United States Court of Appeals
for the
Federal Circuit

APPLE INC., a California corporation,

Plaintiff-Appellee,

– v. –

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

Defendants-Appellants.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR
THE NORTHERN DISTRICT OF CALIFORNIA IN NO. 11-CV-018460LHK,
JUDGE LUCY H. KOH

BRIEF OF DESIGN IDEAS, LTD., NOVO NORDISK, INC., LUTRON ELECTRONICS, INC., NUVASIVE, INC., METHOD PRODUCTS, PBC, OAKLEY, INC., DECKERS OUTDOOR CORPORATION AND KOHLER CO., AS *AMICI CURIAE* IN SUPPORT OF PLAINTIFF-APPELLEE

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Counsel for Amici Curiae

CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* certifies the following:

1. The full names of every party or amicus represented by me are:

Design Ideas, Ltd.
Novo Nordisk, Inc.
Lutron Electronics, Inc.
Nuvasive, Inc.
Method Products, PBC
Oakley, Inc.
Deckers Outdoor Corporation
Kohler Co.

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:

Not applicable.

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:

As to Design Ideas, Ltd., Lutron Electronics, Inc., Nuvasive, Inc., Deckers Outdoor Corporation and Kohler Co. – none.

Novo Nordisk, Inc. is a wholly owned subsidiary of its parent company, Novo Nordisk US Holdings, Inc., which is a wholly owned subsidiary of Novo Nordisk A/S. No publicly held company owns 10% or more of the stock of Novo Nordisk A/S.

Method Products, PBC is a wholly owned subsidiary of People Against Dirty, PBC, which is a wholly owned subsidiary of Ecover Belgium NV. No publicly held company owns 10% or more of the stock of Ecover Belgium NV.

Oakley, Inc. is a wholly owned subsidiary of Luxottica US Holding Corp., which is a wholly owned subsidiary of Luxxottica Group S.p.A. No publicly held company owns 10% or more of the stock of Luxxottica Group S.p.A.

4. The names of all law firms and the partners or associates that appeared for the party or amici now represented by me in the trial court or agency or are expected to appear in this court are:

SAIDMAN DESIGNLAW GROUP, LLC
Perry J. Saidman

/s/ *Perry J. Saidman*

August 4, 2014 — Perry J. Saidman

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I. STATEMENT OF INTEREST OF *AMICI CURIAE*

Design Ideas, Ltd., Novo Nordisk, Inc., Lutron Electronics, Inc., NuVasive, Inc., Method Products, PBC, Oakley, Inc., Deckers Outdoor Corporation, and Kohler Co. represent a cross-section of American industry. For example, Design Ideas, Ltd., based in Springfield, Illinois, is a relatively small, family-run business that introduces dozens of strikingly designed consumer products each year. Design Ideas owns numerous design patents covering a variety of household products such as candle holders, placemats, decorative gel appliqués, and various metal mesh products including the widely popular Mesh-Elfa® line of mesh storage baskets sold through The Container Store®. Many of their products are copied by unscrupulous companies and then sold through U.S. big box retailers. Design patents play a critical role in the protection of their products. Were it not for the deterrent to copying provided by 35 U.S.C. §289, many of these copyists would be unstoppable, and the company's design patents would be rendered impotent for the very purpose for which they were procured.

Novo Nordisk, Inc. is the world's leading diabetes care company, built on a foundation of scientific innovation and patient-centered care. The company holds leading positions in hemophilia care, growth hormone therapy, and hormone replacement therapy. Diabetes treatments account for a large majority of Novo Nordisk's business. Novo Nordisk works with doctors, nurses, and patients, to develop products for self-managing diabetes conditions, many of which are protected by U.S. design patents.

Lutron Electronics, Inc. leads the market in high-quality lighting controls that range from individual dimmers to total light management systems that control entire building complexes. Lutron was founded in the early 1960s by Joel Spira, a young physicist whose first invention in the late 1950s – a simple rotary dimmer that can still be found on many dining-room walls today – marked the birth of the lighting control industry. Today Lutron holds over 2,700 worldwide patents, including a substantial portfolio of U.S. design patents. In almost 50 years of innovation, Lutron has invented hundreds of lighting control devices and systems, and expanded their product offering from 2 products to 15,000. The company has advanced the technology of lighting control while maintaining top market position by focusing on exceptional quality and design.

