

# The Disgorgement Remedy of Design Patent Law

Pamela Samuelson\* & Mark Gergen\*\*

I. Origins of the Design Patent Disgorgement Remedy .....	187
II. The Design Entitlement Changed Over Time.....	194
III. The Disgorgement Claims in <i>Apple v. Samsung</i> .....	200
A. The Jury Instructions and the Federal Circuit’s Ruling.....	201
B. The Parties’ Arguments to the Court.....	203
C. Oral Argument Before the Court .....	206
D. The Court’s Opinion .....	207
IV. Reflections on the <i>Samsung</i> Decision .....	208
A. Causation and Apportionment Can and Should Play a Role in Design Patent Disgorgement Cases .....	209
1. Variations on a Classic Disgorgement Case.....	209
2. Separating the Issues of Apportionment and Causation	211
3. Congress Assumed Infringement of a Design Patent Did Not Present the Problem of Apportionment .....	213
4. The Total Profit Rule Was Intended to Solve an Evidentiary Problem.....	215
5. Changes in the Nature of the Design Entitlement Have Undercut Congress’ Assumptions When Adopting the Precursor of § 289.....	218
B. Samsung’s Article of Manufacture Rule and the SG’s Four- Factor Test Are Defective.....	220
C. How the Samsung Decision Made Things Worse for Defendants in Design Patent Cases .....	224
V. Possible Paths Forward.....	226
A. Should Congress Consider Repealing or Amending § 289?	226

---

DOI: <https://doi.org/10.15779/Z38X921K07>.

Copyright © 2020 Authors hold the copyrights.

\* Richard M. Sherman Distinguished Professor of Law, Berkeley Law School. Mark and I wish to thank Andrew Bradt, Sarah Burstein, Tom Cotter, John Golden, Doug Laycock, Mark Lemley, Jonathan Masur, Caprice Roberts, Carl Shapiro, Ben Zipursky, & participants in Berkeley and OSU Law School faculty colloquia for comments on an earlier draft of this paper.

\*\* Robert and Joann Burch D.P. Professor of Tax Law and Policy, Berkeley Law School.

B. Should Judges, Not Juries, Render Disgorgement Awards?	227
C. Would It Help to Refine the Samsung Test and Jury Instructions?	229
Conclusion	231

Until recently, the disgorgement of profits remedy in US design patent law garnered little attention from scholars or practitioners.<sup>1</sup> Congress created this remedy in the late nineteenth century to overrule two Supreme Court decisions that awarded nominal damages as the sole compensatory remedy for infringements of design patents.<sup>2</sup> Under the new remedy, a design patentee could ask for a disgorgement of the “total profit” that an infringer made from sales of articles of manufacture to which the infringing design had been applied.<sup>3</sup> Patented designs back then were generally co-extensive (or nearly so) with the appearance of products sold in the marketplace,<sup>4</sup> and Congress was told when it adopted the total profit remedy that the design “sells the article.”<sup>5</sup> These conditions made it plausible to legislators that little or none of the profit on the sale of an infringing article was attributable to other elements of the article (e.g., quality of materials used or craftsmanship of its manufacture),<sup>6</sup> and that the infringer captured profits it would have been unable to earn had it not infringed the design patent. However, in the modern era, it has become quite common for

---

1. See 35 U.S.C. § 289 (2018). An early critic was Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 YALE L.J. 181 (1892). Interest in this remedy has risen since the \$1 billion jury award in *Apple v. Samsung*. See, e.g., Thomas F. Cotter, *Reining in Remedies in Patent Litigation: Three (Increasingly Immodest) Proposals*, 30 SANTA CLARA HIGH TECH. L.J. 1, 1 (2013); Mark D. Janis, *How Should Damages Be Calculated for Design Patent Infringement?*, 37 REV. LITIG. 241 (2018); Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN. TECH. L. REV. 219 (2013); Dennis M. White, *Inefficiencies in Overcompensating Design Patent Damages Under 35 U.S.C. § 289 in Complex Technologies*, 95 J. PAT. & TRADEMARK OFF. SOC’Y 444, 458 (2013).

2. *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885); *Dobson v. Doman*, 118 U.S. 10 (1886); see *infra* Part I for a discussion of these cases and Congress’ decision to enact the precursor to § 289. Courts have awarded nominal damages when concluding that though a defendant violated a plaintiff’s rights, no cognizable harm resulted from that wrong. *Nominal Damages*, BLACK’S LAW DICTIONARY (11th ed. 2019).

