ A patent holder is unlikely to be aware of the infringement at the early stages of the infringer's manufacturing process and before sales have begun to occur.⁵⁴

The core question behind any patent litigation is: What appropriate amount of damages is the plaintiff patent-holder entitled to recover from the defendant patent-infringer?⁵⁵ In determining the appropriate amount of damages in design patent cases, the courts look to 35 U.S.C. § 289 for answers.⁵⁶ The statute provides:

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.⁵⁷

The natural reading of this section suggests that if a design patent is infringed, the plaintiff can recover *all* profits derived from the infringer's sale of the product.⁵⁸

Apple presented the Supreme Court with a complex scenario, which has recently caused great confusion in the Federal Circuit.⁵⁹ In granting certiorari, the Court was tasked to answer “[W]here 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

⁵³ See *Apple*, 786 F.3d at 983 (stating that Samsung was selling the smartphone containing infringing patents).

⁵⁴ See *Tiffany & Co. v. Costco Wholesaler Corporation*, 127 F. Supp. 3d 241, 245 (S.D.N.Y. 2015) (discussing that plaintiff learned about infringement when a customer reported seeing similar product at defendant's place of business); Herbert J. Hammond et al., *Intellectual Property Issues in E-Commerce*, 18 TEX. WESLEYAN L. REV 743, 744 (2014) (explaining that United States patent law also includes a “mere offer to sell” an infringing product).

⁵⁵ Matthew C. Holohan, *Making Sense of Apportionment in Patent Damages: Strategy in the Face of Uncertainty*, 44 COLO. LAW. 81, 81 (2015) (calling damages an “important aspect of litigation”).

⁵⁶ *Apple*, 786 F.3d at 1001.

⁵⁷ 35 U.S.C. § 289 (2006) (emphasis added).

⁵⁸ *Id.*

⁵⁹ See *Apple*, 786 F.3d. at 983.

component?”⁶⁰ On December 6, 2016, the Court, in a brief ruling, held that the term article of manufacture in Section 289 is “broad enough to embrace both a product sold to a consumer and a component of that product.”⁶¹

IV. *APPLE V. SAMSUNG: PROCEDURAL HISTORY*

The litigation arose out of the three design patents owned by Apple, which cover various features of smartphones.⁶² All three patents are narrow, protecting very specific parts of the product, and “claim only partial features of a smartphone’s design.”⁶³ The first design patent, D618,677, covers a black rectangular round-cornered front face.⁶⁴ The second design patent, D593,087, covers a “substantially similar rectangular round-cornered front face plus the surrounding rim or ‘bezel’”⁶⁵ The third design patent, D604,305, covers “a particular colorful grid of sixteen icons.”⁶⁶ Apple sued Samsung for the infringement of these design patents.⁶⁷

The litigation at the United States District Court for the Northern District of California resulted in a jury verdict in favor of Apple.⁶⁸ After the victory, Apple filed a motion for supplemental damages and prejudgment interest.⁶⁹

Samsung appealed to the Federal Circuit on two different counts.⁷⁰ First, Samsung argued the District Court erred by failing to

⁶⁰ Question Presented, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016). In 1998, the Federal Circuit held that “[t]he statute requires the disgorgement of the infringers’ profits to the patent holder, such that the infringers retain no profit from their wrong.” *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1448 (Fed. Cir. 1998). In 2009, the Federal Circuit overturned a \$357,693,056.18 verdict against Microsoft for its infringement of a date-picker feature in its Outlook software. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009), *cert. denied*, 30 S. Ct. 3324 (2010). The court held that “the infringing use of Outlook’s date-picker feature is a minor aspect of a much larger software program and that the portion of the profit that can be credited to the infringing use of the date-picker tool is exceedingly small.” *Id.* at 1333.

⁶¹ *Apple*, 137 S. Ct. at 435.

⁶² *Apple*, 2012 WL 3071477 at *1.

⁶³ *Brief for Petitioner*, *supra* note 13, at 6.

⁶⁴ *See Writ of Certiorari*, *supra* note 12; *see also Brief for Petitioner*, *supra* note 13, at 6.

⁶⁵ *Brief for Petitioner*, *supra* note 13, at 6.

⁶⁶ *Brief for Petitioner*, *supra* note 13, at 55.

⁶⁷ *Apple Inc. v. Samsung Elec.*, 786 F.3d 983 (Fed. Cir. 2015).

⁶⁸ *Apple*, 2012 WL 3071477.

⁶⁹ *Apple*, 786 F.3d at 983.

⁷⁰ *Id.*

properly instruct the jury to focus solely on the ornamental components of the product.⁷¹ The Federal Circuit held that the District Court did not err when it failed to instruct the jury on a proper method to determine the infringement of design patents.⁷² Rather, it permitted the jury to compare the two products side-by-side and decide whether similarities existed.⁷³ That analysis, Samsung alleged, was unfairly prejudicial and too broad to establish infringement on three design patents.⁷⁴

Second, Samsung argued that the District Court erred in regard to the amount of damages awarded to Apple.⁷⁵ The Federal Circuit affirmed the District Court's decision to award Apple the entire amount of profits from Samsung's sale of smartphones, which contained the patented designs worth \$399 million.⁷⁶ The court relied on Section 289 to determine that the "total amount of profits" was appropriate.⁷⁷ This ruling required the court to determine the meaning of the term article of manufacture, the question ultimately presented to the Supreme Court.

When interpreting what an article of manufacture is in a multicomponent product, the Federal Circuit held that the entire smartphone device is the *only* allowable article of manufacture.⁷⁸ The Federal Circuit, in its interpretation of Section 289, held that if a product bears a design, which is protected by an existing patent, the infringer is liable for the entire amount of the profits derived from the product, "no matter how minor the patented design in relation to the product as a whole."⁷⁹ The Federal Circuit did not engage in any complex interpretation of Section 289.⁸⁰ Rather, the court held that

⁷¹ *Id.*

⁷² Samsung, on the other hand, argued that the District Court should have instructed the jury that "each of these patents contains indisputably unprotected elements within its overall claimed 'ornamental' design." See *Writ of Certiorari*, *supra* note 12. Similarly, the Federal Circuit issued a simple interpretation in *Nike*, when it held that "The statute requires the disgorgement of the infringers' profits to the patent holder, such that the infringers retain no profit from their wrong." *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1448 (Fed. Cir. 1998).

⁷³ *Apple*, 678 F.3d at 1330.

⁷⁴ *Id.* at 1332.

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Apple*, 786 F.3d at 983.

⁷⁹ *Brief for Petitioner*, *supra* note 13, at 24.

⁸⁰ See generally *Apple*, 786 F.3d 983.

there is “clear statutory language,” which “prohibits [the court] from adopting a ‘causation’ rule.”⁸¹ The Federal Circuit affirmed the District Court’s narrow reading of Section 289 of the Patent Act.⁸² Samsung subsequently filed a writ of certiorari to the Supreme Court of the United States, arguing that the Federal Circuit erred by reading Section 289 too narrowly.⁸³

V. ARGUMENTS BEFORE THE SUPREME COURT OF THE UNITED STATES

After losing in both the District Court and the Court of Appeals for the Federal Circuit, Samsung filed a writ for certiorari to the United States Supreme Court.⁸⁴ The core arguments revolved around the proper interpretation of the ambiguously worded Section 289 of the Patent Act.⁸⁵ If the statute were to be read narrowly, as held by the District Court and upheld by the Federal Circuit, then Apple would prevail because the article of manufacture would encompass the entire multicomponent device—the finished product.⁸⁶ If the statute were to be read more broadly, Samsung would prevail.⁸⁷ A broader reading would mean that the article of manufacture could be applied on a case-by-case basis, and Samsung, on remand, would be able to make an argument that the appropriate damages are those of the specific infringing components, not the device as a whole.⁸⁸

Samsung argued the holding of the lower court “provide[s] a vehicle for design-patent holders to obtain unjustified windfalls far exceeding the conceivable value of any inventive contribution.”⁸⁹ Specifically, Samsung pointed out the lower court’s observation that “even if the patent features contributed 1% of the value of Samsung’s phones, Apple gets 100% of Samsung’s profits.”⁹⁰ Consequently, Samsung warned that this decision is “an open invitation to litigation

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Writ of Certiorari*, *supra* note 12.

⁸⁴ *Writ of Certiorari*, *supra* note 12.

⁸⁵ *See generally Brief for Petitioner*, *supra* note 13; *see generally Brief for Respondent*, *supra* note 14.

⁸⁶ *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 435 (2016); *Brief for Petitioner*, *supra* note 13.

⁸⁷ *Apple*, 137 S. Ct. at 436; *Brief for Respondent*, *supra* note 14.

⁸⁸ *Apple*, 137 S. Ct. at 436.

⁸⁹ *Writ of Certiorari*, *supra* note 12.

⁹⁰ *Writ of Certiorari*, *supra* note 12.

abuse” which may bring a “new flood of extortionate patent litigation.”⁹¹

By Apple’s own admission, the narrow patents, which were infringed, are not components that drive sales.⁹² Rather, Apple stated that the “software creates the largest share of [the] product’s value.”⁹³ The functionality of the smartphone itself, including the software and the smartphone’s other capabilities, is the main selling point of the device.⁹⁴ Ultimately, the Supreme Court, in an 8-0 opinion, authored by Justice Sonia Sotomayor,⁹⁵ interpreted the statute more broadly, to cover both the finished product and individual components.⁹⁶

A. Arguments of the Appellant, Samsung

Samsung had a lot to lose at the Supreme Court.⁹⁷ Not only was Samsung fighting to overturn the judgment of the lower court but it also knew this case was an opportunity for the Supreme Court to settle the issue of appropriate damages for infringement of a multi-component product, after previously denying certiorari on this issue many times.⁹⁸

The Supreme Court heard arguments on October 11, 2016, and focused a significant amount of time on the article of manufacture question.⁹⁹ Kathleen M. Sullivan, appearing on behalf of Samsung, argued strongly that the Federal Circuit’s holding “was wrong as a matter of law.”¹⁰⁰ She stated, “It is wrong . . . to hold that the entire product is necessarily the article of manufacture from which you measure total profit.”¹⁰¹ Answering Justice Ginsburg’s question, “how would [the Court] determine the profit attributable to the rele-

⁹¹ *Writ of Certiorari*, *supra* note 12.

