

## Federal Circuit Patent Bulletin: *Apple Inc. v. Samsung Elecs. Co.*

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May 18, 2015

*"[35 U.S.C. §] 289 explicitly authorizes the award of total profit from the article of manufacture bearing the patented design [not merely that profit attributable to the infringement]."*

On May 18, 2015, in *Apple Inc. v. Samsung Elecs. Co.*, the U.S. Court of Appeals for the Federal Circuit (Prost,\* O'Malley, Chen) affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the district court's judgment entering the jury verdict, inter alia, that Samsung infringed U.S. Design Patents No. D618,677, No. D593,087, and No. D604,305, which related to claim certain design elements embodied in Apple's iPhone, as well as U.S. Patents No. 7,469,381, No. 7,844,915, and No. 7,864,163, which related to certain features in the iPhone's user interface. The Federal Circuit stated:

"Where a design contains both functional and nonfunctional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent." . . . The jury instructions, as a whole, already limited the scope of the asserted design patents to the "ornamental" elements through the claim constructions as discussed earlier: the design patents were each construed as claiming "the ornamental design" as shown in the patent figures. . . .

A design patent is infringed if an ordinary observer would have been deceived: "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 an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other." Moreover, an infringement analysis must include a comparison of the asserted design against the prior art: "[i]f the accused design has copied a particular feature of the claimed design that departs conspicuously from the prior art, the accused design is naturally more likely to be regarded as deceptively similar to the claimed design, and thus infringing." . . .

We conclude that there was no prejudicial legal error in the infringement jury instructions on the three issues that Samsung raises: functionality, actual deception, and comparison to prior art. We further conclude that the district court did not abuse its discretion in excluding Samsung's evidence of independent development and that there was substantial evidence to support the jury's infringement findings. We therefore affirm the district court's denial of Samsung's motion for judgment as a matter of law on design patent infringement and Samsung's alternative motion for a new trial.

Finally, with regard to the design patents, Samsung argues that the district court legally erred in allowing the jury to award Samsung's entire profits on its infringing smartphones as damages. The damages, according to Samsung, should have been limited to the profit attributable to the infringement because of "basic causation principles . . . ." Samsung contends that "Apple failed to establish that infringement of its limited design patents . . . caused any Samsung sales or profits." Samsung further contends that consumers chose Samsung based on a host of other factors.

These "causation" arguments, however, advocate the same "apportionment" requirement that Congress rejected. . . . In reciting that an infringer "shall be liable to the owner to the extent of [the infringer's] total profit," Section 289 explicitly authorizes the award of total profit from the article of manufacture bearing the patented design. . . . The clear statutory language prevents us from adopting a "causation" rule as Samsung urges. . . .

We agree with the district court that there was no legal error in the jury instruction on the design patent damages. Samsung does not argue a lack of substantial evidence to support the damages awards under the district court's jury instruction. We therefore affirm the damages awarded for design patent infringements. . . .

"To recover lost profits, the patent owner must show causation in fact, establishing that but for the infringement, he would have made additional profits." The patentee must "take[] into account any alternatives available to the infringer." "[M]arket sales of an acceptable noninfringing substitute often suffice alone to defeat a case for lost profits."

Samsung argues that lost profits should not have been awarded because the evidence showed the existence of non-infringing substitutes. Specifically, Samsung contends that two Samsung phones, found to have not infringed the '915 patent, should have been considered by the jury as non-infringing substitutes. Samsung

further asserts that Apple failed to prove consumer preference of the '915 patent's technology over a purportedly comparable feature available in the two non-infringing Samsung phones.

However, "the '[m]ere existence of a competing device does not make that device an acceptable substitute.'" The mere existence of non-infringing phones is all Samsung is relying on to attack the jury's verdict. For example, Samsung points to no evidence to support its assertion that the two non-infringing phones included a feature comparable to the one claimed in the '915 patent. In contrast, there was substantial evidence to support the jury's refusal to consider the two phones asserted by Samsung as non-infringing substitutes. Of these two phones, one had significantly different features, such as a slide-out physical keyboard in combination with a small, low-resolution screen. And the other phone was never sold by a U.S. carrier. The jury could have reasonably found that these two Samsung phones were not acceptable alternatives. Samsung's unsupported assertion to the contrary fails to show a lack of substantial evidence supporting the awards of lost profits.

Samsung argues that Apple's expert in the damages retrial, Ms. Davis, offered only a cursory explanation of how she arrived at the royalty rates she calculated based on the Georgia-Pacific factors. Samsung complains specifically about Ms. Davis's testimony that the evidence of demand from her lost profits analysis was "also relevant to the determination of the amount of reasonable royalties." Samsung does not dispute that Ms. Davis sufficiently explained her analysis of demand in the lost profit context. Samsung is only challenging that she did not repeat the same information with all of the details in testifying about her reasonable royalty calculation. However, Ms. Davis expressly testified that the demand factor for lost profits was also relevant to the determination of a reasonable royalty. A reasonable jury could refer to Ms. Davis's testimony from an earlier context and appropriately weigh the evidence in considering Ms. Davis's calculation on the royalty rates. Moreover, Ms. Davis's testimony included additional substance on the Georgia-Pacific factors. For example, Ms. Davis expressly considered the cost to Samsung of being out of the market long enough to design around the patents, the profits attributable to Samsung's use of the patented technology, and the commercial relationship between the parties. Taken as a whole, Ms. Davis's testimony provided sufficient evidence to support the jury's reasonable royalty awards in the damages retrial.