3. The text of the original statute is quoted *infra* note 73. Design patentees have long been able to claim lost profits or a reasonable royalty under 35 U.S.C. § 284. They might prefer § 284 awards when the infringer made no or only a small profit or when willful infringement would allow the patentee to get treble damages.

4. See Sarah Burstein, *The “Article of Manufacture” in 1887*, 32 BERKELEY TECH. L.J. 1 (2017) [hereinafter Burstein, *AOM in 1887*].

5. H.R. REP. NO. 49-1966, at 3 (1886) [hereinafter House Report]. The Senate Report did not repeat this statement. See S. REP. NO. 49-206, at 1–2 (1886). The total profits disgorgement rule is similar to the “entire market value” rule of utility patent law. See, e.g., *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1638 (Fed. Cir. 1995). But see *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 904 F.3d 965 (Fed. Cir. 2018) (vacating an entire market value award because the patented part was not the sole factor driving market demand for the product).

6. See *infra* Part II. For a more recent example, see *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980) (allowing disgorgement of profits on sales of patented fireplace grates, not just on the ornamental design).

design patents to issue on small parts, features, or components of complex products and on designs that are more functional than ornamental.<sup>7</sup> Changes in the nature of the design patent entitlement have precipitated a crisis about how to interpret the “total profit” remedy now codified as § 289 of US patent law.<sup>8</sup>

The crisis was epitomized by the smartphone litigation between Apple and Samsung over similarities in certain features of the external design of the two firms’ smartphones. In 2011, Apple sued Samsung for infringing three patents covering certain parts of the exterior design of smartphones. Apple sought more than \$1 billion in profits that Samsung made on sales of phones that infringed one or more of these patents. Apple’s theory was that the relevant articles of manufacture whose profits should be disgorged were the infringing smartphones. The trial court agreed and instructed the jury accordingly. The initial jury award exceeded \$1 billion, which the court reduced to \$399 million. This was said to represent Samsung’s total profits from sales of these phones.<sup>9</sup> The Federal Circuit affirmed.<sup>10</sup>

In overturning this ruling, the Supreme Court held that the relevant “article of manufacture” for § 289 disgorgement purposes could be an element of the product sold in the marketplace (e.g., the rectangular flat face of a smartphone), not just the end product (i.e., the Samsung phones).<sup>11</sup> The Court consequently vacated the “total profit” award against Samsung and remanded the case for further proceedings. However, the Court provided essentially no guidance about how to determine what the relevant article of manufacture might be, if not the product sold in the market, or how to assess the profits to be disgorged in the event that the relevant article of manufacture was a part of the product rather than the whole.<sup>12</sup> On remand, the jury awarded Apple \$533 million in disgorged profits for infringement of Apple’s design patents.<sup>13</sup>

This Article explains why the Supreme Court’s decision in *Samsung Electronics Co. v. Apple Inc.* was historically ill-informed and normatively unpersuasive. The Court failed to consider fundamental principles that underlie the disgorgement remedy in tort and other substantive fields of law and how

---

7. See Sarah Burstein, *The “Article of Manufacture” Today*, 31 HARV. J.L. & TECH. 781 (2018) [hereinafter Burstein, *AOM Today*].

8. 35 U.S.C. § 289 (2012).

9. The history of the case is recounted in *Apple Inc. v. Samsung Elecs. Co.*, No. 11-CV-01846-LHK, 2017 WL 4776443 (N.D. Cal. Oct. 22, 2017) (order requiring new trial on design patent damages). The *Apple v. Samsung* case is discussed at length in Part III.

10. *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 1001–02 (Fed. Cir. 2015), *rev’d sub nom. Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016). The Federal Circuit has exclusive jurisdiction to hear appeals in patent cases. 28 U.S.C. § 1295(a)(1) (2018).

11. *Samsung Elecs. Co.*, 137 S. Ct. at 436.

12. See, e.g., Burstein, *AOM Today*, *supra* note 7, at 792–93.

13. See Jury Verdict, *Apple Inc.*, No. 11-CV-01846-LHK (May 24, 2018), ECF No. 3806. The jury also awarded Apple \$5.3 million for utility patent infringement. *Id.* at 4. The litigants subsequently settled this dispute. See, e.g., Jack Nicas, *Apple and Samsung End Smartphone Patent Wars*, N.Y. TIMES (June 27, 2018), <https://www.nytimes.com/2018/06/27/technology/apple-samsung-smartphone-patent.html> [https://perma.cc/2UHD-2YBY].