⁹² *Brief for Petitioner*, *supra* note 13 at 9.

⁹³ *Brief for Petitioner*, *supra* note 13 at 9.

⁹⁴ *Brief for Petitioner*, *supra* note 13 at 9.

⁹⁵ Following the death of Justice Antonin Scalia on February 13, 2016, the Supreme Court sat with only eight justices.

⁹⁶ *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

⁹⁷ Judgment of the lower court awarded nearly \$1 billion in damages. *See Apple*, 2012 WL 3071477.

⁹⁸ *See Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1337 (Fed. Cir. 2009).

⁹⁹ Oral Argument, *Samsung v. Apple*, 137 S. Ct. 429 (2016) (No. 15-777), <https://www.oyez.org/cases/2016/15-777> (last visited Apr. 11, 2017) [hereinafter *Oral Argument*].

¹⁰⁰ *Id.* at 6:35.

¹⁰¹ *Id.* at 6:40.

vant article of manufacture?,” Ms. Sullivan responded that the proper method would be “through ordinary accounting that would look to the cost of goods sold in relation to revenues for the relevant component.”¹⁰² To determine the cost of goods sold, Ms. Sullivan suggested the trial court should rely on the testimony of expert witnesses.¹⁰³ Although conceding that the “total profit from the article of manufacture may sometimes be a substantial part of the total profit on the product,” Ms. Sullivan argued that the burden of proof would be on the patent-holder to “prove that the bulk of the profits came from [the given article of manufacture].”¹⁰⁴

1. Purchaser Motivation and Apportionment

In its brief, Samsung argued “consumers purchased Samsung . . . phones overwhelmingly because of their functional, *non*-design features.”¹⁰⁵ Relying on Apple’s market research, Samsung argued that other factors drove the sales, which outweighed the infringing design patents at bar.¹⁰⁶ The value consumers placed on various functional aspects of the phone (e.g., screen size, company reputation, and the app market) outweighed the value consumers placed on the design features of the smartphones in question.¹⁰⁷ In fact, “according to . . . Apple market data, a phone’s ‘design’ in general was a reason for only 1% of Apple’s purchases and 5% of Android purchases, far below other considerations such as services, multimedia functions, ease of use, and brand.”¹⁰⁸

Furthermore, Samsung pointed out that Section 289 “limits recoverable total profit to that attributable to the article of manufac-

¹⁰² *Id.* at 7:34.

¹⁰³ *Id.* at 8:29.

¹⁰⁴ *Oral Argument, supra* note 99, at 9:45. Much of the oral argument focused on the Volkswagen Beetle car. *Oral Argument, supra* note 99, at 9:45. Primarily, there were questions whether the VW Beetle’s peculiar shape drove the sales. Justice Kennedy, questioning Ms. Sullivan, raised the issue that it would be unfair if the Volkswagen Beetle design was “done in three days” and “was a stroke of genius,” to “give three days’ profit.” *Oral Argument, supra* note 99, at 9:45.

¹⁰⁵ *Brief for Petitioner, supra* note 13, at 9 (emphasis in original).

¹⁰⁶ *Brief for Petitioner, supra* note 13, at 9.

¹⁰⁷ *Brief for Petitioner, supra* note 13, at 9.

¹⁰⁸ *Brief for Petitioner, supra* note 13, at 10. If the Supreme Court were to formulate a test that apportioned the damages for the infringement of a design patent, which composed a small percentage of the smartphone, it seems reasonable that the value placed by the purchasing consumer on given design and functional parts would have to be taken into consideration.

ture to which an infringing design is ‘applied.’”¹⁰⁹ Samsung argued that the article of manufacture does not necessarily have to “be the entire product as sold.”¹¹⁰ Rather, the article of manufacture can be a small component of a finished product, meaning the “finished product can be made from numerous articles of manufacture.”¹¹¹

Realizing that the apportionment argument has flaws, as it would be very difficult for courts to administer, Samsung argued that:

Consumers may value the front face because it’s scratch-resistant, because it’s water-resistant, because it’s shatterproof. We’re going to give the patent-holder under our article-of-manufacture test all the profits for the front face, *even if it includes profit from those non-design features of the front face*, whether the pure apportionment test or pure causation test would limit the profits to the profits from the design parts rather than the functional parts.¹¹²

Conceding that this proposed test would be “a little over inclusive,” Samsung claimed “plaintiffs should be happy for that.”¹¹³

2. *Analysis of Samsung’s Apportionment and Purchaser Motivation Argument*

Each individual purchasing a smartphone values different parts of a smartphone differently.¹¹⁴ Person A might put great value on a smartphone’s GPS capabilities and the size of the app store, and put little value on the smartphone’s rectangular round-cornered design.¹¹⁵ On the other hand, Person B might, as Steve Jobs did, find the aesthetic appearance and design of the smartphone to be of enormous value, particularly if that purchaser uses the smartphone solely

¹⁰⁹ *Brief for Petitioner, supra* note 13, at 24.

¹¹⁰ *Brief for Petitioner, supra* note 13, at 25.

¹¹¹ *Brief for Petitioner, supra* note 13, at 25. This argument, accepted by the Court, likely limits Apple’s recovery to only the profits Samsung derived from the three articles of manufacture. Apple, however, on remand in the district court, could prove that the three articles substantially influenced a majority of consumers who purchased Samsung’s smartphone.

¹¹² *Oral Argument, supra* note 99, at 10:50.

¹¹³ *Oral Argument, supra* note 99, at 10:50.

¹¹⁴ Christopher Versace, *What Do Consumers Want in a New Smartphone*, FORBES (Aug. 21, 2013), <http://www.forbes.com/sites/chrisversace/2013/08/21/what-do-consumers-want-in-a-new-smartphone/#6fcb91c747b3>.

¹¹⁵ *Id.*

for its non-smart features.¹¹⁶ Thus, if the Supreme Court, in the future, formulated an apportionment test, it would have great difficulty doing so because of the subjective nature of the value placed by purchasing consumers on various aspects, both functional and ornamental, of the smartphone itself.¹¹⁷ Additionally, many consumers are not interested in solely the functional aspect, or solely the design aspect.¹¹⁸ Many consumers are interested in both aspects, which makes formulating a test for all courts to apply a tremendous challenge.¹¹⁹

It seems natural for a court analyzing the issue to consider the motivation of the consumers who purchased the smartphones in question; however, that factor should not be dispositive.¹²⁰ Plaintiffs, when arguing that they suffered pecuniary losses as a result of a defendant's infringement, should be permitted to provide testimony or survey evidence that may show that consumers were, in part, motivated to purchase the defendant's product based on an infringing component.¹²¹

The case, remanded to the District Court with the statute's newly broadened definition, provides a heavier burden to plaintiff in establishing that consumers were motivated to purchase the defendant's products directly because of the infringed designs.¹²² While this will not serve to show *per se* infringement, it will likely play a substantial role in the determination of appropriate damages.¹²³ If the main driver of sales of the defendant's product is shown to be the

¹¹⁶ James B. Stewart, *How Jobs Put Passion Into Products*, N.Y. TIMES (Oct. 7, 2011), <http://www.nytimes.com/2011/10/08/business/how-steve-jobs-infused-passion-into-a-commodity.html?pagewanted=all>. ("In most people's vocabularies, design means veneer. It's interior decorating But to me, nothing could be further from the meaning of design. Design is the fundamental soul of a human-made creation that ends up expressing itself in successive outer layers of the product or service."); also see Jessica Dolcourt, *Why Smartphone Design Matters*, CNET (May 5, 2014), <https://www.cnet.com/news/why-smartphone-design-matters-smartphones-unlocked/>.

¹¹⁷ See *supra* note 105 and accompanying text.

¹¹⁸ See *supra* note 105 and accompanying text.

¹¹⁹ See *supra* note 105 and accompanying text.

¹²⁰ *Aymes v. Bonelli*, 980 F.2d 857, 861 (2d Cir. 1992) ("It does not necessarily follow that because no one factor is dispositive all factors are equally important, or indeed that all factors will have relevance in every case. The factors should not merely be tallied but should be weighed according to their significance in the case.").

¹²¹ *Electro-Mech. Corp. v. Power Distrib. Prods.*, 970 F. Supp. 2d 485, 492 (W.D. Va. 2013) ("The plaintiff must prove that the customer's decision to buy the larger product in the first place is motivated by the presence of the patented component.").

