

35 USC § 289- An Important Feature of U.S. Design Patent Law

An Approach to Its Application

Gary L Griswold¹

Both utility and design patents have access to the remedies under 35 USC § 284 (entitling the utility or design patent holder to recover lost profits and/or secure no less than a reasonable royalty) and injunctive relief. The remedy for infringement of a design patent additionally includes the right under 35 USC § 289 to recover total profits of the infringer as the measure of damages.² This “total profits” recovery was once available for utility patents, but long ago removed from the utility patent law.³

Given that the § 284 lost profits/reasonable royalties remedies suffice for utility patents, what policy might justify the additional option under 35 USC § 289 for recovering the total profits of "an article" to which a "patented design" is applied? Since the “total profits” recovery might be far greater than the lost profits or a reasonable royalty, what justification exists for the apparent favoring of the form (the design) over the substance (the utilitarian aspects) of an article of manufacture?

One policy rationale for favoring patented designs which are “primarily ornamental”⁴ may lie in the combination of a competitor’s temptation to a copy and the ease with which the competitor should be able to avoid a look-alike design. Given the limited protection afforded under design patent law, an ethical competitor should readily be able to engineer a non-infringing design that

¹ Mr. Griswold is a Consultant residing in Hudson, WI and was formerly President and Chief Intellectual Property Counsel for 3M Innovative Properties Company. The paper reflects the views of the author. He wishes to thank Bob Armitage and Mike Kirk for their excellent contributions to the paper.

² 35 USC § 289

³ *See Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co, Inc.*, 377 U.S. 476, 505 (1964) (holding that the 1946 amendment that established 35 U.S. C. § 284 only allowed recovery of “damages” to the exclusion of “profits” for utility patents).

See also, The Patent Act of 1946. Pub. L. No. 79-587 (Aug. 1, 1946):

“[U]pon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor, together with such costs, and interest, as may be fixed by the court. The court may in its discretion award reasonable attorney’s fees to the prevailing party upon the entry of judgment on any patent case.”

⁴ USPTO MPEP 1504.01 (c) (March, 2014)

retains full functionality of any design-patented product. The same cannot be said, however, for many utility patents.

Slavishly copying that which could be readily engineered without the protected ornamentation causes one to be suspicious of the motives of the design-patent infringer and provides a fairness justification for extracting the copier's total profits on the article to which the patented design is applied. Such a policy has the effect of deterring others from copying patented designs, taking due care not to use the copied design for even for short periods. If total profits are disgorged, the infringer will have little, if any, to gain from placing a too-similar appearing product into commerce.

The recent *Apple v Samsung*⁵ litigation has brought focus on the full commercial ramifications of the § 289 “total profits” recovery. It has caused some to question its continued desirability. Concerns have been raised over its policy justification in the briefs filed both by the parties and by amici.⁶ Similar questions have been raised in scholarly journals.⁷ Some of the commercial and scholarly focus has related to how strictly or expansively this provision should be applied.

Several amici and scholars argue that § 289 should be read expansively and contend that the total profits of the infringer on the article itself should be recoverable as long as a patented design is applied to the article or some aspect of it.⁸ For them, that is the end of the inquiry;⁹ Congressional intent is clear.

Whatever the merits to this approach, it leads to results that many commentators believe are unfair and inappropriate.¹⁰ For example, what possible justification would exist for awarding total profits received by the infringer on a combine-harvester when the design patent claims are limited to the tread design on a tire used to propel the combine?

While the foregoing example is intentionally extreme, it demonstrates the fundamental difficulty in a purely expansionist (some may say literal) approach to the application of § 289.

⁵ *Apple Inc. v. Samsung Electronics Co., Ltd.*, Dkt Nos. 2014-1335, -1368. (Fed. Cir. 2014).

⁶ See, e.g., Brief for the Computer & Communications Industry Association (CCIA) as Amicus Curiae Supporting Appellants, *Apple Inc. v. Samsung Electronics Co., LTD.* (Case No. 14-1335)(Fed. Cir. May 30, 2014), Brief for 17 Law Professors as Amicus Curiae Supporting Appellants, and Brief for National Grange as Amicus Curiae Supporting Appellants.

⁷ Otero, Venessa L., “How Much Is Really at Stake? Damages Statutes Collide in Multiple-IP Litigation.” 96 J. Pat. & Trademark Off. Soc’y 346 (2014).