those principles should inform both the normative goals of disgorgement awards in design patent cases as well as the methodology for making such awards.<sup>14</sup> The purpose of disgorgement is to strip from a wrongdoer profit that is causally attributable to his wrong, but no more than this (and sometimes less if apportionment is warranted). Its goal is not to compensate plaintiffs for losses, as actual damage awards would do. Disgorgement eliminates the incentive to engage in the wrongful conduct without punishing the wrongdoer. This remedy generally puts wrongdoers in no worse position than if they had not committed the wrong.<sup>15</sup> That is, wrongdoers are allowed to retain costs of committing the wrong and profits they would have made had they chosen to behave lawfully.<sup>16</sup>

The logic of disgorgement requires the adjudicator to engage in counterfactual analysis: suppose that, instead of engaging in the wrongful conduct being challenged, the defendant engaged in similar but non-wrongful conduct or had otherwise chosen to act lawfully. How much better off (if at all) did engaging in the wrongful conduct make this particular defendant? If the wrongful conduct made the defendant better off financially, the extent of the extra benefit is the maximum amount that should be disgorged. Further, if some of the profit could not have been made without the defendant's resources, then the defendant may retain a share of these profits as a matter of apportionment. It may be difficult to make these causal determinations with precision, and apportionment inevitably involves discretion.<sup>17</sup> Yet, a reasonable approximation should suffice.<sup>18</sup>

Applied to the design patent context, the logic of disgorgement would require adjudicators to calculate the difference between the profits the infringer made from sales of the infringing products and profits it would have made had it chosen to develop the same product differently (without infringing) or to invest in other activities. In the late nineteenth century carpet cases, this rule would

---

14. RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 51 (AM. LAW INST. 2011) [hereinafter RESTITUTION RESTATEMENT].

15. *Id.* § 51(5) provides “[t]he object of restitution in [a case of conscious wrongdoing] is to eliminate the profit from wrongdoing while avoiding, so far as possible, the imposition of a penalty.” Comment e explains: “The object of the disgorgement remedy [is] to eliminate the possibility of profit from conscious wrongdoing.” Comment f cautions that profits are not disgorged if “liability for the profits so designated would be unacceptably punitive, being unnecessary to accomplish the object of the disgorgement remedy in restitution.” Comment h explains why costs are deducted in determining profits subject to disgorgement: “Denial of an otherwise appropriate deduction, by making the defendant liable in excess of net gains, results in a punitive sanction that the law of restitution normally attempts to avoid.” See also Bert I. Huang, *The Equipose Effect*, 116 COLUM. L. REV. 1595, 1598 (2016) (describing this characteristic of the disgorgement remedy as “the equipose effect,” because “[s]omeone who expects to disgorge her net gain knows that her act will be neither gainful nor costly; it will be a wash. She will break even”).

16. RESTITUTION RESTATEMENT, *supra* note 14, at § 51(4).

17. *Id.* § 51(5); see Mark P. Gergen, *Causation in Disgorgement*, 92 BOSTON U. L. REV. 827, 827 (2012).

18. RESTITUTION RESTATEMENT, *supra* note 14, at § 51(5)(d) (“A claimant who seeks disgorgement of profit has the burden of producing evidence permitting at least a reasonable approximation of the amount of the wrongful gain. Residual risk of uncertainty in calculating net profit is assigned to the defendant.”).

have resulted in a disgorgement of the infringer's profit from sales of the infringing products because designs are generally what make carpets appealing to customers. In *Apple v. Samsung*, this rule would require estimating how much profit Samsung would have made from selling non-infringing smartphones and comparing that amount to the profits it made from sales of phones that infringed one or more Apple design patents.<sup>19</sup>

Instead of articulating principles of disgorgement, the Supreme Court's *Samsung* decision directed adjudicators, first, to identify the relevant "article of manufacture" to which the infringing design was applied, and then to calculate the total profit made on that article.<sup>20</sup> In complex technology cases such as *Samsung*, this inquiry is likely to prove elusive, unilluminating, and unpredictable, leading to inconsistent and sometimes grossly excessive awards.<sup>21</sup> If the \$399 million award against Samsung that the Supreme Court vacated represented Samsung's total profits on its sales of infringing phones, how can we explain, let alone justify, the subsequent jury award of \$533 million for infringements of the same design patents?<sup>22</sup> A more holistic and coherent inquiry should focus on how to achieve the normative goals underlying the disgorgement remedy. True to its roots, the disgorgement remedy in design patent law should achieve unjust enrichment goals and not become either a punitive measure or an opportunity for windfalls. This approach is consistent with our understanding of Congress' intent in enacting the design patent disgorgement remedy.

