

Docket Nos. 2014-1335

In the
UNITED STATES COURT OF APPEALS
for The
FEDERAL CIRCUIT

APPLE INC., a California corporation
Plaintiff-Cross-Appellant,

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean corporation,
SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation, SAMSUNG
TELECOMMUNICATIONS AMERICA LLC,
a Delaware limited liability company
Defendants-Appellants,

*Appeal from the United States District Court for the Northern District of
California, Case No. 11-CV-1846, Honorable Lucy H. Koh*

**BRIEF OF *AMICI CURIAE* JASON J. DU MONT AND MARK D.
JANIS IN SUPPORT OF APPELLEE APPLE INC.**

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2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: same as above
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are: none
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INTEREST OF AMICI

Amici are law professors affiliated with the Center for Intellectual Property Research at the Indiana University Maurer School of Law (Bloomington). We have no personal interest in the outcome of this case. We have a professional interest in the sound development and administration of patent law, particularly design patent law.

No one other than the undersigned wrote or funded any portion of this brief. Both parties have consented to the filing of this brief.

SUMMARY OF ARGUMENT

Section 289 permits design patentees to claim the infringer's *total* profits on sales of the infringing products. The statutory language is clear. Courts have adhered to it when applying Section 289. They have declined to allow infringers to claim that some portion of the profits was not attributable to the design and therefore can be withheld from the prevailing design patent holder.

The history of Section 289 and its predecessor, tracing back to the 1880s, confirms that Congress chose an award of total profits as a default rule for design patent infringement. In design patent law, apportionment was a short-lived anomaly deriving from two Supreme Court cases from 1885 and 1886 in which design patent holders were awarded a remedy totaling six cents. In 1887, Congress rejected those cases, enacting a two-pronged rule allowing the design patent holder to claim either liquidated damages or total profits. It was unrealistic, Congress decided, to require design patent holders to present evidence tying particular profits to particular infringing design features. That rule remains intact in the modern statute.

Finally, whether the legislative policy decision to enact a total profits rule is a wise one for the modern economy is not, of course, a matter for this court to decide. Regardless, any such decision would need to be based on a full legislative record.

ARGUMENT

I. THE PLAIN LANGUAGE OF SECTION 289 CALLS FOR AN AWARD OF “TOTAL” PROFITS, NOT APPORTIONED PROFITS.

A. The Statutory Text Is Clear, Requiring No Creative Interpretation.

The patent statute requires courts to award prevailing parties in a patent infringement suit damages that are “no less than a reasonable royalty.” 35 U.S.C. § 284. In cases of design patent infringement, Section 289 provides an “additional remedy” that applies both to manufacturers (those who apply the patented design to an article) and retailers (those who sell articles to which a patented design has been applied):

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*, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289 (emphasis added). *See also Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1309 n. 1 (Fed. Cir. 2013) (en banc) (noting that Section 289 allows an award of the infringer’s profits in design patent cases while Section

284 does not make such an award available for utility patent cases); *Signode Corp. v. Weld-Loc Sys., Inc.*, 700 F.2d 1108, 1113 n. 6 (7th Cir. 1983) (same).

The language of Section 289 is plain. A prevailing patentee in a design patent case is entitled to claim either \$250 or the infringer's "total profit" on sales of "any article of manufacture" to which the patented "design" was applied. "Total" means just what it says: the language does not vest courts with discretionary power to award *partial* profits in selected cases. Nor does the language empower courts to craft equitable limitations that would accomplish the same result – such as a judicial requirement to show a causal nexus between the infringer's profits and individual features of the claimed design. Total means total. The court may not subdivide the infringer's profits to satisfy an infringer's theory about how those profits ought to be apportioned.

Moreover, "any" article of manufacture means "any" article of manufacture. Single-component articles, multi-component articles, and even sets of articles all may constitute the relevant "article" for purposes of design patent protection. *Ex Parte Gibson*, 20 U.S.P.Q. (BNA) 249 (Bd. App. 1933); U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 1504.01(b) (8th ed., Rev. 5 2006) [hereinafter MPEP]. The statutory language does not permit courts to discriminate against particular classes of articles on the ground that those

articles may incorporate innovative technologies in addition to being innovative in appearance.

Finally, “design” means “design.” Surface ornamentation associated with an article (e.g., a wallpaper pattern); the shape of an article (e.g., the overall shape of a kitchen appliance); and combinations of the two (e.g., the design of an athletic shoe) all constitute patent-eligible categories of design. *In re Schnell*, 46 F.2d 203, 209 (C.C.P.A. 1931) (identifying these three categories of patent-eligible design); MPEP at § 1504.01. Section 289 does not permit courts to speculate about whether designs falling into one category deserve a more limited remedy than designs falling into another category.