NuVasive, Inc. is a medical device company focused on developing minimally disruptive surgical products and procedures for the spine. NuVasive is the third-largest spine company in the U.S., and the fourth-largest globally. It features over 90 products spanning lumbar, thoracic, and cervical applications, neuromonitoring services, and a biologics portfolio. Its products have been used in thousands of spine surgeries. Design patents have played an important role in protecting the company's products.

Method Products, PBC's is a small privately held company whose business in innovation and product design will be substantively and adversely affected if the remedy provided by § 289 is weakened. Method is one of the fastest growing private companies in America and a leading innovator of premium healthy home and personal care products. Method's products can be found in more than 25,000 retail locations throughout the U.S., Canada, the European Union, Asia and Australia. Under the direction of world renowned designer Josh Handy, Method's products have become small works of art for millions of homes. Method has significant experience with and supports a strong and effective United States design patent system. Method has no commercial interest in the parties to this action.

Oakley, Inc. is a sport and lifestyle brand that blends science and art to redefine product categories by rejecting the constraints of conventional ideas. Founded in 1975 and headquartered in Southern California, today the company is recognized as one of the most coveted brands in performance technology and fashion. Decades of Oakley innovation have led to a full array of market-leading products including performance apparel and accessories, prescription eyewear, footwear, watches and electronics. Awarded more than 575 patents and 1100 trademarks, Oakley today is a global icon offering products to consumers in more than 100 countries. It depends heavily on a strong U.S. design patent system to protect its design creations.

Deckers Outdoor Corporation designs, markets and distributes innovative footwear, apparel and accessories developed for both everyday casual lifestyle use and high performance activities. Deckers Outdoor, relying heavily on design patent protection, has products that are sold in more than 50 countries and territories through select department and specialty stores, 126 Company-owned and operated retail stores, and select online stores. Started in 1973 by a University of California, Santa Barbara student who began making and selling sandals at craft fairs along the West Coast, Deckers has grown into a global company known for its seven lifestyle brands: UGG®, Teva®, Sanuk®, Mozo®, Ahnu®, Tsubo® and Hoke One One®.   Deckers was awarded Company of the Year by Footwear Plus and Footwear News magazines and ranked #11 on Forbes 200 Best Small Companies list in 2008 and #4 in 2010.

Founded in 1873 and headquartered in Kohler, Wisconsin, Kohler Co. is one of America's oldest and largest privately held companies. With more than 30,000 associates and more than 50 manufacturing locations worldwide, Kohler Co. is a global leader in the manufacture of kitchen and bath products; engines and power systems; premier furniture, cabinetry and tile. Kohler Co. is recognized for its design, craftsmanship and innovation, all knit together by uncompromising quality. A long history of Kohler Co. design and innovation is backed by 1806 design patents and 649 utility patents awarded by the U.S. Patent and Trademark Office, and design patents have played a significant role in protecting the company's products.

Thus, companies of all sizes, representing a cross-section of the U.S. economy, rely on a strong and reliable design patent system to protect their diverse products from being copied by those who invariably use original product designs as a template for their copycat products. Compared to utility patents, design patents serve a wholly distinct purpose – a deterrent to copycats – while utility patents protect technology normally embedded in a product – you can't see what the technology looks like.

The position taken by the 27 Law Professors and other *amici* who filed in support of Samsung relies on the logic of apportionment expressed by the Supreme Court in the 1885 and 1886 Carpet Cases (discussed *infra*), logic that was rendered inapposite a year later when Congress passed the Act of 1887. It has no support in the unambiguous language of §289, its legislative history, or interpretation by the federal courts.

The position of the Samsung *amici* that profits should be apportioned, if adopted, would eviscerate the design patent system by eliminating the major deterrent to would-be copiers: the awarding of their total profit on sales of the infringing products to the successful design patentee. If a design infringer was faced only with the prospect of paying a modest royalty to a design patentee, it would be treated as simply a cost of doing business. The infringer – having its wrist slapped – would not hesitate to copy the next successful product, and the next, and the next. A reasonable royalty is a small price to pay for appropriating the innovation embodied by the original company's design – a design that had likely been carefully researched, developed and perfected long before product introduction.