## I.

### ORIGINS OF THE DESIGN PATENT DISGORGEMENT REMEDY

Since 1887, design patent law has had a special statutory remedy, now codified in 35 U.S.C. § 289, that permits design patentees to choose to recover an infringer's "total profit" from sales of articles of manufacture to which the infringer applied the protected design instead of the patentees' actual damages. After introducing the design patent regime, this Part closely analyzes the legislative history of the bill that created this special remedy. This Part concludes that while Congress intended to provide a meaningful remedy for infringement of design patents, it did not contemplate that the remedy would be punitive or would confer on patentees a windfall.

---

19. Because Samsung's phones embody many non-infringing elements and because the smartphone market in the US is very large, Samsung was unlikely to have exited that market if it could not infringe the Apple patents. Moreover, some Samsung phones did not infringe Apple's patents; profits from those sales could provide useful data for counter-factual analysis.

20. *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 436 (2016).

21. This concern is reflected in sources cited *supra* note 1.

22. Others have characterized the jury awards against Samsung as excessive. *See, e.g.*, Cotter, *supra* note 1, at 20; Lemley, *supra* note 1, at 234; White, *supra* note 1, at 454.

The US Congress created the design patent regime in 1842.<sup>23</sup> Its apparent goal was to induce investment in attractive new designs for articles of manufacture.<sup>24</sup> Since then, patents have been issued on two types of designs (or a combination of both): two-dimensional surface ornamentations (e.g., wallpaper patterns) and configurations of products (e.g., chair shapes).<sup>25</sup>

To obtain a design patent, a creator must apply for a design patent and submit that design to the patent office for examination of the design's originality, novelty, nonobviousness, and since 1902, its ornamentality.<sup>26</sup> The design must be specifically claimed through pictorial representations.<sup>27</sup> Applicants must identify the type of article to which the design is to be applied.<sup>28</sup> Once the patent is granted, the patentee has exclusive rights to control the making, using, and

23. See Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543, 543–44 (1842). Until 1902, US design patent law listed specific categories of manufactures eligible for design patenting. See, e.g., Richard W. Pogue, *Borderland—Where Copyright and Design Patent Meet*, 52 MICH. L. REV. 33, 45–46 (1953). In other countries, original designs for articles of manufacture are protectable under short-duration copyright-like regimes. See, e.g., GRAEME B. DINWOODIE & MARK D. JANIS, *TRADE DRESS AND DESIGN LAW*, ch. 9 (2010). For an explanation of Congress' decision to adopt a modified patent regime, see Pogue, *supra*, at 62–63.

24. *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 524 (1871) (“The acts of Congress which authorize the grant of patents for designs were plainly intended to give encouragement to the decorative arts.”). *But see* Mark P. McKenna & Katherine J. Strandburg, *Progress and Competition in Design*, 17 STAN. TECH. L.J. 1 (2013) (questioning the goals of design patent law).

25. U.S. DEP'T OF COMMERCE, PATENT & TRADEMARK OFFICE, *MANUAL OF PATENT EXAMINING PROCEDURE* § 1502 (9th ed., Rev. 08.2017, Jan. 2018) [hereinafter MPEP]:

In a design patent application, the subject matter which is claimed is the design embodied in or applied to an article of manufacture (or portion thereof) and *not* the article itself . . . . The design for an article consists of the visual characteristics embodied in or applied to an article. Since a design is manifested in appearance, the subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation. Design is inseparable from the article to which it is applied and cannot exist alone merely as a scheme of surface ornamentation. It must be a definite, preconceived thing, capable of reproduction and not merely the chance result of a method.

Although the ornamentality and functionality of a design may be intertwined, see Sarah Burstein, *The Patented Design*, 83 TENN. L. REV. 161, 170 (2015) [hereinafter Burstein, *The Patented Design*], design patent law does not protect functionality as such. To protect functional innovations (e.g., how a useful article performs its function), one must obtain a utility patent. MPEP, *supra*, § 1502.01.

26. See 35 U.S.C. § 171(a) (2018) (“Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.”). All provisions of US patent law, including requirements to apply for patent protection, make claims, and subject the application to examination, apply to design patents unless specifically provided otherwise. *Id.* § 171(b).

