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Design Patent Owners Find Hope In Wake Of Apple Ruling

By **Matthew Bultman**

Law360, New York (November 17, 2017, 9:01 PM EST) -- Amid uncertainty over payouts for infringement for design patents, Columbia Sportswear's recent multimillion-dollar trial win in a case over cold-weather gear has been a source of hope for patent owners, and is among a handful of cases that may signal where the law is headed.

Columbia Sportswear North America Inc.'s case against Seirus Innovative Accessories involved a patent directed to a pattern on heat-reflective material used in things like gloves. Jurors awarded Columbia just over $3 million, an amount that reflects the total profit Seirus earned from the sale of products that were found to infringe.

The suit was the first design patent case to go to trial since last December when the U.S. Supreme Court ruled in Samsung v. Apple that when an infringing product has multiple parts, owners of design patents aren't always entitled to the total profits from the product sold to consumers.

Since the ruling, companies that own design patents have been concerned that anytime they went into court with a patent claiming part of a product they were destined come out, at best, with some portion of the total profit. Attorneys said Columbia has provided hope that maybe that's not the case.

"I have some hope that courts are still going to award total profits for design patents," said Tracy-Gene Durkin, a director at Sterne Kessler Goldstein & Fox PLLC. "I'm hopefully optimistic that maybe things have not changed as dramatically as we feared."

The Columbia case also provided a glimpse of how courts might tackle one of the big issues the Supreme Court left unresolved.

The law for design patents says infringers must pay the "total profit" they make from the sale of an "article of manufacture" that uses a protected design. The Supreme Court said the "article" could be particular subcomponents of the final product, not just the finished product.

But the justices did not outline a test for courts to determine whether a subcomponent of a multipart product is in fact the "article" for which profits must be paid.

The Columbia case was the first in which a court decided what that test should be. And what the judge decided was to adopt a test that matches one the U.S. Department of Justice proposed in an amicus

brief in Samsung v. Apple.

That test looks at four factors, such as the prominence of the design within the product. It also takes into account the scope of the design claimed in the patent and the physical relationship between the patented design and the product.

Since then, Judge Lucy Koh in the Northern District of California has also decided to apply the DOJ's factors to the Apple and Samsung case. That case, which is back in district court on remand, is scheduled for a retrial on damages in May 2018.

Experts said it wasn't surprising that courts would want to adopt a test that has the DOJ's stamp of approval.

"I can understand why it would be tempting for a district judge to say, 'Yes, we'll go with that,' especially since the government purported to support its test with case law," said Sarah Burstein, a professor at the University of Oklahoma College of Law and an expert in design patents.

"The problem," she said, "is that the test is flawed in a number of ways."

Burstein said the test has legal issues — namely, she said its entire premise is based on an overreading of dicta from a 19th-century Supreme Court case — but as a practical matter, it has no clear goal "other than kind of what seems fair." She called it "unfocused" and "indeterminate."

"I think it's really problematic if you're interested in having any degree of predictability," Burstein said. She has proposed a different framework in a paper that is scheduled to be published in the Harvard Journal of Law & Technology.

Elizabeth Ferrill, a partner at Finnegan Henderson Farabow Garrett & Dunner LLP, said it appears the DOJ's factors will be important going forward. But she noted the Justice Department acknowledged during Supreme Court arguments in Samsung v. Apple that it didn't have a chance to elaborate more fully on the factors in its briefs.

"It's not completely clear what the DOJ might have been going after in some of the factors," she said. "I think they are open to interpretation."

There also appears to be some question about how useful the test actually is. Durkin said the factors are limited to helping determine whether the patent owner is entitled to profits on the whole product or just part of it.

"If that test leads you to 'it's just a portion,' it kind of begs the question, 'OK, then what portion is it?'" she said. "The test is not very useful because it only gets you halfway there."

Columbia in its case, which went to trial in late September, presented multiple theories on damages.

One argument was that the gloves were a single-component product, therefore it was entitled to all the profits. Another argument was that even if the gloves were determined to be a multicomponent product, all the profits should be attributable to the interior fabric.

The verdict form doesn't reveal which argument was the one that convinced jurors. But the amount

Columbia was awarded reflected all Seirus' profits on its sales of the infringing gloves.

Attorneys said making these types of alternative arguments appears to be a good strategy.

Durkin also noted the jury in the Seirus case came out exactly where it would have had the case been decided before the Apple ruling. She said this could happen in other cases.

"There will still be a fair number of design cases where the patented portion is integral to the article as sold, where juries are going to find that it's still appropriate to give the total profit on the product the way it's sold," she said.

Seirus has said it plans to appeal the award, which could give the Federal Circuit its first chance to weigh in on the damages issue since Samsung v. Apple. Many eyes will also be on the smartphone makers' case as it heads toward trial and, presumably, another appeal.

There is another case between Systems Inc. and Nordock Inc. over a design patent related to a loading dock in the Eastern District of Wisconsin that will be worth watching. But Ferrill said the Columbia and Apple cases, in particular, were interesting in that both involve the DOJ factors.

"I think we may at least get some clarity on those factors, even if something else happens in a different case," she said.

--Additional reporting by Bill Donahue. Editing by Brian Baresch and Katherine Rautenberg.