Therefore, Design Ideas, Ltd. and other *amici* named above take strong exception to the position advocated by the Samsung *amici* that the total profit provision of §289 is somehow unfair. Unfettered copying of patented designs must not be encouraged by weakening §289. In the world of design, there is simply no such thing as an innocent infringer: design patents, and the remedies provided by statute, are the only effective deterrent against copycats, and are critical to the functioning of a stable and prosperous U.S. economy.

Pursuant to Federal Rule of Appellate Procedure 29(c)(5), counsel for amici represent that no counsel for a party authored this brief in whole or in part, and that no person or entity, other than amici or their counsel, contributed money to fund the preparation or submission of this brief.

All parties have consented to the filing of this brief.

II. HISTORY OF 35 U.S.C. §289

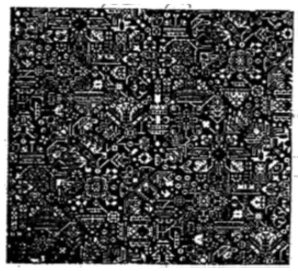
Without exception, §289 has been interpreted as not allowing apportionment of an infringer's profits.

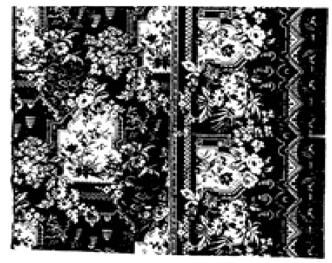
A. The Old Apportionment Theory

Under the pre-1887 apportionment theory of calculating infringer's profits, an infringed design patentee had the burden of proving the extent to which the infringer's profits were attributable to the patented design. This limited the recovery available to design patentees, because "rarely, if ever, could such an owner [of a design patent] show that the article sold by the infringer derived its entire value from the illicit use of the [patent] owner's design." (Chisum on Patents, § 20.03(5), 2004).

B. The Carpet Cases

Congress acted to expand the profits available to design patentees in 1887 after three Supreme Court decisions, *Dobson v. Hartford Carpet Co*., 114 U.S. 439 (1885), *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885) and *Dobson v. Dornan*, 118 U.S. 10 (1886), revealed the disadvantaged position of design patent holders under the then current law. The Dobson cases involved the Dobson brothers, who owned several design patents for carpet designs: U.S. Pat. Nos. D11,074; D10,778; and D10,870, illustrated left to right below.





After proving infringement of their design patents by rival carpet companies, the Dobsons sought the infringers' profits from sales of the carpets containing the infringing designs. The Court refused to award profits based on the infringing carpet sales, instead awarding the Dobsons six cents, relying on reasoning which Congress would eventually render inapplicable to design patentees through the Act of 1887. Since this reasoning reflects the harm that Congress sought to prevent, revisiting the Dobson cases provides insight into the Congressional intent behind shielding design patentees from apportionment.

In *Dobson v. Hartford Carpet Co., supra,* the Court stated that design patentees can only receive an infringer's total profits from an infringing article if they prove "by reliable evidence, that the entire profit is due to the figure or pattern." 114 U.S. at 444. The Court also expressed the view that an article's design is only one factor in the decision to purchase the article, for "the article must have intrinsic merits of quality and structure, to obtain a purchaser, aside from the pattern or design." *Id*. at 445. To give an infringer's total profits on the article solely because the design patentee contributed to one factor in the purchasing decision "confounds all distinctions between cause and effect." *Id*. at 446. One year later, the Court failed to find sufficient evidence that profits from sales of the carpets were due to the Dobsons' design, and suggested that the infringer's profit could have been due to the cheaper price of the infringing carpet. See 118 U.S. at 18. These decisions revealed a Court without an appreciation for the value of a design, and as a result demanding evidence from a design patentee to substantiate any claim to an infringer's profits.