27. MPEP, *supra* note 25, § 1503.02 (“Every design patent application must include either a drawing or a photograph of the claimed design. As the drawing or photograph constitutes the entire visual disclosure of the claim, it is of utmost importance that the drawing or photograph be clear and complete, and that nothing regarding the design sought to be patented is left to conjecture.”). Solid lines in design patent claims indicate the claimed design; broken lines delineate elements disclaimed by the patentee. *Id.*

28. 37 C.F.R. § 1.153(a) (2019). See generally Burstein, *Patented Design*, *supra* note 25, at 165 (“[T]he patented design should be conceptualized as the design as applied to a specific type of product, not as a design *per se*.”).

selling of products embodying the patented design for no more than fifteen years.<sup>29</sup>

In the late nineteenth century, the Supreme Court articulated a test for design patent infringement in *Gorham Co. v. White*.<sup>30</sup> Gorham, who held a patent on a design for the handles of tablespoons and forks, sued White, claiming that White's utensils infringed that patent. The Court stated that "if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other."<sup>31</sup> Applying this test, the *Gorham* Court held that the substantial identity of the patented design and the defendant's utensils supported Gorham's infringement claim.<sup>32</sup> The Federal Circuit regards the *Gorham* test for design patent infringement to be operative today.<sup>33</sup>

Remedies available for design patent infringement have evolved over time. In the nineteenth century, design patentees could recover actual damages (i.e., lost profits) by bringing an action at law.<sup>34</sup> An advantage of the actual damage remedy was that a design patentee could be awarded up to three times the patentee's lost profits for willful infringements.<sup>35</sup> If, however, design patentees wanted an injunction to prevent further infringement (as they often did), they could file a bill in equity. A court sitting in equity could issue an injunction and concomitantly order an accounting (i.e., disgorgement) of whatever profits the infringers had made selling products embodying the patented designs.<sup>36</sup> After 1870, equity courts could also award actual damages.<sup>37</sup> Over time, the law/equity distinction became less salient. Courts today have the power in design patent

---

29. 35 U.S.C. § 173. Prior to December 18, 2013, § 173 provided for a fourteen-year duration for design patents. No maintenance fees are required to keep a design patent in force.

30. 81 U.S. (14 Wall.) 511 (1871).

31. *Id.* at 528.

32. *Id.* at 528–31. The Court, with three Justices dissenting, ordered the lower court to issue a decree of infringement. *Id.* at 531.

33. *See, e.g., Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 670 (Fed. Cir. 2008) (referring to *Gorham* as "the starting point" in design patent infringement cases and quoting this test). However, *Gorham* focused on overall visual similarity of the two parties' products, whereas the Federal Circuit now focuses on visual similarities as to the patented part(s) of a product.

34. Under the Patent Act of 1870, patentees could file an action on the case in federal district court to obtain an award of actual damages for infringement. *See* Act of July 8, 1870, ch. 230, § 59, 16 Stat. 198 (1870). Actual damage awards were either for profits that the plaintiff lost because infringement diverted sales to the defendant or for established royalty or license fees; *see also* *Seymour v. McCormick*, 57 U.S. (16 How.) 480, 491 (1854) (recognizing an established royalty or license fee as an appropriate damage recovery).

35. Act of July 8, 1870, § 59; *see* *Tilghman v. Proctor*, 125 U.S. 136, 144 (1888) (holding treble damage award for patent infringement available to "inflict vindictive or punitive damages").

36. Under the 1870 Act, a patentee could file a bill in equity and seek an injunction and an accounting of the defendant's profits. Act of July 8, 1870, § 55. Before 1870, equity courts had inherent powers to order profits disgorgement through an accounting. *See, e.g., Stevens v. Gladding*, 58 U.S. (17 How.) 447, 455 (1855) ("The right to an account of profits is incident to the right to an injunction in copy and patent-right cases.").

37. Act of July 8, 1870, § 55.

cases to issue injunctions and to award either a disgorgement of the infringer's profits or the patentee's lost profits, but not both.<sup>38</sup>

In 1887, Congress created the statutory design patent disgorgement remedy, now codified in § 289.<sup>39</sup> This legislation overturned the Supreme Court's decision in *Dobson v. Hartford Carpet Co.*,<sup>40</sup> which limited design patent damages to the nominal amount of six cents.<sup>41</sup> Because the proper interpretation of this statutory remedy is deeply contested in the modern era, some attention to *Dobson* and Congress' reaction is warranted.

