

Design patent damages after *Samsung* – the quest for a fair standard

In the wake of the Supreme Court's decision in *Samsung v Apple*, design patent owners are waiting for the lower courts to articulate a standard for awarding total profits on the sale of products protected by a patented design

By Gary Griswold

Section 289 of Title 35 of the US Code establishes that a design patent owner can recover an infringer's total profits on the sale of a manufactured article to which a patented design has been applied. There are no similar damages remedies for either utility or plant patents.

Congress almost certainly never intended this unique remedy for design patents to be applied in a wholly unconstrained manner. To do so would invite potentially absurd results – for example, the total profits on the sale of a \$400,000 Lamborghini Aventador could be recoverable by a design patentee whose sole design contribution was the shape of a \$4 cup holder.

However, such a misapplication of Section 289 was possible before the Supreme Court's holding in *Samsung v Apple*. The court held that the term 'article of manufacture', which is used in Section 289, might encompass either the product sold to a consumer or merely a component of that product. The standard for determining whether the basis for determining damages lies in the product sold or an included component was left to the lower courts. While the lower courts have a number of options for defining such a standard – for instance, they might attempt to develop a variant of traditional methodologies for determining damages, such as the *Georgia-Pacific* factors often employed in reasonable royalty determinations – what policy should guide them in setting a standard for this unique statutory measure for damages?

Policy considerations should lead the courts to conclude that design patent damage regimes should not advantage design patent holders over other patent holders (ie, utility and plant patentees).

Design patents need to find their constitutional justification for the exclusive rights they grant from the same directive to "promote progress" in the "useful arts" which applies to utility patents. Taking this justification seriously suggests that, whatever the courts might do with the Supreme Court's *Samsung* ruling, nothing in the decision or in the constitutional basis for granting design patents should result in design patentees being systematically advantaged over other types of patentee when it comes to securing infringement damages.

Since all patents – whether design, plant or utility – have a set of common statutory remedies for infringement under Section 284 of Title 35 of the US Code (including reasonable royalty, lost profits and possible treble damages), as well as the possibility for

injunctions under Section 283, the policy starting point for the courts should be that all types of patent merit effective and fair and fully compensatory remedies, if and when infringed.

Congress's decision to enact the total profits damages option for design patents and its retention to the present day should not be viewed as an effort to favour design patents over utility or plant patents. Rather, Congress in the 1800s may have believed – for very practical reasons – that design patents needed this unique mechanism for measuring damages in order to ensure that they were not unduly marginalised. Since the functional elements of a design patented article could be used to reduce the available damages for design patent infringement, an alternative damages remedy was justifiable to protect a design inventor's non-functional contribution.

Viewed in this light, Congress could not have intended for the damages pendulum to swing wildly to the advantage of design patentees, particularly by affording them an order of magnitude of damages remedies unavailable for utility or plant patents. At most, that congressional action should be seen as an attempt to lessen an inherent disadvantage in seeking damages for design patents and to assure that design patents would be respected by providing effective remedies for infringement.

So when does it make sense to disgorge the total profits on an article of manufacture to which the design is applied?

The solicitor general suggested elements of a test for the factfinder to use to determine the article of manufacture:

- the scope of the design claimed in the patent, including the drawing and written description;
- the relative prominence of the design within the product as a whole;
- the conceptual distinction of the design from the product as a whole; and
- a physical relationship between the patented design and the rest of the product which reveals that the design adheres only to a component of the product.

While all of these factors may be helpful in some cases, it might be more generally helpful simply to ask whether the patented design is substantially the basis for customer demand for an article of manufacture (either the product sold to a consumer or a component) to which the design is applied.

If no article of manufacture surfaces which meets this element, then Section 289 total profits damages will not be available. Such an analysis would be consistent with the entire market value rule for utility patents, where damages are available for the entire market for which the patented invention is the basis for customer demand. It also allows for a remedy which is consistent with the harm done by the infringement, reinforcing the constitutional mandate to promote innovation in design. **iam**

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