Section 289 concludes with a simple prohibition against double recovery: the design patent holder “shall not twice recover the profit made from the infringement.” 35 U.S.C. § 289. The “profit made from the infringement” is the total profit elaborated in the main body of the provision. Nothing in the text or structure of Section 289 suggests that this language implicitly unravels the total profits rule that the remainder of the provision goes to such lengths to establish.

In sum, Congress has already answered the question before the court: Section 289 does not permit apportionment. Even some commentators who argue that patent remedies are too generous have acknowledged that apportionment of profits is impermissible under Section 289 “absent some creative interpretation.”

Thomas F. Cotter, *Reining in Remedies in Patent Litigation: Three (Increasingly Immodest) Proposals*, 30 SANTA CLARA HIGH TECH. L.J. 1, 8 (2013). Section 289, by its express and unambiguous terms, forbids apportionment of profits.

B. Courts Applying Section 289 in the Modern Era, Including This Court, Have Consistently Endorsed Awards of Total Profits.

In no prior Section 289 case has this court suggested that it could derogate from the statutory language to impose a general requirement for apportioning profits, or that it could formulate ad hoc exceptions requiring apportionment for particular types of articles or designs. Instead, the court has only suggested that apportionment is forbidden. *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998) (observing that, in the predecessor provision to Section 289, Congress “removed the apportionment requirement”). Moreover, many of these cases involved designs for multi-component devices that included technical features. *See, e.g., Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1290 (Fed. Cir. 2002) (lamp designs, where the lamps incorporated technology that was the subject of separate utility patents); *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993) (shoe designs in which the shoe included a combination of technical features, surface ornamentation, and an innovative overall shape); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1567-68 (Fed. Cir. 1984) (design for an eyeglass rack in which the court concluded that the article at issue did not include separately-sold eyeglasses).

Prior to the Federal Circuit era, courts also rejected the argument that Section 289 permits apportionment of profits. In *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980), the court concluded that:

[t]he very language used in the statute, “total profit,” undermines the defendants’ [apportionment] arguments, as it is unlikely that Congress would have used such all encompassing language if it intended that a design patentee could only recover profits attributable solely to the design or ornamental qualities of the patented article.

Id. (involving a design for a tubular fireplace grate). *See also Henry Hanger & Display Fixture Corp. v. Sel-o-Rak Corp.*, 270 F.2d 635, 642-44 (5th Cir. 1959) (awarding infringer’s total profits under Section 289 in case involving a design for a garment rack without mention of apportionment).

In short, courts applying Section 289 have adhered to its plain language. A new judicial requirement for apportionment would call into question the propriety of the awards in these cases.

II. HISTORICAL ANALYSIS CONFIRMS THAT “TOTAL” PROFITS IN SECTION 289 DOES NOT MEAN APPORTIONED PROFITS.

The history of design patent remedies tracing back to the 1880s confirms that the text of Section 289 means exactly what it says, and illuminates why Congress declined to leave courts discretion to craft apportionment rules in design patent cases. After the Supreme Court created an apportionment rule in a pair of design patent decisions, Congress responded with a special remedies provision in 1887. The 1887 Act established a two-pronged rule permitting design patent

holders to claim an award of either the infringer's total profits or liquidated damages. The two-pronged rule remains intact in modern Section 289, although other changes to the provision not material to this case were made in 1952. *See* STAFF OF H. COMM. ON THE JUDICIARY, 81ST CONG., PROPOSED REVISION & AMENDMENT OF THE PATENT LAWS: PRELIMINARY DRAFT WITH NOTES § 97 (Comm. Print 1950) (noting that in an early legislative proposal in 1950, only “[a] few verbal changes have been made” from the 1887 Act); *Patent Law Codification & Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the Comm. on the Judiciary*, 82nd Cong. 109-10 (1951) (statement of P. J. Federico, U.S. Patent Office) (stating that in the committee's preliminary print of H.R. 3760, a predecessor bill containing the same language as Section 289 of the modern statute, “the subject of design patents was reserved for later consideration, and the present code merely puts it in its place without attempting to make any changes in the statute”). Accordingly, the history of the 1887 Act is critical to understanding the current text.

A. The Judicial Experiment with Apportionment in Design Patent Cases was a Short-Lived Anomaly Spearheaded by a Single Jurist.