¹²² *Id.*

¹²³ *Id.*

component which infringed on plaintiff's patent, then Apple may argue that, even under the new broad reading of Section 289, the entire amount of defendant's profits should be awarded.¹²⁴

3. *Language of Section 289*

In its brief to the Supreme Court, Samsung argued that Section 289's language regarding the infringer's liability "to the extent of his total profit"¹²⁵ "obviously cannot mean all of the company's worldwide profit."¹²⁶ Samsung further argued that Congress, in formulating and enacting Section 289, did not intend to radically alter the predecessor statute, which was enacted in 1887.¹²⁷ At that time, Congress sought to protect design patents for items such as "carpets, wallpapers, and oil-cloths."¹²⁸ Samsung argued that in the legislative history, Congress did not intend design patents to apply to advanced technologies, which "embody hundreds of thousands of functional features having nothing to do with any patented design."¹²⁹ Although our legal system is built upon precedent, we must focus on the fact that Congress, in the year 1887, was likely not thinking about products that contained "hundreds of thousands of functional features."¹³⁰

4. *Analysis of Samsung's Section 289 Argument*

The meaning of Section 289 is an important issue which requires clarification by Congress or the Supreme Court.¹³¹ Since a design patent issued in the United States only applies to products sold in the United States, Congress or the Supreme Court could clarify that damages are limited to sales in the United States.¹³² If a court were to

¹²⁴ *Id.* This outcome would be supported under the Supreme Court's decision, as a final product is an acceptable interpretation of article of manufacture.

¹²⁵ 35 U.S.C. § 289 (2006).

¹²⁶ *Brief for Petitioner, supra* note 13, at 24.

¹²⁷ *Brief for Petitioner, supra* note 13, at 25.

¹²⁸ *Brief for Petitioner, supra* note 13, at 25.

¹²⁹ *Brief for Petitioner, supra* note 13, at 25 ("Congress never suggested that the same assumptions would hold for complex products like smartphones, which . . . embody hundreds of thousands of functional features having nothing to do with any patented design.").

¹³⁰ *Brief for Petitioner, supra* note 13.

¹³¹ The next best alternative would be for a district court or Federal Circuit to take this view in the *Apple* case.

¹³² *Protecting Intellectual Property Rights (IPR) Overseas*, USPTO, <https://www.uspto.gov/patents-getting-started/international-protection/protecting->

hold that the infringer is liable, according to the statutory language, “to the extent of his total profit,” the court could certainly limit recovery without unduly burdening either party’s interest.¹³³ For example, a court could interpret “to the extent of [the infringer’s] total profit”¹³⁴ to mean the extent of the infringer’s total profits derived from the sale of the product within the United States.¹³⁵ This distinction could also serve as a deterrent to infringing manufacturers.¹³⁶ If the manufacturer will lose all of its profits from each smartphone device sold within the United States, it is more likely to create a smartphone, which will not infringe at all on any patent.¹³⁷ It is highly unlikely for a phone manufacturer in another country to create a smartphone for which it will net zero profits in the United States.¹³⁸

Furthermore, Samsung’s allegation that the total profit would encompass “the company’s worldwide profit” of all products is a flawed argument.¹³⁹ Under this argument, a court would be extremely unlikely to find that Samsung’s infringement of three design patents warrants Apple to receive *all* profits Samsung earned from its *entire* product line, including smart watches, televisions, headsets, and other products manufactured by Samsung.¹⁴⁰ Samsung argues that non-infringing articles should not be included in the award.¹⁴¹ It is highly unlikely that a court, under a narrow reading of Section 289, would permit an award of damages derived from the sale of defendant’s non-infringing articles.¹⁴² Thus, Samsung’s argument that “the

intellectual-property-rights-ipr (last visited Apr. 11, 2017) (“The rights granted by a U.S. patent extend only throughout the territory of the United States and have no effect in a foreign country.”).

¹³³ 35 U.S.C. § 289 (2006).

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ Congress intended to set statutory damages high in the intellectual property area for the purposes of deterrence (“Courts and juries must be able to render awards that deter others from infringing intellectual property rights. It is important that the cost of infringement substantially exceed the costs of compliance, so that persons who use or distribute intellectual property have a strong incentive to abide by the copyright laws.” H.R. Rep. No. 106–216, at 6 (1999)).

¹³⁷ H.R. Rep. No. 106–216, at 6 (1999) (discussing the power of deterrence).

¹³⁸ *Id.*

¹³⁹ *Brief for Petitioner*, *supra* note 13, at 27.

¹⁴⁰ *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1344 (Fed. Cir. 2015) (reversing a part of the District Court’s judgment because “the reasonable royalty reward included damages for the sale of non-infringing products.”).

¹⁴¹ *See generally* *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (providing that the only product at issue is a smartphone).

¹⁴² *See supra* note 139.

text of Section 289 compels reversal” is faulty.¹⁴³ Rather, the text, if anything, needs clarification and simple explanation by the Supreme Court, or a statutory amendment by Congress.¹⁴⁴

B. Arguments of the Appellee, Apple

Named *Time Magazine*’s “Invention of the Year” in 2007, the iPhone was greatly praised not solely for its functional features but also critically for its appearance and design.¹⁴⁵ In the cover page article, discussing the first reason why Apple’s iPhone is “the best thing invented this year,” *Time Magazine* noted:

Most high-tech companies don’t take design seriously. They treat it as an afterthought. Window-dressing. But one of Jobs’ basic insights about technology is that good design is actually as important as good technology. All the cool features in the world won’t do you any good unless you can figure out how to use said features, and feel smart and attractive while doing it.¹⁴⁶

1. Design Fueled Sales

Apple’s brief referred to reviews from various sources, which focused on the iPhone’s design, all to drive home the point that the design patents at issue fueled the sales.¹⁴⁷ *The New York Times* described the iPhone “as ‘gorgeous’ with a ‘shiny black [front face], rimmed by mirror finish stainless steel’ and a ‘spectacular’ user interface.”¹⁴⁸ Both of the design features complimented by *The New York Times* are protected by the patents infringed here, the D593,087 patent (shiny black front-face) and the D604,305 (colorful user interface).¹⁴⁹ Other design compliments came from the *Wall Street Jour-*

¹⁴³ Brief for Petitioner, *supra* note 13, at 24.

¹⁴⁴ See discussion *infra* Sections X and XI.

¹⁴⁵ Lev Grossman, *Invention of the Year: The iPhone*, TIME MAGAZINE (Nov. 1, 2007), http://content.time.com/time/specials/2007/article/0,28804,1677329_1678542,00.html.

¹⁴⁶ *Id.*

¹⁴⁷ Brief for Respondent, *supra* note 14, at 5.

¹⁴⁸ Brief for Respondent, *supra* note 14, at 5. See also David Pogue, *Apple Waves Its Wand, Again*, N.Y. TIMES (Jan. 10, 2007) <http://www.nytimes.com/2007/01/10/technology/10cnd-pogue.html>.

¹⁴⁹ U.S. Patent D604,305 (issued Nov. 17, 2009); U.S. Patent D593,087 (issued May 26, 2009).

nal,¹⁵⁰ which along with *The New York Times* and *Time Magazine*, are not publications that generally focus their product reviews on design, and thus, their praise of the iPhone's design speaks volumes about the partial motivation of customers who choose to purchase this product.¹⁵¹

2. Substantial Similarity

Samsung relied on the statement of one of its executives who said “[T]he difference [between the new Samsung phone and the iPhone] was truly that of Heaven and Earth.”¹⁵² However, Apple provided evidence of statements from Samsung's executives that would lead a reasonable individual to believe that Samsung sought to create a product which closely resembled the iPhone.¹⁵³ Samsung's market share skyrocketed “from 5% to 20% in just two years” after creating smartphones, which directly competed with the iPhone.¹⁵⁴ *Wired Magazine* published a story about the similarity of the new Samsung Vibrant and the Apple iPhone, which noted that the Vibrant's design “was shockingly similar to the iPhone 3G: the rounded curves at the corners, the candy bar shape, the glossy, black finish and the chrome-colored metallic border around the display.”¹⁵⁵ The article went on to conclude, “[T]here's little to make the [Vibrant] notable, apart from its striking similarity to the iPhone.”¹⁵⁶ Further, acknowledging that Samsung is a “sophisticated company,” Apple argued that Samsung “chose to copy the design innovations of its biggest competitor and profited significantly from doing so.”¹⁵⁷

¹⁵⁰ *Brief for Respondent*, *supra* note 14, at 5.

¹⁵¹ Arguably, Apple has led a revolution in the area of smartphone design. This, perhaps, is the reason why many publications have continuously, from the iPhone's inception, covered design aspects of new smartphone devices. Since the introduction of the iPhone, most, if not all, new smartphones have in one way or another been inspired or influenced by Apple's design of the iPhone. A defendant will not be found liable for patent infringement solely on the basis of being inspired by another product. The defendant must, as in Samsung's case here, actually violate and copy a design for which the plaintiff owns a registered and active patent.

¹⁵² *Brief for Respondent*, *supra* note 14, at 9.

¹⁵³ *Brief for Respondent*, *supra* note 14, at 9 (“Let's make something like the iPhone.”).

¹⁵⁴ *Brief for Respondent*, *supra* note 14, at 10.

¹⁵⁵ Priya Ganapati, *First Look: Samsung Vibrant Rips Off iPhone 3G Design*, WIRED MAGAZINE (July 15, 2010), <https://www.wired.com/2010/07/first-look-samsung-vibrant-rips-off-iphone-3g-design/>; see also *Brief for Respondent*, *supra* note 14, at 9, 11.

¹⁵⁶ See *supra* note 155.

¹⁵⁷ *Brief for Respondent*, *supra* note 14, at 3-4.