C. Act of 1887

Congress rejected the Supreme Court's view that design was unimportant to the sale of the entire article by passing the Act of 1887, which made design patentees eligible for at least $250 in profits, and more if the infringer's total profits exceeded that amount. No longer did the design patentee have the burden of proving what profits were attributable to the design as separate from the article on which it was applied. The Act granted this remedy for violations of the following provision:

> "…it shall be unlawful for any person other than the owner of said letters patent…to apply the design...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…have been applied.
>
> Any person violating the provisions … of this section shall be liable in the amount of $250; and in case the total profit made by him … exceeds the sum of $250, he shall be further liable for the excess of such profit over and above the sum of $250."

Act of 1887, 24 Stat. 387.

D. *Untermeyer v. Freund*

Design patent cases decided after the Act of 1887 echoed the reasoning of Congress. In 1893 the Second Circuit Court of Appeals found infringement of a design patent for watch cases, and strongly defended the design patentee's right to the infringer's total profits. *Untermeyer v. Freund,* 58 F. 205, 209 (C.A. 2d 1893). In this case, the infringer argued that the Act of 1887 was unconstitutional, and even if the Act was constitutional, it should only apply to the defendant's acts of infringement after 1887. The court rejected the infringer's reliance on pre-1887 law, stating that "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 pre-existing rule of the profit which could be proved to be attributable to the design." *Id.* at 212.

E. The Piano Cases

In *Bush & Lane Piano Co. v. Becker Bros*., 222 F. 902 (C.A. 2d 1915), the Second Circuit Court of Appeals reversed a lower court's holding that granted the design patentee the infringer's total profits for both the infringed piano case and the unpatented music-making mechanism that was placed inside the case. On appeal, the court only granted the design patentee profits based on sales of the piano case. See *id.*

There were several factors at play in the court's determination that only the piano case constituted the article to which the design was applied. First, the piano case and the piano music mechanism were sold separately. According to the court, "the large recovery in this case…is due to the fact that it was not at all times kept in mind that the design is not for a piano but for a piano case…which may be and is sold separate and apart from the music-making apparatus." *Id*. at 904. Second, the piano case and the piano mechanism were interchangeable, for "the piano could be made to fit as well in a case of entirely different design." *Id*. at 905. The court also saw fundamental differences between the piano case, which appealed to the customer's eye, and the piano mechanism, which appealed to the ear. See *id*. at 903. The court wrote that it would be unfair to uphold the rule adopted by the lower court which gave "the owner of a design patent for a receptacle intended to hold an expensive article of manufacture the profits made on the sale of the receptacle and its contents." *Id*. at 904-905.

The court did admit that there are instances when a "design is inseparable from the article to which it is attached, or of which it is a part." *Id*. at 904. As an example of such a design, the court cited the seminal design patent case of *Gorham v. White*, 14 Wall 511 (1871), in which the patented design for a spoon handle could not be separated from the full spoon. The court opined that in *Gorham* it would have been just to grant the design patentee the infringer's profits from sales of the entire spoon. 222 F. at 904.

In *Bush & Lane Piano Co. v. Becker Bros*., 234 F. 79, 83 (C.A. 2d 1916) the court did not change its earlier ruling, but it was left with the difficult task of separating the profits of the piano case and piano mechanism. Unable to do so, the court fell back on apportionment, granting the design patentee a proportion of the infringer's profits corresponding to the cost of "production between the whole and its parts." See *id.* at 83.

The court blamed a lack of evidence for its difficulty in identifying profits for the piano case. See *id*. at 82. Ironically, this evidentiary dilemma was the reason Congress passed the Act of 1887. As the dissent aptly surmised, the majority did not follow the new rule set forth in the Act of 1887 and its struggle to attribute profits to the piano case revealed once again that "it is impossible to prove any such profit separately." See *id.* at 85. According to the dissent, "the logical result of the opinion of the court should be that the complainant recover all the defendant's profits on the piano. We should not be dismayed by the consequences of a statute [Act of 1887] whose construction is plain." *Id.*

F. 35 U.S.C. §289

In 1946, Congress acted again to protect design patentees, this time by incorporating the right to an infringer's total profits set forth in the Act of 1887 into Title 35 of the U.S. Code, 35 U.S.C. § 289, which states:

> 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 (emphasis added).
>
> 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.