⁸ See, e.g., Brief for Janson J. Du Mont and Mark D. Janis as Amicus Curiae Supporting Respondents, *Apple Inc. v. Samsung Electronics Co., LTD.* (Case No. 14-1335)(Fed. Cir. May 30, 2014), Brief for 54 Industrial Design Professionals as Amicus Curiae Supporting Respondents, Brief for 26 Design Educators as Amicus Curiae Supporting Respondents, and Brief for Crocs, Inc. as Amicus Curiae Supporting Respondents.

⁹ Brief for Du Mont and Janis at 2.

¹⁰ See, e.g., Cotter, Thomas F., “Reigning in Remedies in Patent Litigation: Three (Increasingly Immodest) Proposals.” 30 Santa Clara High Tech. L. J. 1 (2014).

Other amici and scholars are on the opposite side of the statutory construction divide. The “minimalist” commentators contend that logic alone dictates apportioning damages.¹¹ The minimalists contend that only the portion of the total profits that are related to the patented design should be the subject of the damage award.¹²

Whatever the apparent fairness and common sense in an apportionment approach, it has come under criticism by those who would contend that § 289 was written in clear and categorical terms to preclude such an apportionment.¹³

In an attempt to bridge the expansionist-minimalist divide, another approach to limit § 289 profits has emerged. It would inject the concept of “near exact copying” to the § 289 recovery determination. The “near exact” approach would not provide the § 289 remedy to “all design patent cases, but only to the most egregious ones—cases in which the defendant actually adopted the plaintiff’s design or one sufficiently close that it is a colorable imitation of that design.”¹⁴

This approach, in practice, was recognized as being difficult to apply by its presenter and is almost certain to produce an overly exquisite focus on how near the “near exact” copy must be for a full recovery of “total profits” versus no recovery whatsoever of profits. The consequences could be that the finest of fine lines produces the most enormous of differences in the available recovery.

If § 289 is to long endure, it must produce results that are considered to be fair—and fair enough to justify this remedy notwithstanding that the other patent law successfully operates without it. In all likelihood, this means finding a mechanism to better target the application of § 289 to situations where its fairness and equity resonates—as does the predictability in its application.

This paper offers one such mechanism for addressing § 289’s application. It offers a process for determining when and how to apply the total profits remedy. At its core, it is a process designed to be consistent with the intent of Congress when it passed the forerunner of the present § 289.¹⁵ More significantly, this new proposal is intended to lessen the likelihood that § 289 would be applied where its critics have contended that it is clearly inappropriate.

In a nutshell, this new proposal provides that, if the patented design is substantially the basis for customer demand for the entire article, then an award of total profits under § 289 should be available for the entire article. Thus, this new proposal proceeds on the premise that awarding the total profits on the infringing article is good policy and fully appropriate in many situations. As

¹¹ Lemley, Mark A., “A Rational System of Design Patent Remedies,” 17 Stan. Tech. L. Rev. 219 (2013).

¹² White, Dennis M., “Inefficiencies in Overcompensating Design Patent Damages under 35 U.S.C. §289 in Complex Technologies,” 95 J. Pat. & Trademark Off. Soc’y 444 (2013) (citing Betts, Frederic H., “Some Questions Under the Design Patent Act of 1887. 1 Yale L.J. 181, 191 (1892)).

¹³ See *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1440 (Fed. Cir. 1998).

¹⁴ Supra, note 11 at 234-35

¹⁵ See Chisum, Donald, Chisum on Patents § 23.05(a)(Matthew Bender & Co., Inc. 2014)(referencing what was previously 35 USC § 74).

an example, the “customer demand” approach would provide for an award of total profits for the carpet in the *Dobson* cases.¹⁶ In *Dobson*, the infringer had made carpet “founded upon the patent for what is popularly called the ‘Pagoda pattern’” as well as another carpet with the “Chinese Lantern” pattern. From what can be garnered from the decision, it appears that the patented designs were substantially the basis for customer demand.¹⁷

The “customer demand” approach can be viewed as an outgrowth of a court-made extension of the reach of damages for utility patents under 35 USC § 284 under the entire market value rule. That rule has been referred to as the “closest analogy” to 35 USC § 289.¹⁸ The often cited statement of the rule was provided by Judge Rader in *Cornell v. Hewlett-Packard* as follows:

(1) The infringing components must be the basis for customer demand for the entire machine including the parts beyond the claimed invention, (2) the individual infringing and non-infringing components must be sold together so that they constitute a functional unit or are parts of a complete machine or single assembly of parts, and (3) the individual infringing and non-infringing components must be analogous to a single functioning unit. It is not enough that the infringing and non-infringing components are sold together for business advantage. Notably, these requirements are additive, not alternative, ways to demonstrate eligibility for application of the entire market value rule.¹⁹

The first element is “the infringing components must be the basis for customer demand for the entire machine including parts beyond the claimed invention.”²⁰ Recently, Chief Judge Prost of the Court of Appeals of the Federal Circuit stated it this way: “[a] patentee may assess damages on the entire market value of the accused product *only where* the patented feature creates the basis for customer demand or substantially creates the value of the component parts.”²¹ If so, under the entire market value rule, damages are available for the entire machine. By analogy if the patented design is substantially the basis for customer demand for the entire article then total profits under § 289 would be available for the entire article.

The decision is binary. If the patented design is not substantially the basis for the customer demand for the entire article, then the patentee would be left with the same remedies available to utility patents (and also currently electable for design patents) under § 284, lost profits and/or

¹⁶ See *Dobson v. Dornan*, 118 U.S. 10, (1886); *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885); *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885); *Bigelow Carpet Co. v. Dobson/Hartford Carpet Co. v. Same*, 10 F. 385,386 9 (E.D. Pa. 1882).

¹⁷ Another example would be some consumer products like shampoos, body washes, detergents, etc. In this case the patented design of the container may well be substantially the basis for customer demand.

¹⁸ *Supra*, note 11 at 231

¹⁹ *Cornell University v. Hewlett-Packard Co.*, 609 F.Supp. 2d 279, 288-9 (N.D.N.Y. 2009).

²⁰ *Id.* at 286.

²¹ *Virnetz, Inc. v. Cisco Systems, Inc.*, 113 F.3d 1308, 1326 (Fed. Cir.2014)

reasonable royalty. This is similar to the test for infringement of a design patent found in *Gorham*.²² The test for design patent infringement is stated in *Gorham* as follows:

...to constitute infringement of a patent for a design, it is not essential that the appearance be the same to the eye of an expert. The test of a patent for a design is in the eye of an ordinary observer. If in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such observer, inducing him to purchase one, supposing it to be the other, the first one patented is infringed by the other.²³

In this case, the operative question is whether the infringing design is substantially the basis for customer demand for the article. This and the metes and bounds of the article would be a fair question for the trier of fact.

For example, in the case where a combine-harvester is the article of manufacture and the patented design relates to the tire tread of the combine-harvester, the patented tread design may indeed be substantially the basis for demand for the *tire* itself and 35 USC § 289 total profit damages would apply for the tire—and the tire alone.

It would be unlikely (indeed, farfetched) for a patented tire tread to substantially be the basis for demand for the entire combine-harvester. Given that such a basis for demand could not be proven, § 289 total profits would not apply.

Additionally, the “customer demand” proposal would help avoid an issue raised in some of the *Samsung* briefs and commentary thereon, viz., more than one total profits recovery on the same product.²⁴ A binary decision focused on the basis for customer demand for the article (product) would in all likelihood eliminate that possibility.

As noted, the decision process would be binary—once an article of manufacture is implicated, total profits would apply to the entire article. This was apparently a critical aspect of the forerunner of present 35 USC § 289.²⁵ The forerunner required knowledge on the part of the infringer²⁶ and Congress didn't want courts or juries to drill down or apportion.²⁷ It believed to do so was a marginalization of design patents.

²² *Gorham Manufacturing Co. v. White*, 81 U.S. 511 (1871).

²³ *Id.* at 528.

²⁴ E.g., “[T]he term “article of manufacture” as used in 35 USC § 289 must refer to the article in the design patent itself, not a larger device that incorporates the article as one of its components. Were it not, a design patent covering a cup holder would entitle the patent owner to an infringer’s profits for all sales of a car that includes an infringing cup holder. A car manufacturer using two separate infringing cup holders might be liable for twice its profits, and so on.” Brief for CCIA as Amicus Curiae at 6.