Since the jury found that “eighteen Samsung smartphone models infringed Apple’s design patents,”¹⁵⁸ a logical conclusion can be drawn that “the design of eighteen separate Samsung smartphones was ‘substantially similar’ to the patented design of the iPhone.”¹⁵⁹ The substantial similarity, Apple argued, demands a narrow reading of Section 289 and the award equal to the total profits.¹⁶⁰

3. *Language of Section 289*

Samsung, Apple argued, “introduced *no* evidence that the relevant articles of manufacture were anything other than the whole smartphones and never offered any calculation of Section 289 damages based on anything other than their entire phones.”¹⁶¹ A narrower reading of the statute would result in damages for infringement of one component of a multicomponent device to be equal to *all* profits derived from the sale of the device.¹⁶² This narrower interpretation would clearly work in Apple’s favor, as it would permit it to keep the \$399 million in damages awarded by the lower courts rather than be entitled to only a small fraction, proportionate to the actual infringing components.¹⁶³

Since the Federal Circuit applied a narrow reading of Section 289 of the Patent Act, Apple argued that the Supreme Court should affirm this narrow reading.¹⁶⁴ The Supreme Court, however, reversed the Federal Circuit’s interpretation and held the lower court could use a broader reading of Section 289.¹⁶⁵

VI. THE SUPREME COURT’S DECISION

The Supreme Court’s holding did not clarify the main question at hand.¹⁶⁶ By simply holding that the article of manufacture definition applied by the Federal Circuit was too narrow, the Court

¹⁵⁸ *Brief for Respondent, supra* note 14, at 12.

¹⁵⁹ *Brief for Respondent, supra* note 14, at 12.

¹⁶⁰ *Brief for Respondent, supra* note 14, at 12.

¹⁶¹ *Brief for Respondent, supra* note 14, at 3.

¹⁶² *Brief for Petitioner, supra* note 13.

¹⁶³ *Brief for Respondent, supra* note 14.

¹⁶⁴ *Brief for Respondent, supra* note 14.

¹⁶⁵ *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

¹⁶⁶ *Id.*

failed to devise a rule to guide lower courts.¹⁶⁷ The decision threatens to cause confusion among lower courts and a split in cases at the Federal Circuit.¹⁶⁸

In a relatively brief and unanimous decision, the Supreme Court reversed the narrow reading of Section 289 as applied by the Federal Circuit.¹⁶⁹ The Court limited its holding to resolving the question: “[W]hether, in the case of a multi-component 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?”¹⁷⁰ By limiting itself to that very question, the Court constrained itself to resolving the issue in only one way.¹⁷¹ The Court held 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.”¹⁷² In some cases, the Supreme Court observed “a patent holder will *sometimes* be entitled to the infringer’s total profit from a component of the end product.”¹⁷³ By rejecting the Federal Circuit’s narrow reading, which the Court stated “cannot be squared with the text of Section 289,” the Court reversed and remanded the case to the Federal Circuit to determine “whether, for each of the design patents at issue here, the relevant article of manufacture is the smartphone, or a particular smartphone component.”¹⁷⁴

On February 7, 2017 the Federal Circuit issued its *per curiam* decision to remand the case to the District Court, which is “better positioned to parse the record” of this litigation.¹⁷⁵ On remand, the district court would be able to determine whether a new trial on the issue of damages is necessary.¹⁷⁶ If it orders a new trial, the district court “will have the opportunity to set forth a test for identifying the rele-

¹⁶⁷ *Id.*

¹⁶⁸ See *supra* text accompanying notes 1-21.

¹⁶⁹ *Apple*, 137 S. Ct. 429.

¹⁷⁰ *Id.* at 434.

¹⁷¹ As first-year law students learn, the use of the word “always” in a sentence is always fatal, as there are almost always exceptions.

¹⁷² *Apple*, 137 S. Ct. at 435. This ruling is not entirely consistent with Samsung’s recommendation that the Supreme Court hold that damages resulting from the infringement of one article in a multi-article product shall *not* result in damages equal to the total profits derived from the sale of the end product.

¹⁷³ *Id.* at 434 (emphasis added).

¹⁷⁴ *Apple*, 137 S. Ct. at 436.

¹⁷⁵ *Apple Inc. v. Samsung Elec. Co.*, No. 5:11-cv-01846-LHK, 2017 WL 490419 (Fed. Cir. Feb. 7, 2017).

¹⁷⁶ *Id.*

vant article of manufacture” under Section 289.¹⁷⁷ To formulate a test, the district court most likely will consider various tests that prior courts have established, such as the apportionment approach, to avoid repeating failed tests.¹⁷⁸

VII. APPORTIONMENT AND ITS HISTORY

The concept of apportionment resulted in many complex issues of proof for design patent holders who were “required to show what portion of the infringer’s profit, or of his own lost profit, was due to the design and what portion was due to the article itself.”¹⁷⁹ The owner of the design patent “could recover only the proportionate amounts of profits that were proven to be attributable to the presented feature.”¹⁸⁰

Apportionment was a requirement until the case of *Dobson v. Dornan* (1886),¹⁸¹ which involved an infringement of a carpet design.¹⁸² The plaintiff was unable to present evidence on whether the purchasers of the defendant’s infringing carpets purchased the carpets based on the design, or whether the purchasers would have purchased the carpets without the infringing design.¹⁸³ The Supreme Court awarded the design patent holder only six cents, a nominal sum, after the patent holder was unable to show what portion of the “infringer’s profits was due to the patented design and what portion was due to the unpatented [design].”¹⁸⁴

This decision, which Congress called a “virtual repeal” of design patent laws, led Congress to enact the Design Patent Act of 1887.¹⁸⁵ The House Committee on Patents, discussing this act, said the following:

It is expedient that the infringer’s entire profit on the

¹⁷⁷ *Id.*

¹⁷⁸ *Dobson v. Dornan*, 118 U.S. 10 (1886).

¹⁷⁹ *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998).

¹⁸⁰ *Id.* Under this test, Apple would have the burden of proof to show what portion of Samsung’s profits was attributable to the user interface and to the rectangular rounded-corner shape design of the smartphone. The burden was on Apple to prove “proportionate amounts of profits . . . attributable to the presented feature.” *Id.*

¹⁸¹ *Dobson*, 118 U.S. at 10.

¹⁸² *Id.*

¹⁸³ *Id.*

¹⁸⁴ *Id.*; see also *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1886).

¹⁸⁵ *Brief for Respondent*, *supra* note 14, at 17.

article should be recoverable, as otherwise none of his profit can be recovered, for it is not apportionable; and it is just that the entire profit on the article should be recoverable . . . , for it is the design that sells the article, and so that makes it possible to realize any profit at all.¹⁸⁶

The Design Patent Act of 1887 applied “to any article of manufacture” and was, therefore, not limited to any specific component of a device, but rather the finished product as a whole.¹⁸⁷ The Second Circuit, in 1893, interpreted the provision in the following way: “The rule which [C]ongress declared for the computation of profits was the total profit from the manufacture or sale of the article to which the design was applied, as distinguished from the pre-existing rule of the profit which could be proved to be attributable to the design.”¹⁸⁸ Simply, the Second Circuit held that if a manufacturer of a product infringes on a patented design, the patent holder would be entitled to the entirety of defendant’s profits, rather than only profits attributable to the patented design.¹⁸⁹

When Congress passed the Patent Act of 1952, the “total profit” language used in the Design Patent Act of 1887 was incorporated into Section 289.¹⁹⁰ As Apple argued in its brief, the issue of identifying the relevant article of manufacture is up to the fact finder.¹⁹¹ Based on case law dealing with Section 289, Apple asserted, the burden of proof falls on the defendant to prove what the relevant article of manufacture is.¹⁹² A proper analysis of the issue of damages is vital, as the economy relies on innovation and new ideas without which economic progress would stall.¹⁹³

VIII. IMPORTANCE OF REWARDS FOR INNOVATION

A marketable product does not suddenly appear overnight.¹⁹⁴

¹⁸⁶ Congressional Record – House, p. 834. Speaker: Mr. Martin on H.R. 8323; see also *Brief for Respondent*, *supra* note 14, at 17-18.

¹⁸⁷ Congressional Record – House, p. 834. Speaker: Mr. Martin on H.R. 8323.

¹⁸⁸ *Untermeyer v. Freund*, 58 F. 205, 212 (2d Cir. 1893).

¹⁸⁹ *Id.*

¹⁹⁰ 35 U.S.C. § 289 (2006).

¹⁹¹ *Brief for Respondent*, *supra* note 14, at 3.

¹⁹² *Brief for Respondent*, *supra* note 14, at 3.

¹⁹³ See *infra* text accompanying notes 194-217.

¹⁹⁴ Fred Vogelstein, *The Day Google Had to ‘Start Over’ on Android*, THE ATLANTIC

A product is born as a simple idea; countless hours are spent developing that intangible idea into a tangible marketable product, which ends up in the hands of consumers.¹⁹⁵ Whether that product is a massive success or failure, it is up to the purchasing public to determine whether they will benefit from acquiring the given product.¹⁹⁶ Naturally, if the product is a failure, no other company or individual will want to reproduce the product and try to cash in.¹⁹⁷ However, if the product is a success, any investor will try to enter the market and try to capitalize on its success.¹⁹⁸

Thus, a dilemma arises as to why any individual or company should invest a large amount of time and money when the easier alternative is to just wait for somebody else to invest the time and money and then simply free-load on the idea.¹⁹⁹ Patent law seeks to solve the dilemma by rewarding the innovator who made such an investment with a patent.²⁰⁰ The time and expense invested in the creation or invention of a new product is considerable, and a monopoly for the production and sale of that invention is considered a reward for the innovation.²⁰¹ Legal protection is necessary because without it, competitors can simply free ride on an inventor's idea without

(Dec. 18, 2013), <https://www.theatlantic.com/technology/archive/2013/12/the-day-google-had-to-start-over-on-android/282479/> (“By January 2007, they’d all worked sixty-to-eighty-hour weeks for fifteen months—some for more than two years—writing and testing code, negotiating software licenses, and flying all over the world to find the right parts, suppliers, and manufacturers.”).