*Dobson* did not dispute the charge that it infringed Hartford's design patent.<sup>42</sup> The trial court issued a permanent injunction against further infringement and ordered an accounting of profits as well as an award of damages.<sup>43</sup> A special master reported that Hartford had waived claims for disgorgement and sought instead an award of its lost profits and related damages.<sup>44</sup> Because the *Dobson* carpets were cheaper and inferior in quality to Hartford's carpets,<sup>45</sup> the master determined that Hartford had lost no profits from the infringement and recommended an award of six cents.<sup>46</sup> The trial court upheld Hartford's objection to this finding and awarded \$737, which represented the profits Hartford would have made had it, rather than *Dobson*, sold 1100 yards of carpets bearing the patented design.<sup>47</sup> An appellate court affirmed this award on a presumption that the infringements displaced sales that should have gone to Hartford.<sup>48</sup>

*Dobson* appealed to the Supreme Court, hoping for a reinstatement of the master's recommended award. Luckily for *Dobson*, the Supreme Court had just recently adopted a rigorous damage recovery rule for utility patent infringement in *Garretson v. Clark*.<sup>49</sup> The rule required the holder of an improvement patent

---

38. 35 U.S.C. §§ 283, 284, 289 (2018); *see, e.g.*, *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1290 (Fed. Cir. 2002) (holding that design patentees can obtain either a profit-disgorgement remedy under § 289 or lost profits/reasonable royalty remedy under § 284, but not both).

39. Act of Feb. 4, 1887, ch. 105, §§ 1, 2, 24 Stat. 387, 387–88. Congress codified the Act of 1887's total profit rule with the 1952 Patent Act. *See* Act of July 19, 1952, Pub. L. 82-593, § 289, 66 Stat. 792, 813 (codified at 35 U.S.C. § 289).

40. 114 U.S. 439 (1885); *see also* *Dobson v. Dornan*, 118 U.S. 10 (1886) (awarding nominal damages for design patent infringement). That this legislation was intended to overturn the Court's decision is evident from the legislative history. *See* House Report, *supra* note 5, at 1.

41. *Dobson*, 114 U.S. at 447.

42. *Id.* at 440–41.

43. *Id.* at 441.

44. *Id.* A special master found that *Dobson* made no profits from infringement of *Dornan*'s design patent. *Dornan*, 118 U.S. at 17.

45. The Supreme Court mentions the price and quality issue. *Dobson*, 114 U.S. at 443; *see also* *Dornan*, 118 U.S. at 17–18.

46. *Dobson*, 114 U.S. at 442.

47. *Id.* at 441–42.

48. *Id.* at 443.

49. 111 U.S. 120 (1884). Proving apportionment in utility patent cases bedeviled courts in the years thereafter. *See, e.g.*, *Cincinnati Car Co. v. N.Y. Rapid Transit Corp.*, 66 F.2d 592, 593 (2d Cir. 1933) (“The difficulty of allocating profits [attributable to infringement] in [patent] cases [involving one

“to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative.”<sup>50</sup> Because Garretson had offered no proof on how to apportion the defendant’s profits or the damage suffered from the infringement, the Court awarded only nominal damages.<sup>51</sup> In *Dobson*, the Court stated that the *Garretson* rule was “even more applicable to a patent for a design than to one for [a] mechanism.”<sup>52</sup> Although recognizing that the patented design might have contributed to the value of Dobson’s carpets, the Court opined that much of the carpet’s value could have been due to other characteristics, such as material quality and workmanship.<sup>53</sup> The Court held that Hartford’s failure to prove what profits it lost by Dobson’s infringement justified an award of only nominal damages.<sup>54</sup>

Having been unable to persuade the Court to support recovery of meaningful damages for design patent infringement, Hartford and other design patentees took their complaints to Congress where their cause met a more receptive audience. Bills were soon introduced in both houses of Congress.<sup>55</sup> The proposed legislation would allow design patentees to recover “the total profit made . . . from the manufacture or sale . . . of the article or articles to which the [patented] design, or colorable imitation thereof, has been applied.”<sup>56</sup> The total profit provision seemingly created an irrebuttable presumption that none of the profit (other than, perhaps, a normal return on investment) was attributable to the defendant’s contributions to the manufacture and sale of the infringing article(s). By presuming that the total profit was attributable to the use of the infringing

---

part of a larger device] has plagued the courts from the outset, and will continue to do so, unless some formal and conventional rule is laid down, which is not likely. Properly, the question is in its nature unanswerable.”). Seemingly because of these difficulties, Congress repealed the disgorgement remedy for utility patent infringement. See, e.g., Caprice L. Roberts, *The Case for Restitution and Unjust Enrichment Remedies in Patent Law*, 14 LEWIS & CLARK L. REV. 653, 660–69 (2010) (relating the history of the disgorgement remedy in utility patent law, although arguing that disgorgement should be available in such cases).

50. *Garretson*, 111 U.S. at 121 (quoted in *Dobson*, 114 U.S. at 445). The quoted language was from the lower court opinion.