Until 1887, the provision authorizing remedies for utility patent infringement also governed remedies for design patent infringement. Rev. Stat. § 4921 (1875) (providing that in an equity case, the prevailing patentee “shall be

entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby”); *id.* at § 4933 (providing that “all the regulations and provisions which apply to the obtaining or protecting patents for inventions or discoveries not inconsistent with the provisions of this Title, shall apply to patents for designs”). In a few utility patent cases, courts began to speak of a distinction between the remedy to be awarded for infringement of a patent on a “machine” and that to be awarded for infringement of a patent on an “improvement.” *See, e.g., Seymour v. McCormick*, 57 U.S. 480 (1853). However, no general rule requiring proof of apportionment in utility patent cases had emerged until *Garretson v. Clark*, 111 U.S. 120, 121 (1884). There, the patentee sought an award of the infringer’s profits in a case in equity involving an improved mop head. The case had come up before then-Circuit Judge Blatchford, who had ruled that the patentee must provide evidence that apportioned the infringer’s profits between the mop’s patented and unpatented features. *Garretson v. Clark*, 10 F. Cas. 40, 44 (C.C.N.D.N.Y. 1878) (concluding that the patentee had failed to offer such proofs and was therefore entitled to no award). The Supreme Court affirmed in a terse opinion that merely reported and endorsed Judge Blatchford’s ruling. *Garretson*, 111 U.S. at 120.

A year later, Justice Blatchford, now on the Supreme Court, extended his *Garretson* test to design patents in a case involving several carpet designs. In

Dobson v. Hartford Carpet Co., 114 U.S. 439 (1885), the lower court's damages remedy had been based on the number of infringing designs sold by the defendant and the patentee's profit margins on each design. *Id.* at 441-43 (awarding a total of nearly \$3,000 total in three cases). Writing for the Court, Justice Blatchford reversed the award and instructed the lower court to award six cents in each case, an amount that the lower court had identified as the nominal damages award. *Id.* at 447.

Quoting his own language from *Garretson*, Justice Blatchford concluded that the apportionment rule – as he had formulated it for utility patents – should be extended to design patents. *Id.* at 445. He speculated that a purchaser's motivation for buying any given article might be attributable in part to the “intrinsic merits of quality and structure” of the article, and in part to the design embodied in the article. *Id.* at 445. Therefore, he reasoned, the patentee should be required to prove that the profits were solely attributable to the design, or take only nominal damages. *Id.* at 445-46. Moreover, according to Justice Blatchford, if the total profits were attributed to the design, then an infringer who was held to infringe a design patent and related utility patents might be liable “many times over.” *Id.* at 444.

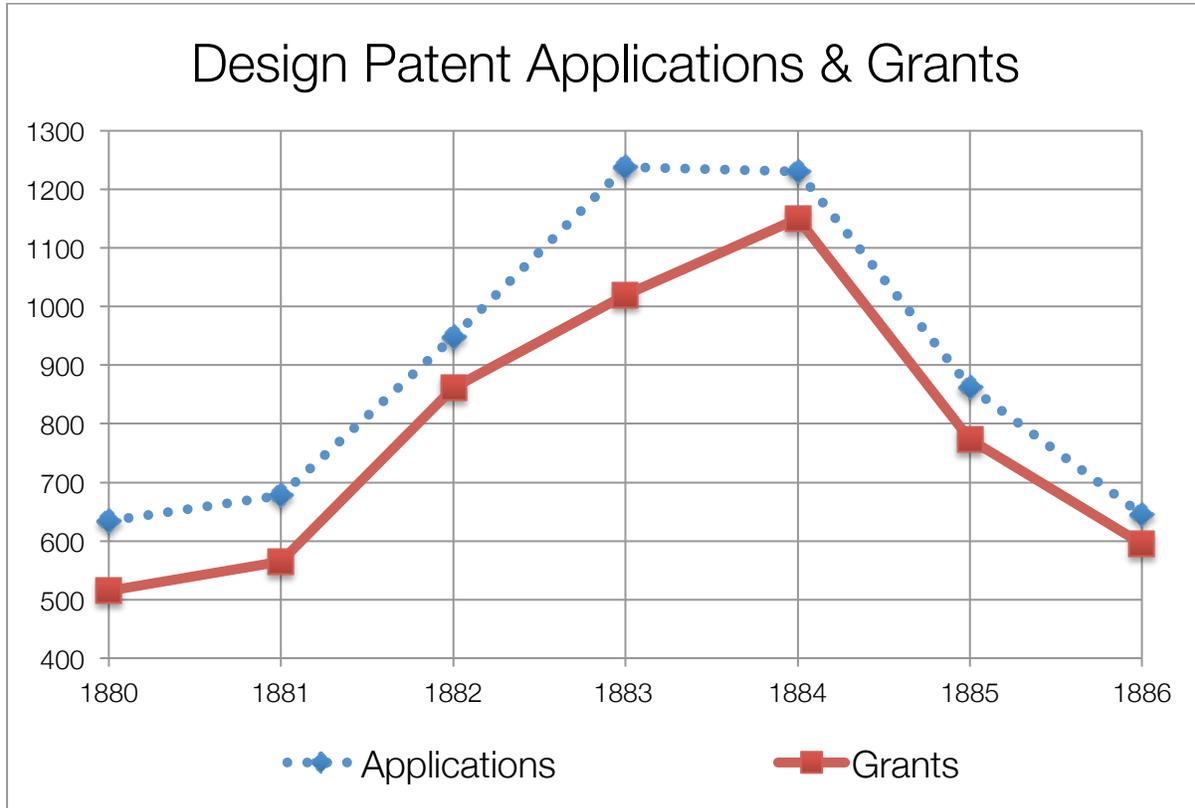
Applying those principles to the facts at hand, Justice Blatchford observed that the lower court's award was based on “the entire profit to the plaintiffs, per