¹⁹⁵ *Id.*

¹⁹⁶ *Product/Service Features and Benefits*, KAUFFMAN|ENTREPRENEURS (Jan. 18, 2007), <https://www.entrepreneurship.org/articles/2007/01/productservice-features-and-benefits>.

¹⁹⁷ *See supra* note 194.

¹⁹⁸ Don Harris, *Ten Reasons Chinese Companies Fail in the U.S.*, FORBES (July 21, 2010), <http://www.forbes.com/sites/china/2010/07/21/ten-reasons-chinese-companies-fail-in-the-u-s/#427857d59e19> (“the companies don’t want to invest much on design, because it’s bound to be copied by competitors right away.”); *Ty, Inc. v. GMA Accessories, Inc.*, 132 F.3d 1167 (7th Cir. 1997) (“Ty began selling the ‘Beanie Babies’ line . . . in 1993, and it was the popularity of the line that induced [the defendant] to bring out its own line of bean-bag stuffed animals three years later.”).

¹⁹⁹ This is often a problem not only in the United States, but in China as well. *Id.*

²⁰⁰ *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1852) (stating that “the franchise which the patent grants consists altogether in the right to exclude everyone from making, using, or vending the thing patented.”).

²⁰¹ The United States has long acknowledged the importance of the patent system in encouraging innovation. Indeed, “the encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude.” Importantly, the patent system provides incentive to the innovative drug companies to continue costly development efforts. *See Biotechnology Indus. Org. v. D.C.*, 496 F.3d 1362, 1372 (Fed. Cir. 2007).

making any investments.²⁰² Along with that legal protection comes another huge benefit to an innovator: “[P]atents operate by temporarily reducing competition.”²⁰³

In today’s market-driven society, competition is enormous.²⁰⁴ Profit maximization is the biggest driver behind many innovations.²⁰⁵ The best way to achieve maximum profit is to create a unique product that is in high demand, but which no other company is producing.²⁰⁶ Intellectual property law provides legal protections to innovators who create a product.²⁰⁷

Thomas Jefferson said: “[S]ociety may give an exclusive right to the profits arising from [inventions], as an encouragement to men to pursue ideas which may produce utility.”²⁰⁸ Although Jefferson addressed an exclusive right in regard to utility patents, modern technology has focused a great deal on the design of new products and not only on their functional aspects.²⁰⁹ This “exclusive right to the profits” provides an enormous benefit to the innovator, and encourages other entrepreneurs to create products.²¹⁰ These products, like

²⁰² Richard A. Posner, *Antitrust in the New Economy*, John M. Olin L. & Econ. Working Paper (2d Series) 1, 3 (2000) (“Without legal protection, the creator of intellectual property may be unable to recoup his investment, because competitors can free ride on it.”).

²⁰³ *Vornado Air Circulation v. Duracraft Corp.*, 58 F.3d 1498, 1507 (10th Cir. 1995).

²⁰⁴ *Tapping Our Talent*, N.Y. St. B.J., October 2002, at 5. (“[T]oday’s fast-paced, information-saturated society where the competition to be heard above the crowd is a daily challenge.”).

²⁰⁵ Juan-Carlos Ortiz, *International Trade Agreements and Private Desalination Plants: Is California’s Coast Safe?* 30 WHITTIER L. REV. 671, 676 (2009) (“[P]rivate companies are driven by profits and will cut down costs in order to maximize profits.”).

²⁰⁶ Fred Vogelstein, *supra* note 194.

²⁰⁷ Ray K. Harris & Rodney J. Fuller, *Technology Barriers: 21st Century IP Basics*, ARIZ. ATT’Y, January 2008, at 22 (“Intellectual property law is designed to encourage further discovery and innovation by protecting and rewarding . . . pioneering companies.”).

²⁰⁸ VI. Writings of Thomas Jefferson, at 180-81 (Washington ed.). Although focusing on the word “utility” it is arguable here that the idea incorporates design patents as well. Thomas Jefferson (1743 – 1826) was not alive at the time the first design patent was issued in 1842. Therefore, it is arguable that had design patents existed at the time of Thomas Jefferson’s life, he would have included them in his writings, considering his views on the importance of exclusive rights for inventors.

²⁰⁹ This observation is especially relevant to a corporation such as Apple which has a long history, especially under the leadership of former-CEO Steve Jobs, of focusing much of its efforts on the design of each product it releases. This focus on the beauty and aesthetic features of its products led to the 2016 release of a book entitled “Designed by Apple in California” (ISBN: 978-0-9975138-0-6 and 978-0-9975138-1-3) which is comprised solely of photographs of Apple’s devices over the history of the company. Given this history, it cannot reasonably be doubted that Apple places an enormous value on its design patents.

²¹⁰ *Kendall v. Winsor*, 62 U.S. 322, 328 (1858).

the iPhone, bring enormous advantages to society as a whole.²¹¹

The creation of the iPhone was not an overnight phenomenon:

In 2004, Apple undertook a bet-the-company project to enter the smartphone market. With no assurance of success, Apple spent billions of dollars as hundreds of its employees worked night[s], weekends, all the time to create a new, original, and beautiful object, something that would really wow the world. Before launch, Apple's risky venture was viewed skeptically. But upon its release in 2007, the iPhone was acclaimed as a revolutionary product that set the standard for smartphone design.²¹²

As evidenced by Apple, a corporation spends a significant amount of time, energy, and resources on risky products.²¹³ The risk is often associated with enormous rewards, which are only possible as a result of a monopoly on the new, groundbreaking product.²¹⁴ Without patent protection, the payoff for risk taking would not be adequate, and society would suffer.²¹⁵ This payoff should be safeguarded by laws, which provide deterrence to potential infringers, as well as guaranteeing financial rewards to inventors.²¹⁶ To formulate a proper method or test for damages for infringement of multi-component devices, the District Court should first look at the calculation of damages in utility patent cases.²¹⁷

²¹¹ *Id.* ("It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly.").

²¹² *Brief for Respondent*, *supra* note 14, at Introduction.

²¹³ Tim Bajarin, *Why Apple is Spending Crazy Amounts of Money on New Ideas*, TIME MAGAZINE (May 18, 2016), <http://time.com/4339940/apple-rd-research-development/> (stating that Apple spent \$10 billion on research and development in the first half of 2016).

²¹⁴ See *supra* note 2 (establishing that a patent will provide a monopoly, preventing anybody from entering into direct competition).

²¹⁵ U.S. CONST. art. I, § 8, cl. 8 (establishes that patents are a way "[t]o promote the Progress of Science and useful Arts").

²¹⁶ 35 U.S.C. § 289 (2006); § 35 U.S.C. 284 (2006).

²¹⁷ However, the Supreme Court could review the same case. When the District Court establishes a test for damages in multi-component devices, the case might be appealed to the Federal Circuit followed by a petition for a writ of certiorari to the Supreme Court.

IX. APPROACHES TO DAMAGES IN UTILITY PATENT CASES

In analyzing how the Supreme Court should rule in a design patent infringement case, it is helpful to observe how courts decide damages for other intellectual property infringement cases.²¹⁸ Section 284, which deals with utility patent damages, states the following:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.²¹⁹

The statute sets the floor and ceiling for damages in utility patent infringement cases.²²⁰ The minimum damages available under this statute are the “reasonable royalty for the use made of the invention by the infringer,” along with interest and costs.²²¹ The maximum damages permitted are equivalent to three times the assessed amount.²²² The key in this statute is the option of a compulsory license.²²³ Although compulsory licenses in patent law are very limited, and generally reserved for use by the federal government, there is no statute preventing the court’s use of a compulsory license in non-government infringement.²²⁴ The core function of Section 284

²¹⁸ See *supra* text accompanying notes 22-47.

²¹⁹ 35 U.S.C. § 284 (2006).

²²⁰ *Id.*

²²¹ *Id.*

²²² *Id.*

²²³ 35 U.S.C. § 284 (2006).

²²⁴ See *infra* note 274 and accompanying text on the limited use of compulsory patent licensing by the government in pharmaceuticals.

damages in utility patent cases is to ensure adequate and equitable damages.²²⁵ The statute lays out a road map for a court to apply to ensure proper damages are awarded.²²⁶ There is no reason why Section 284 cannot be expanded to apply to Section 289.²²⁷

The problem with compulsory damages is the difficulty in determining an adequate amount as there is no bargaining process at the time of the infringement.²²⁸ Section 1498 deals with the government's patent licensing power.²²⁹ The statute requires the payment of "reasonable and entire compensation" for the term of use of the patent.²³⁰ However, courts may interpret the ambiguous wording to mean reasonable, as opposed to fair and true market value.²³¹ Additionally, the granting of compulsory licenses violates the basis tenet of patent law, which provides that a patent holder has the exclusive right to sell, use, and manufacture the patented article.²³² The District Court could apply some of these ideas to one of the proposed solutions discussed in the next section.

X. PROPOSED JUDICIAL SOLUTIONS

The issue presented in the *Apple* litigation is likely to be repeated at some point in the near future.²³³ If Congress fails to amend Section 289, there are four ways in which the courts, in later decisions, could clarify the issue.²³⁴

²²⁵ 35 U.S.C. § 284 (2006).

²²⁶ *Id.*

²²⁷ *Id.*

²²⁸ *Id.* (Use of the word 'reasonable' rather than 'market value' or 'fair value.').

²²⁹ 28 U.S.C.A. 1498 (2006).