G. *Bergstrom v. Sears*

In *Bergstrom v. Sears, Roebuck & Co*., 496 F. Supp. 476 (D. Minn 1980), the court addressed the proper construction of the phrase "total profit" as it appeared in 35 U.S.C. § 289. The design patent in this case, U.S. Pat. No. D228,728, covered the design of a tubular steel fireplace grate:

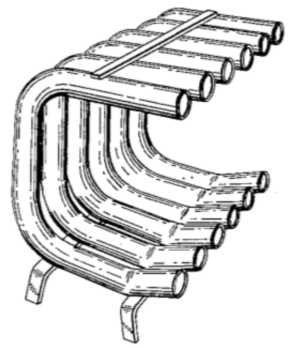


FIG. 1

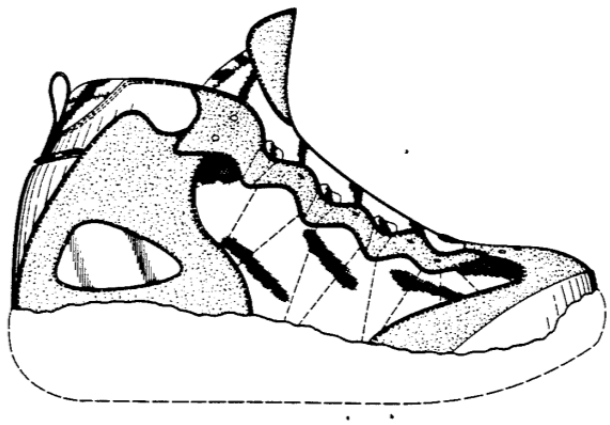
The defendant claimed that there was no evidence that customers bought the grate for anything but functional reasons, and therefore the design patentee should only be able to recover profits attributable to the design, not the function, of the grate. *Id*. at 495. The court drew on *Untermeyer*, stating that the use of the words "total profit" in the statute "undermines defendant's 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.* The court then granted the patentee total profits for the defendant's sales of the infringing fireplace grate product, the "Firebird I" model. *Id*. at 482. One fact worth noting is that the

"Firebird I" included end caps (for increased air circulation) that were not included in the patented design. See *id*. at 483.

H. *Nike v. Wal-Mart*

According to the Federal Circuit's discussion of the Act of 1887 in *Nike Inc. v. Wal-Mart Stores Inc*., 138 F.3d 1437, 1441 (Fed. Cir. 1998), "the Act of 1887, specific to design patents, removed the apportionment requirement for a design patent holder seeking infringer's profits." This Court said that the Act of 1887 was also an admission by Congress that a design and the article to which it is applied are so related that design patentees could not possibly identify the profit attributable solely to the design. As the Federal Circuit noted, Congress in 1886 declared the new relationship between an article and its design as follows: "it is the design that sells the article." *Id.* (citing H.R. Rep. No. 1966 at 1 (1886)).

It is also worthy of note that the design patent at issue in the Nike case, D348,765, was for only a portion of the shoe, namely the upper portion:



The outsole was shown in broken lines, i.e., disclaimed. Having affirmed that apportionment of profits had been dispensed with in 1887, as reflected in current §289, the fact that the Nike design patent was only to a portion of the shoe did not matter; the infringer's profits were awarded on the sale of the entire shoe. The Court stated: "The statute requires the disgorgement of the infringers' profits to the patent holder, such that the infringers retain no profit from their wrong." *Id.* at 1010.

In summary, there is no ambiguity in either §289, its legislative history, or the case law: apportioning of the infringer's profits is not allowed.

III. THE POLICY ARGUMENTS IN FAVOR OF APPORTIONMENT DON'T HOLD WATER

There are a number of hypothetical situations and policy arguments posited by the 27 Law Professors and other Samsung *amici* that either have a very low probability of occurring in the real world or are transparently incorrect.

A. An "Innocent" Infringer of a Design Patent Does Not Exist in the Case Law

Contrary to the arguments of the 27 Law Professors, there is simply no such thing as an innocent infringer of a design patent. The so-called "independent designer" – accidentally liable for design patent infringement - is a fiction. The 27 Law Professors do not cite a single case – because there is none – where an accused infringer credibly designed a product that accidentally infringed a design patent.