yard, in the manufacture and sale of carpets of the patented designs, and not merely the value which the designs contributed to the carpets.” *Id.* at 443. Because the patentees had introduced no evidence of the specific value that the designs contributed to the sales, *id.*, the patentees took only nominal damages. A year later, Justice Blatchford reiterated these views in another case involving carpet designs. *Dobson v. Dornan*, 118 U.S. 10 (1886) (awarding nominal damages).

It would be erroneous to suppose that the *Dobson* decisions represent the culmination of a considered debate over how design patent remedies might be tailored to best promote innovation in design. They are better viewed as a short-lived anomaly.

B. Congress Swiftly Reacted to the Apportionment Experiment.

The *Dobson* cases had an immediate impact, and Congress reacted quickly. Congress observed that in the wake of the *Dobson* cases, design patent issuances fell by fifty percent. S. REP. NO. 49-206, at 1 (1886); H. REP. NO. 49-1966, at 1 (1886). Our own empirical work provides some evidence for this observation:



JASON DU MONT & MARK D. JANIS, *THE AMERICAN DESIGN PATENT SYSTEM: A COMPARATIVE LEGAL HISTORY* (forthcoming, Cambridge Univ. Press 2015); *see also* U.S. Patent & Trademark Office, *U.S. Patent Activity Calendar Years 1790 to the Present: Table of Annual U.S. Patent Activity Since 1790*, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm (last visited Aug. 4, 2014) (reporting the same).

In response, Congress considered legislation in 1886, and by 1887, it passed a special remedies provision for design patents, adopting the “total profits” language that has been carried forward in modern Section 289. Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387 (1887). There is no question that Congress

formulated the 1887 Act to respond to the *Dobson* cases. S. REP. NO. 49-206 at 1 (referencing *Dobson*); H. REP. NO. 49-1966 at 1 (same); WILLIAM D. SHOEMAKER, PATENTS FOR DESIGNS 339 (1929) (noting that the 1887 Act responded to the “harsh rule in the *Dobson* cases.”). This court has recognized as much. *Nike*, 138 F.3d at 1441-42; *Trans-World Mfg. Corp.*, 750 F.2d at 1567-68.

Congress also made clear why it regarded the *Dobson* cases as calling for such an urgent response: it viewed the remedy available under *Dobson* as so severe that it would eviscerate the design patent system altogether. S. REP. NO. 49-206 at 1 (asserting that “[t]o fail to pass this or a similar bill will be to virtually repeal the design patent laws.”); H. REP. NO. 49-1966 at 1 (same). *See also id.* (asserting that the “practical result” of the *Dobson* cases is “that the design patent laws provide no remedy for a consummated infringement.”). Indeed, Congress perceived the *Dobson* cases as presenting an emergency that threatened the development of industrial design as a profession in the United States. *See id.* at 2 (asserting that “[t]he bill meets this emergency. . .”); *id.* (observing that the design patent laws prior to *Dobson* “had fostered a rapid growth” in the design profession).

C. Congress Rejected Apportionment and Substituted a Two-Pronged Remedy: Total Profits or Liquidated Damages

The legislative history illuminates not only *why* Congress rejected the rule from the *Dobson* cases, but also *how*: by enacting a two-pronged rule that permitted the design patent holder to recover either a \$250 liquidated damages

award, or, alternatively, the “*total profit* made by [the infringer] from the manufacture or sale. . .of the article or articles to which the design, or colorable imitation thereof, has been applied. . .” Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387 (1887) (emphasis added). The legislative history makes plain that an interpretation that would render either of these alternatives commercially meaningless would frustrate Congress’s intent.