²³⁰ *Id.*

²³¹ Arguments can be made that when the government infringes on a patent and grants a compulsory license, the holder of the patent will have a new stream of revenue and thereby will benefit from the compulsory license. For a deeper analysis, see Amanda Mitchell, *Tamiflu, the Takings Clause, and Compulsory Licenses: An Exploration of the Government's Options for Accessing Medical Patents*, 95 CAL. L. REV. 535, 542 (2007).

²³² 35 U.S.C. § 154(a)(1) (2015).

²³³ Prior to the Supreme Court ruling in *Samsung v. Apple*, numerous design patent cases dealt with substantially the same issue in the Federal Circuit and came to different conclusions. See *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009); *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437 (Fed. Cir. 1998).

²³⁴ See discussion *supra* Sections X(A), X(B), X(C), and X(D). Additionally, the District Court could adopt an approach in *Apple*.

A. The Bottom Line Approach—Federal Circuit’s Holding

The first solution can be called “the bottom line approach.” The Supreme Court could take a very harsh stance against an infringer and award the plaintiff every penny of profit the defendant derived from the sale of each device that contained any design patent owned by the plaintiff. This would involve a very simple and straightforward one-part test. The only question that would be asked is: Does the product in question contain any component, regardless of how small, that violates an existing design patent?²³⁵ The plaintiff would have the burden to show the existence of a valid and active patent, and that the article in question either contains or uses the patented component.²³⁶ If the plaintiff meets its burden, then the infringer is liable for any profit it earned by selling the product to its customers.²³⁷ If the Supreme Court implements this test, any existing patent would be strengthened because a company or individual would think twice before manufacturing a product that comes very close to infringing on an existing patent in fear that all profits would be lost.²³⁸

This test would apply Apple’s narrow interpretation of Section 289.²³⁹ Apple argued that a final product is simply one article of manufacture, not a composite of hundreds or thousands of individual articles of manufacture.²⁴⁰ Under Apple’s interpretation of article of manufacture, because three design patents were infringed and included in Samsung’s final product, Samsung should be “liable to [Apple] to the extent of [Samsung’s] total profit.”²⁴¹ However, Samsung argued, in both its brief to the Supreme Court and during the oral arguments, that the final product can contain hundreds or thousands of articles of manufacture, and thus, the award of total profits would be inequitable.²⁴²

In a case such as *Apple*, it is undeniable that both parties are

²³⁵ 35 U.S.C. § 154(a)(1) (2015) (establishing the patent holder’s right to exclude others from “making, using, offering for sale, or selling” the patented article).

²³⁶ David Herr, et al., *Declaratory Judgments-Patent Infringement-Burden of Proof*, 29 (3) FED. LITIGATOR 5 (providing that the burden of proof is on the plaintiff patent holder, even in declaratory judgment actions).

²³⁷ *Id.* (plaintiff carries the burden of proof).

²³⁸ *Halo Elecs. Inc. v. Pulse Elecs. Inc.*, 136 S. Ct. 1923 (2016) (holding that enhanced damages may be “justified where the infringer acted deliberately or willfully”).

²³⁹ *Brief for Respondent*, *supra* note 14.

²⁴⁰ *Brief for Petitioner*, *supra* note 13; *Brief for Respondent*, *supra* note 14.

²⁴¹ 35 U.S.C. § 289 (2006).

²⁴² *Brief for Petitioner*, *supra* note 13, at 44.

large, international, sophisticated companies.²⁴³ Apple alone has over 500 in-house attorneys.²⁴⁴ With the legal resources of each corporation so large, each is unquestionably aware of the patents owned by their competitors.²⁴⁵ Thus, if one of the two companies creates a product, a component of which infringes one or more patents of its direct competitor, it is not an oversight.²⁴⁶ Although it is possible that a company may believe that its product or feature is not infringing the patent, it is likely to be aware of the existence of a substantially similar product or feature, which is patented.²⁴⁷ Considering that a company like Samsung is undisputedly a sophisticated manufacturer, it has the resources to safeguard itself against a potential infringement of another's patents.²⁴⁸ An infringement of a direct competitor's patent is no mistake, but is highly likely to be known.²⁴⁹ This knowledge supports the imposition of a heavy penalty on the infringer. If the infringer's bottom line is impacted, by penalizing the infringer to the extent of his total profits and possible punitive damages, there is a larger deterrence factor in the future.²⁵⁰

This approach, applied by the Federal Circuit in *Apple Inc.*, can have weighty and seemingly unfair ramifications.²⁵¹ This ruling can be used as precedent to hold "an automobile manufacturer . . . liable for its entire profits from a particular car model if that model contained, say, an infringing tail light."²⁵² In the wake of *Apple Inc.*,

²⁴³ Samantha Sharf, *The World's Largest Tech Companies 2016*, FORBES (May 26, 2016), <https://www.forbes.com/sites/samanthasharf/2016/05/26/the-worlds-largest-tech-companies-2016-apple-bests-samsung-microsoft-and-alphabet/#2c87b69bb661> (discussing that Apple had \$233 billion in revenue, \$53 billion in profit, \$239 billion in assets and a market value of \$586 billion in 2016. Samsung had \$177 billion in revenue, \$16.5 billion in profit, \$206 billion in assets and a \$216 billion market value).

²⁴⁴ Peter Robinson, *Here Are the Legal Generals Behind Apple's Brawl With the FBI*, BLOOMBERG TECHNOLOGY (March 4, 2016), <https://www.bloomberg.com/news/articles/2016-03-04/apple-defense-pairs-cyberpioneer-with-architect-of-samsung-brawl>.

²⁴⁵ The filing of a patent requires a thorough research of prior art. That research reveals patents, which are similar in nature to the research.

²⁴⁶ *Id.*

²⁴⁷ *Id.*

²⁴⁸ See *supra* note 243 for Samsung's market value.

²⁴⁹ Prior art searches are conducted by patent attorneys on a regular basis to check whether new concepts infringe on already existing patents.

²⁵⁰ See *Kemp v. American Tel. & Tel. Co.*, 393 F.3d 1354 (11th Cir. 2004) (discussing the general concept of money damages as a deterrent to corporations).

²⁵¹ *Apple Inc. v. Samsung Elec.*, 786 F.3d 983, 1001 (Fed. Cir. 2015).

²⁵² Not based on an actual case, this is an illustrative example of the potential ramifications of applying this test. Jason Rantanen, *Apple v. Samsung: Design Patents Win*,

high damage claims are going to be much more credible.²⁵³ Upholding the Federal Circuit's ruling will open floodgates to litigation.²⁵⁴ A higher award in successful litigation is likely to motivate patent-holders to file suit when they believe their patents are being infringed.²⁵⁵

A. Fairness and Equity Approach

The second approach is a fairer and more reasonable option. Upon a finding of infringement of a design patent, the court would look at the final article of manufacture and evaluate the proportion of the total article, which infringes on the design patent.²⁵⁶ For example, if the final article is made up of 100 smaller articles, each covered by its own patent, and three of those smaller articles are infringed patents, the total damages will be closer to three percent of the total profits earned by the patent infringer.²⁵⁷ Under this approach, an exception would have to be made in situations where the infringed articles disproportionately contribute to the success of the product.²⁵⁸ If the exception were to apply, the plaintiff would have the burden to show the disproportionate effect of the article in question on the end product.²⁵⁹

A main idea behind capitalism is that an individual creates a product, invests his or her time and money in it and, assuming there is market demand for it, receives a return on investment.²⁶⁰ It would be contrary to our economic system for one company to profit from a product, or component of a product, which the company did not create, manufacture, invest in, or take a risk in.²⁶¹ Simply put, this approach would avoid unjust enrichment for the patent holder who could potentially see financial rewards for articles he did not cre-

PATENTLYO (May 15, 2015), <http://patentlyo.com/patent/2015/05/samsung-design-patents.html>.

²⁵³ *Id.*

²⁵⁴ *See supra* note 18 and accompanying text.

²⁵⁵ Considering the high expense of litigating patent cases, the award for successful litigation must be high enough to make the litigation worthwhile and profitable.

²⁵⁶ *See supra* note 13 and accompanying text.

²⁵⁷ *See supra* note 13 and accompanying text.

²⁵⁸ *See infra* note 287.

²⁵⁹ *See supra* note 236.

²⁶⁰ *See supra* note 201.

²⁶¹ An important exception here is using articles, which are in the public domain.

ate.²⁶²

In *Apple*, there is no question that Samsung infringed on three patents owned by Apple in the manufacture and sale of eighteen smartphones.²⁶³ The District Court, in analyzing the amount of damages Apple should be entitled to, would have to determine the proportion of components in Samsung's smartphone to the infringed components to determine the value of the patents that Samsung infringed.²⁶⁴ Once the value is determined, Samsung would be liable to Apple only for the value of the patents actually infringed.²⁶⁵ This is a fairer and more equitable resolution because although three design patents were infringed, Samsung's final product contained hundreds, if not thousands, of components that were not copied.²⁶⁶ All of those components cost millions of dollars to develop and manufacture, as well as countless time spent by hundreds of developers and manufacturers to create.²⁶⁷ If Apple was entitled to receive *all* profits for the smartphone containing the infringed patents, Apple would be receiving profits for which it neither developed nor invested time or money.²⁶⁸

B. Compulsory License Approach

A third approach would be a court-mandated retroactive licensing agreement. A licensing agreement would force the infringer to pay a fair and reasonable fee to the infringed party, starting with the date of the first infringement.²⁶⁹ This approach is currently utilized in lawsuits where the federal government or a government con-

²⁶² Avoiding unjust enrichment is generally a contract law issue, governed by state law. § 4:15. *Unjust Enrichment-Limitations on Application*, 28 N.Y. PRAC., CONTRACT LAW § 4:15. However, an unjust enrichment claim may be preempted by federal law. § 4:15. *Id.* See *Ultra-Precision Manufacturing, LTD. v. Ford Motor Company*, 411 F.3d 1369 (Fed. Cir. 2005) (providing an example of preemption of a state unjust enrichment claim by federal patent law).