Designing the appearance of a product is a deliberate act, one where a skilled designer normally surveys the marketplace prior to putting pen to paper. The designer's goal is to design a unique product, a visually appealing product, one that is distinct from products of competitors. In contrast, every reported case of design patent infringement – including the case at bar – involves an accused infringer who has mimicked the popular design of another, prior designer. Innocent? Hardly.

Although copying of products in the public domain is encouraged, copying of innovative, patented designs is a particularly pernicious infringement, for which Congress has provided a fitting remedy.

The 27 Law Professors argue that knowledge by the defendant that they are infringing should be a pre-requisite to awarding profits. However, the removal in §289 of the requirement that the defendant has knowledge that he is appropriating the property of another, as was explicit in the 1887 Act, essentially changed nothing, since it would be a very rare case where a design patent infringer did not have actual knowledge that they are copying a patented design.

B. Design Patent Remedies Cannot Be Likened to Utility Patent Remedies

Compared to utility patents, design patent rights are generally more focused, drawn to the specific appearance of original products that are on the market, and it follows that realistically, only deliberate infringers, intent on taking advantage of the popularity of the original design, could infringe such a right. High-profile cases aside, infringement of a design patent is relatively rare.[1] Yet by its very nature design patent infringement is highly likely, if not certain, to be intentional.

[1] In 2013, design patent applications account for just 6% of the total patent applications filed, and design patents account for just 8% of the total patents issued, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

Disgorgement of the infringer's entire profits under §289 is necessary to make this right viable.

Disgorgement of an infringer's profit is not a remedy available to utility patent holders, where the floor for damages is a reasonable royalty. One reason for this is that utility patent claims, being typically broader than design patent claims, cover technology embedded in a product no matter what the product looks like. Thus, when an infringer appropriates another's patented technology, the infringer is not appropriating the very face of the company that is represented by the design appearance of its products. And the patented technology may represent just one invention among twenty others that are embedded in the product, while the product has just one basic design appearance. Further, utility patent infringers are often innocent infringers. In contrast, when an infringer appropriates a design, it does so intentionally and because it believes that the design sells the product – the infringement in this context represents a concession about the overarching importance of the design. The infringer uses the copied design to sell the product with whatever technology – good or bad – that is embedded within the product.

A royalty may be reasonable for utility patent damages, since typically the harm is not nearly as egregious as harm accompanying the intentional theft of a product's appearance. Section 289 survived in Congress through many modifications to 35 U.S.C. precisely because it was understood to be necessary to prevent theft of one of a company's most valuable assets: the appearance of its products.

Unlike damages under §284, however, profits under §289 may not be trebled. *Braun Inc. v. Dynamics Corp. of America*, 975 F.2d 815, 824 (Fed. Cir. 1992). Congress gives a design patent owner the choice to proceed under §284 or §289. *Id.* at 824 n.16. While §284 is an important option, trebling under that provision is discretionary, and the required proof of willfulness must meet a higher standard requiring more than just the copying of another's design that is practically inherent in all design patent infringement (see sec. III.A., *supra*). *See In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (holding that "to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent" and that "the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer"). Thus, §289 is also an important and appropriate remedy that should remain available to provide the necessary deterrent to design patent infringers. If all a design infringer had to do when caught with its hand in the cookie jar was to pay the design patent owner a royalty, it would be regarded by the infringer as simply a cost of doing business, and the infringer would proceed to copy again, and again, and again.

As noted above, design patent infringers often take much more than just the product design when they infringe. Theirs is a misappropriation of the look, effectively the very brand, of the original designer/company. The teeth provided by §289 – disgorgement of the infringer's ill-gotten gains – are altogether fitting and proper for this form of intellectual property infringement.

C. Design Often Clinches the Sale of the Product

Once a consumer has decided to purchase a product, appearance and design often drive the decision. The final purchasing decision is likely to be made over the appearance-focused Internet. Even if only a portion of the appearance of a popular design is purloined, the advantage to the infringer is much more than just the intrinsic value of that part of the patented design. That portion of the design can be the gateway to the sale; and it is often the WOW! factor that clinches the sale of the entire product.