The fact that Congress chose this particular two-pronged structure confirms that Congress meant to reject apportionment when it adopted the formulation “total profit.” Had Congress sought to provide design patent holders with a choice between apportioned profits or liquidated damages, it could have passed a simpler provision that merely established the \$250 floor as one optional remedy. Congress would have needed to say nothing about the apportioned profits option, because the existing general patent remedies provision applicable to design and utility patents would have provided that option. Rev. Stat. § 4921 (1875) (providing “profits to be accounted for by the defendant”); *id.* at § 4933 (allowing for recovery under the general remedies provisions). Or, Congress could have recited the \$250 floor and parroted the relevant language from the Revised Statutes to indicate that evidence of apportioned profits was required under the second prong. Or, it could have recited the \$250 floor and expressly incorporated the Revised Statutes section by reference. The fact that Congress chose none of these simple expedients confirms

powerfully that the phrase “total profit” signals a deliberate departure from an apportionment rule.

A closer look at the legislative history pertinent to both the total profits and the liquidated damages rules amplifies these points.

1. *Congress Rejected Apportionment in Favor of a Default Rule of Total Profits.*

The legislative history confirms not only that Congress rejected an apportionment requirement in favor of a total profits rule, but also that Congress chose to prohibit courts from indulging in a case-specific inquiry into the impact of design on consumer demand. After holding a hearing on the effect of *Dobson*, the Senate Committee on Patents reported that a requirement compelling design patent holders to disentangle the value of a design from the value of the associated article of manufacture could never be satisfied:

The Supreme Court [in *Dobson*] held that the complainant must clearly prove what part of his own damage or what part of defendant’s whole profit on the article made and sold was directly due to the *appearance* of those articles as distinguished from their material, their fabric, their utility, etc. . . . It has been abundantly shown to your committee, even if any such showing were necessary, that the proof thus called for can never be furnished.

S. REP. NO. 49-206 at 1-2 (emphasis in original). Accordingly, Congress adopted a total profits rule:

It is expedient that the infringer’s entire profit on the article should be recoverable, as otherwise none of his profit can be recovered, for it is not apportionable; and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all. . . .

H. REP. NO. 49-1966 at 3. *See also id.* (specifying that under the legislation, the design patent holder is entitled to “all the profit the infringer made on the goods marked,” and further elaborating that “[t]he patentee recovers the profit actually made on the infringing article if he can prove that profit, that is, what the infringer realized from the infringing articles minus what they cost him. . .”); SHOEMAKER, *supra*, at 339 (“The manifest purpose of Congress in passing the statute of 1887 was to enlarge the remedy against infringers of design patents and to declare that the measure of profits recoverable on account of the infringement should be considered to be the total net profits upon the whole article.”).

Effectively, Congress was choosing between two default propositions: one holding that designs should be deemed to contribute only a minor portion of the value of any given product, and another holding that designs should be deemed to “sell the article.” H. REP. NO. 49-1966 at 3. Congress chose the latter.

As this historical evidence makes plain, Congress did not intend for courts to make individualized inquiries as to whether the design in fact “sold the article” at issue, because it assumed that such evidence would be so difficult to provide that design patent holders would invariably fail. Nor did Congress leave room for courts to add a causal nexus requirement, for the same reason: it was defaulting to an award of “the entire profit on the article.” A case-by-case causal nexus requirement would frustrate Congress’ purpose.

It would also be wrong to assume that Congress naively enacted a generous rule while lacking any understanding as to how that rule compared with other existing intellectual property remedies. Congress was well aware that its rule for design patents was more generous than the available utility patent infringement remedy, but still saw it as a measured approach that was less generous than the profits remedy available at the time under copyright law. *See, e.g.*, H. REP. NO. 49-1966 at 3 (“The copyright law goes far beyond this, for there the capital and labor are forfeited. . .” in addition to the total profits).

Finally, it would be erroneous to assume that every word of this legislative record is authoritative or accurate. Whereas the House and Senate reports are definitive in their rejection of an apportionment requirement, the House floor debate contains isolated statements about apportionment which could be misleading if taken out of context. For example, Representative Martin, after stating that the House Report “is a very elaborate one, covering all the points, and . . . it leaves very little to be said,” 18 CONG. REC. 834 (1887), unfortunately did proceed to say more—contradicting the House Report by suggesting, in response to a question, that the bill included an apportionment requirement. *Id.* at 835. After further questioning, he eventually corrected himself, acknowledging that the bill provided the design patent holder with the prospect of recovering the infringer’s profits in the amount of “the total earnings of the business from that

source.” *Id.* at 836. This legislative record, like most others (especially those involving patent remedies), proves the wisdom of reading legislative history as a whole. *See Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 243 F. Supp. 500, 516 (S.D.N.Y. 1965) (warning that “[t]he attempt to dogmatize the legislative purpose by resorting to an eclectic collection of phrases culled from the congressional hearings may turn into a quodlibet unless the entire record is read against the backdrop of prior statutes and judicial decisions.”). The record also proves that Representative Martin was surely correct when he conceded: “I do not pretend to be as familiar with the language employed about patents as, perhaps, I ought to be. . .” 18 CONG. REC. at 835.

