

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

## Determining the ‘Relevant Article of Manufacture’ in Assessing Design-Patent Damages

In *Samsung Electronics Co. v. Apple*, the U.S. Supreme Court held that an award of a design-patent infringer’s total profit on an infringing article of manufacture under 35 U.S.C. §289 need not be calculated based on the end product sold to the consumer, but may instead be calculated based on only a component of that product. 137 S. Ct. 429 (2016). The court, however, did not adopt a test to determine the relevant article of manufacture.

We report here on subsequent district court decisions that have begun to establish a test for determining the relevant article of manufacture.

### Disgorgement of the Infringer’s Profits Under §289

Utility patents protect the functional characteristics of an article,



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such as the way an article is used and works, while design patents protect the way an article looks, such as the shape of an article or the surface ornamentation applied to an article. 35 U.S.C. §§101, 171.

Until recently, it was unsettled whether the relevant “article of manufacture” used to calculate the infringer’s total profits could be anything less than the end-product sold to consumers.

Section 289 of the Patent Act provides design-patent holders with an “[a]dditional remedy for infringement of a design patent”

that is not available to utility-patent holders—the ability to recover an infringer’s total profits on sales of the “article of manufacture” embodying the patented design:

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 ...

35 U.S.C. §289. Until recently, however, it was unsettled whether the relevant “article of manufacture” used to calculate the infringer’s total profits could be anything less than the end-product sold to consumers.

### ‘Samsung v. Apple’

A federal jury awarded Apple \$399 million, representing

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Samsung's entire profit on sales of its smartphones that infringed Apple's design patents covering a rectangular front face of a phone with rounded edges and a grid of colorful icons on a black screen. Because the district court concluded that the relevant "article of manufacture" under §289 was the final end product sold to consumers—Samsung's infringing smartphones—Apple was able to recover Samsung's entire \$399 million profit on the smartphones, rather than its profit on just a component of the phones, such as the case. The Federal Circuit affirmed and the case went to the Supreme Court, which held unanimously that "article of manufacture" under §289 "is broad enough to encompass both a product sold to a consumer as well as a component of that product." 137 S. Ct. at 435.

In so holding, the court set out a two-step inquiry for arriving at a damages award under §289: "First, identify the 'article of manufacture' to which the infringed design has been applied. Second, calculate the infringer's total profit made on that article of manufacture." *Id.* at 434.

The United States, as amicus curiae, proposed a four-factor test for identifying the relevant "article of manufacture":

- "[T]he scope of the design claimed in the plaintiff's patent, including the drawing and written description";

- "[T]he relative prominence of the design within the product as a whole";

- "[W]hether the design is conceptually distinct from the product as a whole"; and

- "[T]he physical relationship between the patented design and the rest of the product," including whether "the design pertains to a component that a user or seller can physically separate from the product as a whole," and whether "the design is embodied in a component that is manufactured separately from the rest of the product, or if the component can be sold separately."

No. 11-CV-01846-LHK, 2017 WL 4776443, at \*8 (N.D. Cal. Oct. 22, 2017).

The court, however, declined to adopt a particular test for determining the relevant article of manufacture under step one, instead explaining: "In the case of a design for a multicomponent product, such as a kitchen oven, identifying the 'article of manufacture' to which the design has been applied is a more difficult task" than identifying the relevant article of manufacture in a single-component product, such as a dinner plate. 137 S. Ct. at 432.

### **'Samsung v. Apple' On Remand**

On remand from the Supreme Court and the Federal Circuit, the district court in *Samsung* adopted the United States' proposed four-factor test. 2017 WL 4776443, at \*11. The court

also adopted the United States' proposed allocation of burdens. The court thus concluded that "plaintiff bears the burden of persuasion on identifying the relevant article of manufacture and proving the defendant's total profit on that article." *Id.* at \*13. As to the burden of production, the court adopted a burden-shifting framework, placing the initial burden on the plaintiff: "If the plaintiff satisfies this burden of production, the burden of production then shifts to the defendant to come forward with evidence of an alternative article of manufacture and evidence of a different profit calculation." *Id.* at \*12.