²⁶³ See generally *Apple Inc. v. Samsung Elec.*, 786 F.3d 983, 1001 (Fed. Cir. 2015).

²⁶⁴ See *supra* note 13 and accompanying text.

²⁶⁵ See *supra* note 13 and accompanying text.

²⁶⁶ *Apple*, 786 F.3d at 1001.

²⁶⁷ Fred Vogelstein, *supra* note 194 ("By January 2007, they'd all worked sixty-to-eighty-hour weeks for fifteen months—some for more than two years—writing and testing code, negotiating software licenses, and flying all over the world to find the right parts, suppliers, and manufacturers.").

²⁶⁸ Arguably, some of these damages could be considered punitive in nature.

²⁶⁹ This approach is similar to that of 28 U.S.C.A. § 1498 (1948).

tractor infringes on a patent.²⁷⁰ If a patent is “used or manufactured by or for the United States without license of the owner . . . the owner’s remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.”²⁷¹ In such circumstances, the government is permitted to continue to use the patent subject to the compulsory license.²⁷² However, the government will have to properly compensate the patent holder for the use of his invention.²⁷³

The compulsory license approach has also been recently used internationally in situations where the government needs to use a patented drug whose price is too steep.²⁷⁴ For example, in Thailand, between 2006 and 2007, two compulsory licenses were issued by the public health authorities “on AIDS drugs and one on clopidogrel bisulfate (Plavix), a major cardiovascular treatment.”²⁷⁵ In the United States, a compulsory license threat was issued against pharmaceutical company Bayer as a result of the Anthrax scare.²⁷⁶ The United States intended to “stockpile . . . ciprofloxacin (Cipro) . . . as a defense against anthrax.”²⁷⁷ Before the government moved to do so, Bayer negotiated with the government and lowered the price of Cipro to avoid the compulsory license.²⁷⁸ However, the government’s use of a compulsory license for a lifesaving drug to benefit the general welfare and health of its citizens is distinguishable from a potential compulsory license on a design patent of an article that is used to manufacture a smartphone.²⁷⁹

Under this approach, there would be little deterrence for com-

²⁷⁰ 28 U.S.C.A. § 1498 (1948).

²⁷¹ *Id.*

²⁷² *Id.*

²⁷³ *Id.*

²⁷⁴ Jerome H. Reichman, *Compulsory Licensing of Patented Pharmaceutical Inventions*, JOURNAL OF LAW AND MEDICINE ETHICS (2009).

²⁷⁵ *Id.* (also describing compulsory licenses for AIDS drugs in Rwanda (2007), Indonesia (2004 and 2008), Malaysia (2004), Brazil (2003 and 2007), Zambia (2004), Zimbabwe (2004), Mozambique (2004)).

²⁷⁶ Jerome H. Reichman, *Compulsory Licensing of Patented Pharmaceutical Inventions*, JOURNAL OF LAW AND MEDICINE ETHICS 247, 249-50 (2009).

²⁷⁷ *Id.*

²⁷⁸ *Id.*

²⁷⁹ Currently, in the United States compulsory licenses for patents are limited to government use. Technically, a license is not provided to the United States government for its use of a patented article, but rather the United States pays the patent holder compensation equivalent to the lost profits or reasonable royalties. See 28 U.S.C. § 1498 (2006).

panies and individuals to infringe patents.²⁸⁰ They would likely choose to infringe on the patents, and if the patent owner decided to engage in costly litigation, they could simply pay the patents' fair market-value.²⁸¹ Additionally, a company would engage in a cost-benefit analysis, and if the cost of a compulsory license outweighed the cost to innovate and manufacture an alternate, non-patent infringing, article, it would simply choose to infringe on the patent.²⁸² Furthermore, this approach would violate the basic goal of patent law, which is to create a monopoly for the patent-holder.²⁸³

This licensing agreement would allow Samsung to retroactively use the three design patents owned by Apple, but it would be forced to pay.²⁸⁴ The court would use available data and expert testimony to determine the value of each of the three Apple design patents.²⁸⁵ Once a value is determined, Samsung would be forced to pay the fair value of the compulsory license.²⁸⁶

C. The Customer Demand Approach

A fourth approach focuses on customer demand. The Supreme Court could grant certiorari for cases where only a small percentage of all components of the final product, rather than the entire product, infringes on existing patents; thus, it is important for the courts to consider the customer's perspective. Damages equivalent to the size of total profits under Section 289 should be available for the entire end-product "if the patented design is substantially the basis for customer demand for the entire article."²⁸⁷

A judicially created extension of damages for utility patents

²⁸⁰ For a general discussion of damages as deterrents, see Theodore Eisenberg, *Measuring the Deterrent Effect of Punitive Damages*, 87 GEO. L. J. 347 (1998).

²⁸¹ This is a similar concept as in 28 U.S.C.A. § 1498 (1948).

²⁸² Cost-Benefit Analysis, ENTREPRENEUR, <https://www.entrepreneur.com/encyclopedia/cost-benefit-analysis> (last visited March 24, 2017).

²⁸³ See *supra* note 2 and accompanying text.

²⁸⁴ Jon Matthews, *Renewing Healthy Competition: Compulsory Licenses and Why Abuses of the TRIPS Article 31 Standards Are Most Damaging to the United States Healthcare Industry*, 4 J. BUS. ENTREPRENEURSHIP & L. ISS. 1 (2010) ("Compulsory licenses are retroactive by nature.").

²⁸⁵ This is necessary in order to determine the proper value, as in 28 U.S.C.A. § 1498 (1948).

²⁸⁶ *Id.*

²⁸⁷ Gary L. Griswold, 35 USC § 289 – An Important Feature of US Design Patent Law, IPO LAW JOURNAL (Apr. 6, 2015).

could be applied to design patents.²⁸⁸ This “entire market value rule” for utility patents is best explained by *Cornell University v. Hewlett-Packard Co.*²⁸⁹

(1) The infringing components must be the basis for customer demand for the entire machine including the parts beyond the claimed innovation, (2) the individual infringing and non-infringing components must be sold so that they constitute a functional unit or are parts of a complete machine or single assemble of parts, and (3) the individual infringing and non-infringing components must be analogous to a single functioning unit.²⁹⁰

Thus, if the customer purchases a product primarily for the components, which were protected by the infringed patent, the patent-holder would be entitled to the entire market share, or the entire profit, of the given product.²⁹¹ Furthermore, the infringing component must be a part of the completed end-product, rather than a separate article, and serve as a single functioning unit.²⁹²

This approach would resolve the hypothetical presented in Subsection A, where an automobile manufacturer would be liable for the entire profits of a specific car model that infringed on a patent for a tail light.²⁹³ In that hypothetical, analyzed under this approach, the question would be whether the tail light in that specific car model was a substantial factor in the customer’s purchasing of the car model.²⁹⁴ If the answer was in the affirmative, then the patent holder would be able to recover the entire sum of the profits received by the automobile manufacturer for the sale of the product which contained the infringed patent.²⁹⁵ If, however, the answer was no, then the patent holder would only be entitled to a small portion, apportioned to

²⁸⁸ *Id.*

²⁸⁹ Patent holder brought a lawsuit against a competitor for infringement of an instruction-issuing mechanism. The jury ruled in favor of the patent holder. *Cornell University v. Hewlett-Packard Co.*, 609 F. Supp. 2d 279, 286-87 (N.D.N.Y. 2009).

²⁹⁰ *Id.*

²⁹¹ *Id.*

²⁹² *Id.*

²⁹³ See *supra* note 104 and accompanying text.

²⁹⁴ See *supra* note 104 and accompanying text.

²⁹⁵ See *supra* note 104 and accompanying text.

the significance of the tail light to the car model as a whole.²⁹⁶ The burden of proof would be on the plaintiff to prove that the customer demand for the product was substantially based on the infringing component.²⁹⁷ To satisfy the substantial standard, the court should apply the “but-for” test, by determining whether but for the infringing component the consumer would not have purchased this product.²⁹⁸

This approach can be used to analyze the *Apple* case. Samsung argued in its brief, “[T]he undisputed evidence in the record shows that consumers purchased Samsung and other Android phones overwhelmingly because of their functional, *non*-design features.”²⁹⁹ This argument directly fulfills factor one of the entire market value rule established in *Cornell University*.³⁰⁰ Further citing Apple’s market data, Samsung argued that “a phone’s ‘design’ in general was a reason for only 1% of Apple purchases and 5% of Android purchases, far below other considerations such as services, multimedia functions, ease of use, and brand.”³⁰¹ If the District Court were to approve the facts presented by Samsung, as it should, considering Apple failed to rebut them, then under the “entire market value rule,” as explained in *Cornell University*, Samsung’s device would not meet the first requirement that “the infringing components must be the basis for customer demand for the entire machine including the parts beyond the claimed innovation.”³⁰²

XI. PROPOSED CONGRESSIONAL SOLUTIONS

Congress passed 35 U.S.C. § 289 on July 19, 1952.³⁰³ As with any statute, Congress has the power to amend, repeal, or replace it.³⁰⁴ In order to provide clarity in future cases involving complex litigation dealing with patent infringement in multicomponent products,

²⁹⁶ See *supra* note 104 and accompanying text.

²⁹⁷ See *supra* note 236.