2. *Congress Adopted a Liquidated Damages Option to Ensure a Meaningful Alternative Recovery.*

The legislative history pertaining to the \$250 liquidated damages award should also inform modern courts in construing the “total profits” language in Section 289. The reason is that the legislative history makes clear that Congress intended that design patent holders have the prospect of a commercially meaningful recovery for infringement, either by way of the \$250 floor or the total profits award. If this court were to construe the total profits language to require apportionment, then Section 289 would effectively provide design patent holders with only the \$250 award, an award that is obviously not commercially meaningful today.

Congress intended no such result in 1887. The legislative history makes clear that it saw the liquidated damages alternative as more than merely symbolic. Congress assumed that design patent holders periodically would face infringers who had made no profits, and concluded that such cases called for a liquidated damages award in an amount sufficient to “command for the design-patent laws a respect which is the patentee’s greatest protection.” H. REP. NO. 49-1966 at 3. In 1887, two hundred fifty dollars was no trivial amount. *Id.* at 3 (“The amount prescribed seems to be the average amount that will work substantial justice in the long run, taking into account all trades and industries that are likely to avail themselves of the design-patent laws.”).

This aspect of the legislative history demonstrates that it is problematic to reinterpret the total profits rule without regard for the provision as a whole. Judicial recalibration of the total profits language would trigger a need to recalibrate the liquidated damages amount. These are tasks for Congress.

D. The Leading Judicial Decisions Under the 1887 Act Construed “Total Profits” to Forbid Apportionment.

The leading decision construing the 1887 Act confirms that “total profits” should be interpreted in accord with its plain terms. In *Untermeyer v. Freund*, 50 F. 77, 79 (C.C.S.D.N.Y. 1892), the court quoted the “total profits” language and concluded that “[n]othing can be plainer than this. It is the profit on the sale of the

article for which the infringer must account, and not alone the profit which can be demonstrated as due to the design.” On appeal, the Second Circuit agreed:

The manifest purpose of congress was to enlarge the remedy against infringers of design patents, and to declare that the measure of profits recoverable on account of the infringement should be considered to be the total net profits upon the whole article. . . The rule which congress declared for the computation of profits was the total profit from the manufacture or sale of the article to which the design was applied, as distinguished from the preexisting rule of the profit which could be proved to be attributable to the design.

Untermeyer v. Freund, 58 F. 205, 212 (2d Cir. 1893). See also WILLIAM D. SHOEMAKER, *supra*, at 339 (agreeing with this construction).

Two cases that discuss a contrary view are of dubious value as potential guides to interpreting the modern statute. In *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902 (2d Cir. 1915), a 2-1 majority ruled that the holder of a design patent for a piano case was entitled to an award of the infringer’s profits on the case, not on the entire piano. However, the majority seemed to assume that a separate market existed for piano cases. *Id.* at 904 (asserting that a piano case “may be and is sold separately from the music-making apparatus”). Oddly, the majority also seemed to believe that its ruling was consistent with *Untermeyer*. *Id.* at 905. The dissent appeared to believe that piano cases and pianos were only sold together, although it derived this belief from the design patent holder’s sales activities, not the infringer’s. *Id.* at 906 (Ward, J., dissenting). The dissenter also considered that he, not the majority, was properly following *Untermeyer*. *Id.* at

905 (Ward, J., dissenting). After remand and another appeal, the majority arrived at the same result but changed its tune, now claiming it to be irrelevant whether there was a separate market for piano cases and pianos. *Bush & Lane Piano Co. v. Becker Bros.*, 234 F. 79, 83 (2d Cir. 1916). Judge Ward again dissented, complaining that the majority's methodology was "purely arbitrary," that the design patent holder should have been awarded all profits on the defendant's pianos, and that the court "should not be dismayed by the consequences of a statute whose construction is plain." *Id.* at 85 (Ward, J., dissenting).

In *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966 (6th Cir. 1920), the court affirmed a liquidated damages award of \$250 in a case involving a design for refrigerator latches. Evidently, the design patent holder had not argued for total profits on the refrigerators. *Id.* at 974 ("[I]t is not seriously contended that all the profits from the refrigerator belonged to Young."). Nor was there evidence of the infringer's profits on the latches, because the infringer had never sold the latches separately of the refrigerators. *Id.* The court concluded that the statutory minimum was the proper award in such a case.

These are hardly ringing endorsements of an apportionment rule. They do not deal with the statutory language, they misapprehend or ignore contrary prior cases (such as *Untermeyer*), and they evince little understanding of the history and purposes of the design patent remedies provision.

In sum, with the dubious exceptions noted, courts applying the 1887 Act adhered to the statutory language and explicitly rejected apportionment in design patent cases.