In a subsequent opinion denying Samsung's *Daubert* motions to exclude Apple's expert witnesses for misapplying each of the four factors, and to preclude, as irrelevant to the four-factor test, evidence of Apple's design process and allegations that Samsung copied Apple's designs, the court provided guidance on the types of evidence that may be relevant to the four factors. No. 11-CV-01846-LHK, 2018 WL 1586276, at \*4-10, \*12 (N.D. Cal. April 2, 2018). For example, as to factor two, the relative prominence of the design within the product as a whole, the district court held that evidence of and opinions regarding allegations that Samsung copied Apple's design, and evidence regarding Apple's design process, including Apple's marketing of

its own device which embodied its patented designs, could be relevant to determining the article of manufacture: “Specifically, evidence that Apple’s marketing focused on views of the iPhone that featured the patented designs, evidence of and opinions related to the iPhone’s ‘look and feel,’ and evidence that consumers associated the patented designs with iPhones are relevant to the second factor.” *Id.* at \*12.

Notably, the district court granted Samsung’s motion to exclude Apple’s expert testimony that applied the “designer of ordinary skill in the art” and the “ordinary observer” standards to the four-factor test. *Id.* at \*10. The court held that “there is no basis for importing these perspectives, which are used in the infringement and validity contexts, into the article of manufacture inquiry.” *Id.* at \*11. Rather, the court appeared to agree with Samsung that “the jury [should] decide the relevant article of manufacture for itself, without taking on any particular perspective.” *Id.* The court did, however, permit Apple’s experts to testify regarding their own perspectives as experts in industrial design and graphical user interface designs, which “include opinions on how a consumer would view and interact with the phones at issue” because “how a designer would understand the patent and how a consumer would view the products” are relevant to at “least the

second factor” of the four-factor test. *Id.* at \*11-12.

### District Courts Adopt the Four-Factor Test

Thus far, at least two other district courts have adopted the United States’ four-factor test.

In *Nordock v. Systems*, the district court adopted the United States’ four-factor test, including the proposed allocation of burdens. No. 11-CV-118, 2017 WL 5633114 (W.D. Wisc. Nov. 21, 2017). Applying the four-factor test on the parties’ cross motions for summary judgment as to the article of manufacture under §289, and acknowledging that “[i]dentifying the article of

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manufacture is generally for the jury,” the court found that issues of fact precluded it from identifying the article of manufacture in Systems’s dock leveler, which had previously been found to infringe Nordock’s design patent covering the ornamental design of a lip and hinge plate for a loading dock leveler. *Id.* at \*7. Notably, the court found that “[a]lthough not readily physically severable because the components are welded together, there is evidence in the record that the lip and hinge plate is conceptually distinct from the

overall dock leveler” because even though “[a]ll of the components of the dock leveler must function together for it to perform its intended purpose,” the dock leveler may still be considered “a system of conceptually distinct components in much the same way the components of an automobile are distinct.” *Id.*

Likewise, in *Columbia Sports-wear North America v. Seirus Innovative Accessories*, the district court instructed the jury that it “must use” the United States’ factors if the product sold to consumers contains multiple components. No. 3:17-cv-01781-HZ, Docket No. 378, at 15 (Sept. 29, 2017). Unlike the *Samsung* and *Nordock* district courts, however, the *Columbia* court did not adopt the burden allocation proposed by United States. Instead, the court instructed the jury that the burden of persuasion was on the infringer to “prov[e] that the article of manufacture is something less than the entire product.” *Id.* The jury awarded Columbia \$3 million for infringement of Columbia’s design patent covering the ornamental design of a heat reflective material, Seirus’s entire profit on its infringing winter gloves. Jury Verdict, Docket No. 377, at 2 (Sept. 29, 2017). Seirus has appealed.