51. *Id.* at 121–22.

52. *Dobson*, 114 U.S. at 445; *id.* (“The article which embodies [the design] is not necessarily or generally any more serviceable or durable than an article for the same use having a different design or pattern”).

53. The Court observed that carpets “must have intrinsic merits of quality and structure, to obtain a purchaser,” so upholding an award of the whole profit for the carpet would “confound[] all distinctions between cause and effect.” *Id.* at 445–46. The Court in *Garretson* would have allowed a total profits award had the infringed patent covered the whole product, even though other characteristics, such as the quality of materials used and workmanship, might have contributed to those profits. *Garretson*, 111 U.S. at 121.

54. *Dobson*, 114 U.S. at 447.

55. See S. 1813, 49th Cong. (1886), reprinted in 18 CONG. REC. 834 (Jan. 20, 1887); H.R. 8323, 49th Cong. (1886).

56. See S. 1813.

design, this rule of recovery overcame the evidentiary difficulty that had hamstrung the plaintiff in *Dobson*.

Representative Mitchell, who sponsored the House bill, submitted a powerful report in support of legislation creating a total profits disgorgement remedy. The House Report warned that without this legislation, the design patent laws would be “virtual[ly] repeal[ed],” for under the Court’s *Dobson* ruling “the design patent laws provide no effectual money recovery for infringement.”<sup>57</sup> The Report noted that design patent applications had “fallen off upwards of 50 per cent” since the Court’s decision, as had issuance of design patents.<sup>58</sup> The situation had created an “emergency” for the design industries that Congress should fix,<sup>59</sup> especially since these industries had grown rapidly since the enactment of design patent law, design schools were training new practitioners, and hiring designers was expensive.<sup>60</sup> The Report asserted that consumers had benefited from the design patent regime by getting “more beautiful carpets and wall-papers and oil-cloths for the same money, and even for less money, with a tendency to encourage the purchase of articles of standard qualities as opposed to shoddy imitations, which is a true economy in individuals and so in masses.”<sup>61</sup>

The bill set a default monetary remedy of \$250 for design patent infringement, which was “a recovery certain and simple [that] will command for the design patent laws a respect which is the patentee’s greatest protection.”<sup>62</sup> This minimum award would apply when design patent infringers had not actually profited from their wrongful acts, “which would in the majority of cases be the infringement most damaging and disastrous to the patentee as a manufacturer.”<sup>63</sup> The minimum would also be available in cases in which “the exact profit in dollars and cents cannot be proved under the severe and technical rules of the law.”<sup>64</sup> The new remedy also created an entitlement to recovery of any profits in

57. House Report, *supra* note 5, at 1.

58. *Id.*

59. *Id.* at 2.

60. *Id.* at 2–3.

61. *Id.* at 3. Design-patented goods could be cheaper because design patentees could “run longer on a given design” and thereby “avoid changing machinery.” *Id.*

62. *Id.* The \$250 minimum was awarded in a substantial number of cases in the late nineteenth and early twentieth centuries. *See, e.g.*, *Western Gas Fixture Co. v. Jefferson Glass Co.*, 296 F. 128, 129 (4th Cir. 1924) (lower court erred in declining to award \$250); *Ripley v. Elson Glass Co.*, 49 F. 927, 930 (C.C.S.D. Ohio 1892) (remarking that the infringement was “so deliberate and intentional” as to warrant the award of \$250); *Pirkl v. Smith*, 42 F. 410, 411 (C.C.E.D.N.Y. 1890); *Redway v. Ohio Stove Co.*, 38 F. 582, 584 (C.C.S.D. Ohio 1889). Courts could also award the \$250 minimum if the infringer had offered to sell products embodying the infringing design but had not actually sold any. *See, e.g.*, *Frank v. Geiger*, 121 F. 126, 126–27 (C.C.S.D.N.Y. 1903) (award of \$250 for exposing a design for sale). The bill borrowed this statutory damage remedy from an English statute, “which prescribes a recovery of £50 on proof of violation of a design registration.” House Report, *supra* note 5, at 3. The English law actually allowed recovery of up to £50 per violation, not £50 in every case, and far from being the success claimed in the Report, the English Parliament repealed it a few years later because it yielded excessive awards. *See Burstein, AOM in 1887, supra* note 4, at 59 n.355.

63. House Report, *supra* note 5, at 3.

64. *Id.*

excess of the statutory minimum that the patentee could prove the infringer made from sales of the relevant article.