E. Congress Imposed a Knowledge Prerequisite in the 1887 Act, but Limited it to Claims Against Dealers.

The legislative history also contravenes another argument that has been advanced in this case—the argument that Section 289’s total profits rule is too harsh when applied to hypothetical designers who have developed designs independently, without knowledge of the existence of a design patent. It is argued that the 1887 Act required the patentee to show that the infringer had knowledge of the infringement, and that when this requirement was deleted in the 1952 codification, Section 289 was thrown out of balance—justifying judicial intervention adding an apportionment requirement.

This argument relies on isolated snippets from the legislative history but misapprehends the historical record taken as a whole. The 1887 Act did include a knowledge requirement, but the requirement only applied to dealers, not to competing manufacturers. In relevant part, the 1887 Act made it unlawful “to *apply* the design secured by [a design patent], or any colorable imitation thereof, to any article of manufacture for the purpose of sale, *or to sell* or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, *knowing that the same has been so*

applied.” Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387 (1887) (emphasis added). The House Report confirms that the “knowing” clause only applies to those who “sell or expose for sale” the patented design (i.e., retailers), not for those who “apply” the patented design (i.e., manufacturers or designers). H. REP. NO. 49-1966 at 4 (“The bill provides only for a recovery from the manufacturer who manufactures for the purpose of sale, and from the dealers who can be proved to have been in actual conspiracy with such manufacturer in the infringement, and therefore an innocent dealer or user is not affected.”). Congress was seeking to shield innocent retailers, but it was not attempting to shield hypothetical independent designers who applied designs to products.

The 1887 Act’s predecessor bill also adopted this distinction, even more explicitly:

That during the term of letters patent for a design—

- (a) It shall not be lawful for any person, without the license of the patentee or his assignee, to *apply* such design, or any colorable imitation thereof, for purposes of sale, to any article of manufacture; and
- (b) It shall not be lawful for any person to *sell or* expose for sale any article of manufacture to which such design, or any colorable imitation thereof, shall have been so applied, *knowing that the same has been so applied*, without the license of the patentee or his assignee.

S. 1034, 49th Cong. (1886) (emphasis added); H.R. 5570, 49th Cong. (1886) (same).

Moreover, Congress had borrowed that statutory structure—and virtually all of the language—from British legislation on copyrights for designs. Patents, Designs, & Trade Marks Act, 1883, 46 & 47 Vict., c. 57, § 58 (Eng.) (containing a subsection (a) without a knowledge requirement directed to manufacturers, and a subsection (b) with a knowledge requirement directed to retailers); DAVID FULTON, *THE LAW AND PRACTICE RELATING TO PATENTS, TRADE MARKS AND DESIGNS* 314-15 (2d ed. 1902) (“It is not under Clause (a) necessary to bring home to the manufacturer knowledge of the existence or registration of the design. It is enough that he applies it or causes it to be applied. But under Clause (b) the seller or retailer is only liable if he sells articles bearing the design, knowing that it has been applied without the proprietor’s consent.”). *See also* S. REP. NO. 49-206 at 2 (comparing the 1887 Act to the “English statute”); H. REP. NO. 49-1966 at 3 (same); Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 *YALE L. J.* 181, 182 (1892) (identifying the English statute as an antecedent to the 1887 Act).

Courts and commentators likewise understood the knowledge requirement in the statute to distinguish between manufacturers and retailers. *See, e.g., Gimball v. Hogg*, 97 F. 791, 794 (3d Cir. 1899); *Pirkl v. Smith*, 42 F. 410, 411 (C.C.E.D.N.Y. 1890); SHOEMAKER, *supra*, at 341-42.

Unfortunately, some, including this court, have been misled by a statement in the House floor debate from Representative Butterworth that “[i]n this case, as I understand it, no man will suffer either penalty or damages unless he willfully appropriates the property of another.” 18 CONG. REC. at 836; *Nike*, 138 F.3d at 1442 (appearing to assume that the “knowing” requirement applied to all infringers under the 1887 Act). However, the discussion preceding Butterworth’s statement involves infringing *manufacturers*. 18 CONG. REC. at 835-36 (statement of Rep. Martin) (speaking only of “making” and “manufactur[ing]”). That is the “case” to which Butterworth was referring.

Accordingly, it is inaccurate to say that Congress originally limited the design patent remedy by imposing a knowledge prerequisite for all infringers. The 1887 Act treated designers and manufacturers as subject to the remedy without a separate showing of knowledge. Section 289 treats those parties the same way today.