²⁹⁸ See *supra* note 287 and accompanying text.

²⁹⁹ Brief for Petitioner, *supra* note 13, at 9.

³⁰⁰ *Cornell University*, 609 F. Supp. 2d. 279.

³⁰¹ Brief for Petitioner, *supra* note 13, at 10.

³⁰² *Cornell University*, 609 F. Supp. 2d at 286.

³⁰³ 35 U.S.C. § 289 (2006).

³⁰⁴ That power even extends to constitutional amendments. For example, Congress passed the 18th Amendment prohibiting the sale of alcohol on December 18, 1917. In 1933, Congress repealed it by passing the 21st Amendment.

Congress could clarify Section 289.³⁰⁵ Section 351 is the definitional section, which could be amended to add a narrower definition of the phrase article of manufacture.³⁰⁶ Alternatively, 35 U.S.C. § 289 could be amended with language narrowing the definition of article of manufacture.³⁰⁷

All federal laws are drafted and passed by the United States Congress;³⁰⁸ Section 289 is no different.³⁰⁹ The province of the courts is to interpret laws, not to write or amend the laws.³¹⁰ The issue exposed by *Apple* is one which requires the law to be amended, not interpreted. As time progresses, so does technological innovation.³¹¹ Patented articles become more complex, involve more components, and the number of patents on each article increases as well.³¹²

Congress should seek to balance the interests of all parties.³¹³ The patent holder, under current federal legislation, possesses the exclusive right to manufacture, sell, and use its patented article.³¹⁴ That right, which is the keystone of patent law, must be kept strong.³¹⁵ Otherwise, the monopoly, which drives up financial benefits for the patent holder, will be diminished, leading to fewer rewards for the innovation, which in turn slows down the wheels of progress and innovation.³¹⁶ Equally important, the public's interest must be taken

³⁰⁵ Congress could simply amend the definitional section of Title 35 to include article of manufacture.

³⁰⁶ *Id.*

³⁰⁷ *Id.*

³⁰⁸ U.S. CONST. art. I, § 1 ("All legislative Powers . . . shall be vested in a Congress of the United States . . .").

³⁰⁹ 35 U.S.C. § 289 was passed by the United States Congress as part of the Patent Act of 1952.

³¹⁰ See *Marbury v. Madison*, 5 U.S. 137 (1803).

³¹¹ Tom Warren, *iPhone: A Visual History*, THE VERGE (Sep. 9, 2014), <http://www.theverge.com/2014/9/9/6125849/iphone-history-pictures> (providing that every new release of a smartphone brings new features, new designs, each more complex).

³¹² In 2015, Apple was awarded 1,938 patents; in 2016, Apple was awarded 2,102 patents. http://www.ificlaims.com/index.php?page=misc_top_50_2016.

³¹³ *Abbott Laboratories v. Sandoz, Inc.*, 544 F.3d 1341, 1362 (Fed. Cir. 2008) (providing an example of Congress's balancing the interests for the statutory period of exclusivity).

³¹⁴ 35 U.S.C. § 154(a)(1) (2015).

³¹⁵ *Kendall v. Winsor*, 62 U.S. 322, 327-28 (1858) (discussing the concept that the monopoly provided to the patent holder benefits both the inventor and the public or community at large).

³¹⁶ Martin I. Finston & David M. La Bruno, *Recondite Harmonies of Interest-Where Standards and Patents Meet*, NEW JERSEY LAWYER, THE MAGAZINE (Oct. 2012) ("Innovation drives the U.S. economy, and the granting of patents is one of the ways the U.S. government

into consideration.³¹⁷ Congress, by giving the patent holder a monopoly, has already determined that the public will be served well when one individual or corporation holds the exclusive right to manufacture.³¹⁸ Rewarding the patent holder with the full value of lost profit will not have a negative impact on the public.³¹⁹ Furthermore, any member of the public might be the next inventor who will demand appropriate damages if his invention is infringed.³²⁰

A congressional amendment would provide clarity for future similarly situated parties.³²¹ There would no longer be a need for the Supreme Court, or any other court, to struggle with defining this key phrase, which would be determinative in deciding multi-million dollar design patent infringement litigations.³²² A body of legislators, elected by the People, is the appropriate venue for amending federal law, not a body of nine unelected individuals who are not representative of the Nation.³²³

XII. CONCLUSION

If there is a patent, which is infringed, the patent holder is entitled to damages from the infringer.³²⁴ That simple notion grows extremely complex when dealing with multicomponent products, such

encourages and fosters innovation in this country.”).

³¹⁷ *Kendall*, 62 U.S. at 327-28. (“It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly.”).

³¹⁸ *Id.*

³¹⁹ 35 U.S.C. § 289 (2006) (providing that the total amount of profits in case of infringement is appropriate, thus showing congressional thinking that the awards of total profits will not negatively impact society).

³²⁰ The United States Patent and Trademark Office itself acknowledges that not all patent holders are wealthy corporations. UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule#Patent%20Fees> (last visited, March 21, 2017). For those that file for a patent online, The PTO provides for three price scales--large entity, small entity, and micro entity. *Id.* That acknowledgement clarifies that every day individuals might find themselves filing for a patent. *Id.*

³²¹ A clear statute would eliminate any argument between the parties as to what the law actually is.

³²² U.S. CONST. art III, § 2 (establishing a case and controversy requirement, which would be nonexistent if a clear and unambiguous statute existed on this issue).

³²³ *Marbury v. Madison*, 5 U.S. 137, 170 (1803) (“Questions, in their nature political, or which are, by the constitution and laws, submitted to the executive, can never be made in this court.”).

³²⁴ 35 U.S.C. § 289 (2006).

as smartphones.³²⁵ The appropriate amount of damages that the patent holder is entitled to is an open question.³²⁶

In a heavily anticipated ruling, the Supreme Court took a very limited approach to the question regarding appropriate damages for design patent infringement under Section 289.³²⁷ Simply, the Supreme Court held that the Federal Circuit's narrow interpretation of Section 289 was not correct.³²⁸ The Court held 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."³²⁹

The Court's unanimous decision declined to establish a test in cases dealing with Section 289 damages, and remanded the case to the Federal Circuit.³³⁰ Further, rather than narrow the definition to provide clarity to lower courts, the Court broadened the definition.³³¹ In turn, the Federal Circuit held that the district court is best able to handle the issues at hand, and expressly gave the district court the "opportunity to set forth a test for identifying the relevant article of manufacture" under Section 289.³³² It is up to the District Court for the Northern District of California to be the leader in formulating the test, consistent with the Supreme Court's decision in cases of design patent infringement in multicomponent devices.³³³

Today, because of the Supreme Court's ruling, we know what an article of manufacture is *not*.³³⁴ An article of manufacture is not *always* the finished end-product, nor is it always just a component of the finished end-product.³³⁵ Without a test established by the Supreme Court dealing with Section 289 damages, lower courts will continue to struggle with awarding appropriate damages.³³⁶

³²⁵ See generally *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016).

³²⁶ *Id.*

³²⁷ *Id.*

³²⁸ *Id.*

³²⁹ *Id.* at 435.

³³⁰ *Apple*, 137 S. Ct. 429.

³³¹ *Id.*

³³² *Apple Inc. v. Samsung Elec. Co.*, No. 5:11-cv-01846-LHK, 2017 WL 490419 (Fed. Cir. Feb. 7, 2017).

³³³ *Id.*

³³⁴ *Apple*, 137 S. Ct. 429.

³³⁵ *Id.*

³³⁶ See generally *Lucent*, 580 F.3d at 1337. Notably, just three months after the Supreme Court ruling, the Federal Circuit ordered a new trial to determine appropriate damages in light of the Supreme Court's decision in *Apple*. *Nordock, Inc. v. Systems, Inc.*, No. 2014-1762, 2017 WL 1034379 (Fed. Cir. Mar. 17, 2017). Acknowledging that the Supreme Court

Without congressional action, the District Court for the Northern District of California should adopt the customer demand approach. If the plaintiff is able to carry the burden of proving to the fact finder that the sale of defendant's product was fueled substantially by a component, which infringes on the plaintiff's patent, the plaintiff should be entitled to the sum of the total profits of the defendant. The court should carry over the "entire market value rule" from utility patents as elaborated by *Cornell University*.³³⁷ Apportionment in complex devices, such as a smartphone, would be a futile task for a jury.³³⁸ The need for clarity, simplicity, and deterrence makes the "entire market value rule" the ultimate test that the District Court should apply, and ultimately that the Supreme Court should adopt. Until a specific test is adopted for this issue, there is guaranteed to be confusion, uncertainty, venue shopping, and a whole lot of lawyering.³³⁹

in *Apple* held that the term article of manufacture is "broad enough to embrace both a product sold to a consumer and a component of that product," the Federal Circuit went on to say that the Supreme Court did not establish a test for the Circuit to follow. *Id.* Here, one party argued that the entire dock leveler at issue is the proper relevant article of manufacture. *Id.* The other party argued that the relevant article of manufacture is a smaller component of the end-product (the "lip and hinge plate," rather than the entire dock leveler). *Id.* The Federal Circuit, not having a test to follow, remanded the case to the District Court to "revisit and restructure its jury instructions" for appropriate damages under Section 289. *Id.*

³³⁷ See *supra* note 291 and accompanying text; *Cornell University*, 609 F. Supp 2d at 286-87.

³³⁸ *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010) (providing an example of a dispute regarding the amount of damages for the infringement of a patent for a "method and system for manipulating the architecture and the content of a document separately from each other." U.S. Patent 5,787,449 (issued July 28, 1998)).

³³⁹ See *supra* text accompanying notes 1-21.