²⁵ S. REP. NO. 49-206 (1887); H.R. REP. NO. 49-1966 (1887)

²⁶ See Chisum at § 23.05 (1) (citing See Federico, “Commentary on the New Patent Act,” 35 U.S.C.A. 1, 42 (1954), reprinted at 75 J. Pat. & Trademark Off. Soc’y 161 (1993));

Although design patent litigation does not typically include surveys, they may be needed as an element of proof of customer demand. Given the potential magnitude of a total profits recovery and the absence in § 289 of a knowledge requirement on the part of the infringer of the design patent,²⁸ this type of customer-demand proof may represent an appropriate burden on the patent holder.

Courts may develop a list of factors to help identify cases where 35 USC § 289 would likely apply similar to those outlined by the Court in *Georgia-Pacific Corp. v. United States Plywood Corp.* for use in reasonable royalty related determinations.²⁹ These factors, while not necessarily conclusive, could make it less burdensome for courts to determine if a given patented design applied to an article of manufacture was substantially the basis for customer demand for the article. Courts using fact patterns in actual cases could develop these factors over time consistent with the intent of Congress and decisions such as *Gorham*.³⁰ Any listing of this type is far better left to the courts than it is to lockdown a list in a statute. An example of what the items in such a list might include is appended below.

The “customer demand” proposal assumes that there is a presently existing basis in § 289 for the courts to evolve a practical and useful methodology to apply a “total profits” recovery that avoids clearly unreasonable results, but at the same time captures circumstances where it is sound policy to afford a total profits option for recovery. With the “customer demand” approach, the § 289 recovery should be consistent with congressional intent that those using patented designs which substantially provide the basis for customer demand for an article disgorge the gains attributed to that use.

Also, the “customer demand” proposal would place the § 289 recovery in a posture consistent with remedies available in analogous situations under other IP regimes. This includes the total profits remedies to be found for copyright infringement and for the willful infringement of

"The 1887 provisions affording recovery of infringers' profits for design patent infringement were separately codified at § 289. Relevant to the marking issue, the phrase 'knowing that the same has been so applied' of the 1887 Act was omitted from § 289. P.J. Federico, in his Commentary on the New Patent Act (1954), reprinted in 75 J. Pat. Trademark Off. Soc'y 161 (Mar. 1993), acknowledged the omission but offered no explanation:

'Section 289, providing an additional remedy for infringement of design patents, is a consolidation of two sections of the old statute with some revision in language. While the Revision Notes merely state that language has been changed, the phrase "knowing that the same has been so applied" which appeared in the old statute has been omitted.'

²⁷ “The Supreme Court held in substance that the complainant must clearly prove what part of his own damages, or what part of defendant’s whole profit on the articles made and sold was directly due to the *appearance* of those articles as distinguished from their material, their fabric, their utility, etc.; the design, to wit, the appearance, being the only thing patented. It has been abundantly shown, even if any such showing were necessary, that the proof thus called for can never be furnished.” S. REP. NO. 49-206 (1887) (emphasis original) (*citing to Dobson*, 118 U.S. 10 (1886))

²⁸ *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002)

²⁹ See *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1119-20 (S.D.N.Y. 1970), modified and aff’d, 446 F.2d. 295 (2d Cir. 1970).

³⁰ *Supra*, note 22.

trademarks. In both cases, the courts' decisions in applying these "total profits" remedies are heavily factually driven. They include quantitative, empirical evidence, such as surveys for trademark infringement. While proofs producing an entitlement to total profits may require an effort on the part of the patent enforcer, meeting such an evidentiary burden provides a justification for the resulting reward—recovering the infringer's total profits from using the designs and likely goodwill of another that created the underlying demand for the article.

In conclusion, the "customer demand" approach set forth above will hopefully contribute to the ongoing discourse that is underway on the application of § 289. As most commentators would agree, it is a subject that could profit from new analytical approaches leading to a legal framework striking the right balance among competing policy interests—and further secure § 289 as a distinguishing feature of U.S. design patent law.

Factors:

1. The patented design is the product.
2. The infringer was aware of the patented design and copied it.
3. The infringer entered the market after the patentee sold an article to which the patented design was applied.
4. The infringer had options to make a functional article which did not involve the patented design but instead chose to use the patented design.