F. Congress Rejected the Proposition that Utility Patent and Design Patent Remedies Should Necessarily be the Same.

Finally, the legislative history demonstrates that Congress deliberately departed from utility patent law when fashioning a special remedy for design patent infringement. The House and Senate reports both expressly reject the general proposition that the remedies available for utility patent infringement should be heedlessly extended into design patent law. According to the reports, the

“existing law” as construed in *Dobson* “provide[s] no remedy. . .because the rule of damages prescribed by the statute is inapplicable to designs on account of their peculiar character.” S. REP. NO. 49-206 at 2; H. REP. NO. 49-1966 at 2.

This proposition—that design patent law diverges from utility patent law in some respects—has deep historical roots. The design patent system owes its origins as much to copyright and trademark principles as to utility patent principles. Jason J. Du Mont & Mark D. Janis, *The Origins of American Design Patent Protection*, 88 IND. L.J. 837 (2013). There is no basis for assuming that if an apportionment rule is justifiable in utility patent law, it must *a fortiori* be justifiable for design patent law.

III. THIS COURT MUST DECLINE THE INVITATION TO ENGAGE IN LEGISLATIVE POLICYMAKING.

Neither the text, nor the caselaw, nor the history supports adding a judicially-created apportionment requirement to Section 289. That leaves the proponents of an apportionment requirement to contest the wisdom of Congress’s policy choice. A legislative policy debate, of course, is not the domain of the judiciary, as this court has reminded litigants repeatedly. *See, e.g., Hyatt v Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (rule on admissibility of new evidence in a Section 145 proceeding “was a policy decision committed to the sole discretion of Congress; we may not replace Congress' judgment with our own.”); *In re Fisher*, 421 F.3d 1365, 1378 (Fed. Cir. 2005) (asserting that “public policy

considerations” advanced in a Section 101 utility case “are more appropriately directed to Congress as the legislative branch of government, rather than this court as a judicial body responsible simply for interpreting and applying statutory law”). Indeed, in one of the first trials under the 1887 Act, the trial court likewise confronted arguments that Congress had acted unwisely in elaborating the total profits rule, and likewise dismissed those arguments. *Untermeyer*, 50 F. at 79 (pointing out that “[w]hether the [1887 Act] is wise or unwise is not a question for the court,” but rather for Congress, and that “the precise objection now urged” to the total profits rule “was sharply pointed out in [C]ongress,” which nevertheless acted “with full knowledge of the situation *pro* and *con*”), *aff’d*, 58 F. at 212.

But even if considerations of judicial restraint were set aside, it would still be premature for the court to indulge in a policymaking excursion before an adequate policy record has been developed on the impact of profit-based awards in design patent cases. The policy arguments for apportionment are instead based on intuitive guesses about the extent to which design and technology in the market for consumer products have changed since 1887, about the value of design in modern multi-component products, and about the links between design patent protection and innovation.

Most of these guesses are contestable. For example, the claim that design patents now cover aspects of technologically sophisticated products is

unquestionably true, but there is also evidence to suggest that it was true in the 1880s. For example, the design patent system of the 1880s was commonly used to protect products such as stoves and sewing machines—products that were just as technologically advanced and socially important in their day as smartphones and tablets are now. *See, e.g.*, U.S. Patent No. D15,171 (claiming a sewing machine design); U.S. Patent No. D15,138 (claiming a stove design). Indeed, in both of these instances, the design patent holders also held utility patents directed to the technical features of the products. *See* U.S. Patent Nos. 304,422; 304,423; 304,424 (sewing machine technology); U.S. Patent No. 307,703 (stove technology).

Furthermore, it is true that modern design patents may be directed to component parts of complex (or humble) products, but that was likewise a regular practice in the 1880s—for example, in the funeral supply industry. *See, e.g.*, U.S. Patent Nos. D14,563 (full casket); D15,033 (casket handle); D15,014 (casket knob); D15,043 (casket screw); D14,641 (casket plate). And since the inception of the design patent system, surface ornamentation has always been protectable separately of a product's shape. *See* Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 STAN. TECH. L. REV. 107 (2013) (analogizing some GUIs with surface ornamentation).

As these examples suggest, the policy choice at play in fashioning an appropriate remedy for design patent infringement is not straightforward. Whether

and how to recalibrate Congress's two-pronged rule is a matter for considered legislative judgment on a developed record. Even if it were permissible for the court to interject itself into this process, it would be premature to make such a dramatic change on the basis of the existing record.

IV. CONCLUSION

As this court has pointed out, in formulating Section 289's additional remedy for design patent holders, Congress decided on a default rule that "requires the disgorgement of the infringers' profits to the patent holder, such that the infringers retain no profit from their wrong." *Nike, Inc.*, 138 F.3d at 1448. The court should adhere to that rule.

Our argument in this brief is based on the propriety of the total profits rule. We take no position on whether the award of \$399 million accurately reflects Samsung's total profits on the infringing products.

Dated: August 4, 2014

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on August 4, 2014, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system.

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Date: August 4, 2014

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