CLIENT ALERT

Design Patents Win Big in Apple v. Samsung

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The Federal Circuit recently issued the highly-anticipated decision in the appeal of the nearly $1 billion verdict in *Apple v Samsung*, where the jury had found Samsung infringed Apple's patents and trade dresses. *Apple Inc. v. Samsung Electronics Co., Ltd.*, --- F.3d --- (Fed. Cir. 2015). Although the Federal Circuit vacated the trade dress verdict and associated damages, it affirmed $548 million in damages for Apple's patent infringement claims.

Significantly, the Federal Circuit rejected Samsung's argument that functional elements should be excluded during the design patent infringement analysis and affirmed the award of Samsung's *total profits*—rather than an apportionment—from its sales of phones with the infringing design. This decision represents a significant victory for Apple and indeed for design patent owners and applicants generally.

In 2011, Apple brought suit against Samsung for infringement of several utility and design patents as well as trade dresses covering its iPhone. In one of the most significant patent battles between the two high-tech giants, a California jury awarded close to $1 billion in damages against Samsung finding it liable for infringement of Apple's design and utility patents and for dilution of Apple's iPhone trade dresses under the Lanham Act.

On appeal, the Federal Circuit first reversed the jury's trade dress verdict, holding that Apple's trade dresses are directed to functional elements of the iPhone and therefore not protectable. Applying Ninth Circuit law, it reiterated that a "trade dress, taken as a whole, is functional if it is in its particular shape because it works better in this shape." Slip Op. at 7-8. Because Apple had failed to rebut evidence that the particular elements of its trade dresses are directed specifically to improved usability of its iPhone, the Federal Circuit found that the trade dresses had not been demonstrated as sufficiently non-functional to confer trade dress protection.

Functionality of the iPhone's elements did not impede Apple's design patent claims, despite Samsung's efforts to "factor-out" functional aspects of the design patents. The Federal Circuit reversed a recent trend of factoring out such functional elements as part of a design patent infringement analysis. *Id*. at 21. The Federal Circuit explained that even where components were dictated by function, claim construction nonetheless allowed for consideration of ornamental aspects of these components. This holding is likely to benefit patentees in enforcing their design patent rights.

Finally, the Federal Circuit held that total profits remain the applicable standard for evaluating damages in the context of design patents. The Federal Circuit noted that the language of Section 289 expressly authorizes that an infringer "*shall be* liable to the owner to the extent of [the infringer's] total profit." *Id*. at 26-27. Relying on the statute, the Federal Circuit rejected Samsung's quest to apportion those damages attributable to the infringing design elements. *Id*. at 27. While the Federal Circuit acknowledged policy arguments against awarding total profits, it concluded that those arguments "should be directed to Congress." *Id*. at 27, n. 1. The Court specifically noted it is "bound by the words of the statute, irrespective of policy arguments that may be made against it."

This decision will undoubtedly prompt businesses to closely evaluate the value of filing more design patent applications and enforcing existing design patent rights.

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