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Latest Developments:

- Federal Circuit Court of Appeals ruled in favor of permanent injunction on behalf of Apple
- Upheld verdicts on design and utility patent, vacated verdict with regards to trade dress infringement.

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Apple v. Samsung:

Latest Developments in ongoing Litigation

The U.S. Federal Circuit Court of Appeals ruled in favor of Apple on September 17, 2015, regarding a permanent injunction that would bar Samsung from making, using, selling, developing, advertising, or importing into the United States any software or code capable of implementing features in Samsung's products which infringe Apple's patents. This most recent decision comes shortly after another ruling by the same court in May, which rejected Samsung's request to reconsider the 2013 retrial of damages. In the wake of these two decisions, Apple and Samsung will be coming to blows in the federal court of the Northern District of California for a fourth time early next year.

Apple received a now-infamous billion-dollar verdict in the tech giants' first bout back in 2012, but District Court Judge Lucy Koh ordered a retrial solely on the damages. That retrial, which took place in late 2013, resulted in an award of approximately $300 million for Apple. On appeal of the 2013 retrial, the Federal Circuit upheld the verdict on the design patent and utility patent infringements, but vacated the verdict with regard to the trade dress infringements.

During this time, Apple also won a $120 million verdict in a second trial for infringement by five other Samsung products. Following this second trial verdict, Apple sought the permanent injunction at issue in this most recent Federal Circuit decision — an injunction to bar Samsung from making, using, selling, developing, advertising, or importing into the United States any software or code capable of implementing the infringing features in Samsung's products. Judge Koh denied the injunction by finding that monetary damages would not be inadequate compensation for Apple's injuries.

The Federal Circuit took issue with this ruling, and drawing on the 2006 Supreme Court case of *eBay v. MercExchange*, 547 U.S. 388, reasoned that "Essentially barring entire industries of patentees—like Apple and other innovators of many-featured products—from taking advantage of these fundamental rights [to exclude competitors from using one's property rights] is in direct contravention of the Supreme Court's approach in *eBay*." (*Apple Inc. v. Samsung Electronics Co., LTD.,* No. 14-1802 (Fed. Cir., Sept. 17, 2015), slip op. at 12.) Therefore, the Federal Circuit concluded that "Given the strength of the evidence of copying and Samsung's professed belief in the importance of the patented features as a driver of sales, and the evidence that carriers or users also valued and preferred phones with these features . . . ." (*Id.* at 15), and given that

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"[T]he public interest *strongly* favors an injunction. Samsung is correct—the public often benefits from healthy competition. However, the public generally does not benefit when that competition comes at the expense of a patentee's investment-backed property right. . . . As a result, the public interest nearly always weighs in favor of protecting property rights in the absence of countervailing factors, especially when the patentee practices his inventions" (*Id.* at 21, emphasis in original).

In addition to its sweeping rhetoric about the public interest '*strongly*' favoring injunctions and 'nearly always' weighing in favor of protecting property rights, this decision demonstrates courts' increasing amenability to ordering powerful injunctions on top of monetary damages for patent infringement cases ever since the Supreme Court's *eBay* decision. In the wake of these recent *Apple v. Samsung* decisions, patent holders will now hold even more bargaining power at the negotiation table, by being able to dangle the threat of both astronomical damages and permanent injunctions over the heads of infringing competitors.

Also of note, in its May decision, the Federal Circuit concluded that Apple's trade dress of "a rectangular product with four evenly rounded corners" and "a matrix of colorful square icons with evenly rounded corners within the display screen," among other aspects, are not *non-functional* and therefore are not protectable by trade dress law. Specifically, the Federal Circuit cited to Apple's testimony that "the theme for the design of the iPhone was: 'to create a new breakthrough design for a phone that was beautiful and simple and *easy to use* . . . ." (*Apple Inc. v. Samsung Electronics Co., LTD.,* No. 14-1335, 15-1029 (Fed. Cir., May 18, 2015), slip op. at 11.) While this decision appears to restrict the use of trade dress protections for computer hardware and software, it may further restrict the use of design patents for these purposes.

Design patents are intended to protect the ornamental design of a functional item. To qualify for design patent protection, a design must have an ornamental appearance that is not dictated by function alone. (*Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989).) If a particular design is essential to the use of the article, it cannot be the subject of a design patent. (*L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir., 1993).)

By concluding that "there was insufficient evidence to support a jury finding in favor of non-functionality on any factor," the Federal Circuit appears to be stating that every aspect of the Apple trade dress is functional. (*Apple v. Samsung*, Case No. 14-1335, 15-1029, at 10.) If every aspect of the trade dress is functional, then a court might be able to conclude that Apple's hardware and software design is essential to the use of its products, making them ineligible for design patent protections. If the Federal Circuit is broadly construing all aspects of computer hardware and software design as being functional, then these inventions may face difficulty in obtaining design patents in the future.

What the *Apple v. Samsung* fight has revealed with certainty is the growing focus on design patents. In its opinion, the Federal Circuit clarified that an infringer of a design patent "shall be liable to the owner to the extent of the infringer's total profit," (citing *35 U.S.C. § 289*), thereby upholding the large verdicts for Apple based on Samsung's design patent infringement. Inventors should now consider obtaining design patent protection where available, even if they may not have considered doing so previously, to better protect their intellectual property since "high damages claims for design patent infringement are going to be much more credible in the wake of *Apple v. Samsung*." (Jason Rantanen, "Apple v. Samsung: Design Patents Win," PATENTLYO, May 18, 2015, http://patentlyo.com/patent/2015/05/samsung-design-patents.html)

If you have questions about design patent protection, remedies for infringement, or advice on protecting your IP in general, please contact Tsircou Law. We can assist with any questions you have, and both prosecute or defend rights as necessary.

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