Evidence of the importance of design can be found in an article "*What is the Real Value of Design?*", Jeneanne Rae, Design Management Institute (2014). The author, a noted industrial designer who holds an MBA from Harvard Business School, reported on a study in which the Design Management Institute created a Design Value Index to track how design-centric companies perform relative to the S&P 500. The 15 companies that were part of the study included Coca-Cola, Herman-Miller, Nike, Target, Ford and Whirlpool. It was found that while the S&P grew 75% between 2003 and 2013, the Design Value Index grew an astonishing 299 percent.

This is true not only in the United States, but around the world, see, e.g., "*The Value of Design Factfinder report*" published in the U.K. by The Design Council in 2007.

Thus, design – the appearance of a product – is critically important to successful businesses. The value of design needs the protection provided by 35 U.S.C. §289.

D. Double Dipping of Profits Is Not Allowed

Rarely would two unrelated companies own design patents that cover the same infringing product. Design patent rights are based on the design of an original, new and nonobvious product. It only stands to reason that design patent rights on a product that is developed and marketed by one company would vest all such rights in that same company. Moreover, there is no case law regarding design patent licensing, because few companies would license its very look to a third party.

And §289 explicitly states that the owner of an infringed design patent shall not twice recover the profit made from the infringement. Although it does not speak specifically to the owner of two infringed design patents, the principle is the same, and is laced throughout patent law: double recovery is prohibited for infringement by a single product.

In *Catalina Lighting, Inc. vs. Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002), the court, in finding infringement of both a utility patent and design patent by the same product, held:

> Lamps Plus is entitled to damages for each infringement, but once it received profits under §289 for each sale, Lamps Plus is not entitled to a further recovery for the same sale because the award of infringer profits under §289 also constitutes "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." *Id*. §284.

This case demonstrates this Court's antipathy to unfairly award double damages for infringement of two patents by the same product. Simply stated, double dipping will not be allowed, under principles of equity and common sense.

E. The Infringer's Total Profits are Already Connected to and Caused by its Design patent Infringement

The 27 Law Professors assert: "there must be *some connection* between the profits and the infringement" (emphasis added). This is tantamount to saying that the profits should be apportioned between a patented design and the entire product to which the design has been applied, which as noted above is contrary to the overwhelming statutory history of §289 and the case law. In support of the "some connection" argument, citation is made to a 1920 decision from the Sixth Circuit Court of Appeals, *Young v. Grand Rapids Refrigerator Co*., 268 F. 966, wherein the patented design was a casing for a latch. The casing was a *de minimus* part of the refrigerator to which it was attached. And significantly, the patentee never sought profits on the entire refrigerator, so apportionment was not before the court. *Young* is thus questionable precedent.

The 27 Law Professors then assert that " 'some connection' isn't necessarily apportionment", rather it's the profit "made from, i.e., causally derived from – the infringement." They then provide a novel interpretation of §289 and conclude that the net effect of their causation theory is in fact apportionment of profits between the value of the patented design and the value of the article to which it is applied.

The 27 Law Professors also posit that disallowing apportionment of profits was predicated on two assumptions that purportedly no longer "make sense":

(1) First, the professors argue that it no longer makes sense to say that the design is the basis for purchasing the product. In contrast, as noted above (sec. III.C., *supra*), there is credible evidence that the WOW! factor provided by good design often attracts the consumer and significantly affects the purchasing decision.

(2) The second assumption that purportedly no longer makes sense is that the removal of intentional infringement as a requirement of awarding profits – part of the Act of 1887 but removed from §289 – could result in the possibility that a company acting "in perfect good faith" would be liable for disgorging profits on the overall product to which the infringed design has been applied. As pointed out earlier, (see sec. III.A., *supra*), the instances are rare that a company acting in "perfect good faith" would be liable for design patent infringement. For all practical purposes, a good faith innocent design patent infringer is simply a fiction.

Finally, the infringer's total profits are already connected to and caused by its design patent infringement. The law unambiguously says that whoever is found to have infringed a design patent it liable to the design patent owner for the total profit on sales of the infringing article.

F. "Increase Competition" and "Reduce Prices" is the Hue and Cry of All Infringers

Finally, the Samsung *amici* argue that not interpreting §289 to require some type of apportionment "will undermine competition and raise prices". This is based on the erroneous assumption that such an interpretation is a departure from established law. It is not.

Moreover, wanting to increase competition and reduce prices is the hue and cry of every infringer, every company who wants to be free of the patent rights of others. The logical extension of this argument is, of course, that dispensing with patents altogether will also increase competition and reduce prices, but the U.S. Constitution, the Supreme Court and Congress all recognize that exclusive, time-limited intellectual property rights in the form of patent and copyright protections are warranted in order to promote the progress of science and the useful arts.

IV. RELIANCE ON DESIGN PATENTS SHOULD BE HONORED

The primary purpose of design patents is to stop lookalikes – copies of the product bearing the patented design – that proliferate almost immediately after launch of a successful new product. Today, new technologies, such as 3D printing, permit even more rapid copying.

Design patents are especially important to small companies, such as *amicus* Design Ideas, Ltd. In 2011, it had a dispute with an importer, Idea Nuova, Inc. of New York, which clearly infringed several design patents (D481,233; D501,105; and D513,874). Design Ideas was able to resolve the dispute without having to file suit based on the sale of 13,000 units of the infringing product.

In 2013, in a case brought against catalog marketer Harriet Carter and its importer MSR Imports, Inc. (C.D. Ill., No. 1:13-cv-01260-RM-BGC) involving blatant copying of U.S. Pat. No. D449,074, a settlement was negotiated based on the infringer's sale of almost 6,000 units. Moreover, the importer in this case agreed to notify its factory and supplier encouraging them to refrain in the future from manufacturing and distributing any products that were substantially the same in appearance as any of Design Ideas' products.

In two other suits brought by Design Ideas in the Central District of Illinois against the major big box retailer Bed, Bath & Beyond and its suppliers, 4 U.S. design patents were violated, and in one case where almost 400,000 extremely close lookalike copies were sold, a substantial six-figure settlement was achieved. These settlements came about shortly after the complaints were filed. One of the suppliers now sends its new designs to Design Ideas before introduction, to try and ensure it is not infringing Design Ideas' design patents.

Many companies across varied industries have relied on design patents to protect their product designs against predatory copyists – as a first line of defense. Those companies rely on settled law, and especially the statutory provision – 35 U.S.C. §289 - that awards total profits to a successful design patent owner – that puts teeth into stopping lookalike copies. Any change to the settled law of §289 should be discouraged, since design patents were obtained, at great cost, in good faith reliance that they would be effective against copycat infringers, and it would be a travesty of justice for the protection provided by §289 to be diluted after these companies invested so heavily in such protection. Moreover, if apportionment of profits was resurrected, such companies would greatly reduce future applications for design patents, the effectiveness of which would be reduced to a useless and hollow thing.

Design patents are very effective for their primary purpose – stopping lookalikes. What goes unreported are the many instances where design patent protection has discouraged the copyists from even considering copying of successful designs. Moreover, dozens of design patent disputes are settled long before going to court because the case for copying is strong, and the ironclad legal remedy unwavering. Efficient settlement of these disputes will be undermined if this Court adopts the vague, unclear apportionment rule for design patent infringement that Samsung and its *amici* suggest.

V. CONCLUSION

It is clear that the safeguards provided by 35 U.S.C. §289 act as a powerful deterrent to future copying, thereby encouraging design innovation. Once a design patent infringer is forced to disgorge its ill-gotten profits, not only is it discouraged from copying again, but it is likely to turn to designing its own original products to avoid design patents of its competitors – as occurred in the very case at bar.

It is critical that this deterrence not be diluted, as advocated by the Samsung *amici*, or design theft will become the norm, greatly harming design rights holders by rendering impotent their ability to stop lookalike infringements.

Respectfully Submitted,

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August 4, 2014

United States Court of Appeals for the Federal Circuit

CERTIFICATE OF SERVICE

Apple Inc. v. Samsung Electronics Co., Ltd., et al 2014-1335

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

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On **August 4, 2014**, Counsel for Amici has authorized me to electronically file the foregoing Brief of Design ideas, Ltd., Novo Nordisk, Inc., Lutron Electronics, Inc., Novasive, Inc., Method Products, PBC, Oakley, Inc., Deckers Outdoor Corporation and Kohler Co., as Amicus Curiae in Support of Plaintiff-Appellee with the Clerk of Court using the CM/ECF System, which will send notice of such filing to the following registered CM/ECF users:

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