The Report defended the \$250 minimum as “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” and offered assurance that the minimum would “not [be] too large.”<sup>65</sup> Moreover, this new remedy would not apply to innocent dealers, that is, merchants who might inadvertently sell the infringer’s products; only those manufacturers who infringed for purposes of sale and dealers who actually conspired with them would be held to pay.<sup>66</sup> In all other respects, the bill “leaves the present design patent law just as it is” and preserved “all the rights of defendants against any possible double recovery for the same infringement.”<sup>67</sup> Furthermore, the House debate about the legislation offered assurances that the new remedy would be equitable.<sup>68</sup>

The Report made clear that the total profit remedy was not intended to be punitive. Its goal was to “prevent[] the infringer from actually profiting by his infringement.”<sup>69</sup> The patentee would “recover[] nothing beyond that profit, the capital and labor invested being left with the infringer just as it was before the infringement.”<sup>70</sup> The Report contrasted this remedy with that available for copyright infringement, which “goes far beyond this” and exacts “a heavy penalty.”<sup>71</sup> Thus, the total profit rule would overcome the evidentiary problem caused by the perceived impossibility of apportioning profits as between infringing and non-infringing aspects under the strict evidentiary rules of the day.<sup>72</sup>

By enacting the total profit rule in 1887,<sup>73</sup> Congress sought to provide a meaningful remedy for patentees whose designs were infringed. There is,

---

65. *Id.*

66. *Id.* at 3–4.

67. *Id.* at 4.

68. S. 1813, 49th Cong. (1886), reprinted in 18 CONG. REC. 834, 835–36 (Jan. 20, 1887).

69. House Report, *supra* note 5, at 3. The Supreme Court recognized the restitutionary nature of disgorgement in *Tilghman v. Proctor*, 125 U.S. 136, 145–46 (1888). See *infra* text accompanying note 245.

70. House Report, *supra* note 5, at 3.

71. *Id.* This misstates copyright disgorgement rules from that era. See EATON S. DRONE, TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES: EMBRACING COPYRIGHT IN WORKS OF LITERATURE AND ART, AND PLAYWRIGHT IN DRAMATIC AND MUSICAL COMPOSITIONS 532–33 (1879) (profits accounting in equity should approximate unjust gains).

72. House Report, *supra* note 5, at 3. It also justified the disgorgement remedy because the “design [] sells the article.” *Id.* (The Senate Report omitted this statement.) This continues to be the mantra of many design professionals. See, e.g., Brief of Amicus Curiae of Industrial Designers Society of America in Support of Neither Party at 3–7, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777). This may have been true in 1887, but not today given the contemporary practice of getting design patents for partial designs of products. See Part II.A.

73. The 1887 Act, which in its entirety consisted of just two sections, established the total profit rule, as follows:

however, no evidence Congress intended to change the fundamental and well-established character of the disgorgement remedy: stripping profit attributable to the wrong and no more.<sup>74</sup> Anyone who wanted to impose a penalty on willful infringers would have to look to the treble damages remedy available under a different provision of patent law, such as § 284 today.<sup>75</sup>

## II.

### THE DESIGN ENTITLEMENT CHANGED OVER TIME

From its inception in 1842 and continuing for well over one hundred years, design patent law conferred a unitary entitlement to exclusive rights in designs covering the overall appearance of articles of manufacture. Professor Sarah Burstein has documented that patent applicants historically sought design protection for the configuration or surface ornamentation (or a combination of both) of “articles of manufacture,” which she defines as “tangible item[s] made by humans . . . that had a unitary structure and w[ere] complete in itself for use or for sale.”<sup>76</sup> This Part explains two significant changes in the nature of the design patent entitlement in recent decades. One is the fragmentation of the

---

[H]ereafter, during the term of letters patent for a design, it shall be unlawful for any person other than the owner of said letters patent, without the license of such owner, to apply the design secured by such letters 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. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars. . . . [N]othing in this act contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same, might have had if this act had not been passed; but such owner shall not twice recover the profit made from the infringement.

Act of Feb. 4, 1887, ch. 105, §§ 1–2, 24 Stat. 387, 387–88. The 1952 codification differed from the 1887 Act in two significant respects: 1) § 289 omitted the knowledge of infringement requirement; and 2) the ordering of the statutory damage and disgorgement remedies was reversed.

74. See, e.g., *Tilghman v. Proctor*, 125 U.S. 136, 145–46 (1888). Especially revealing is the House Report’s characterization of the \$250 statutory minimum award as “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.” House Report, *supra* note 5, at 3. That the \$250 minimum was expected to be the usual award was evident from its being listed first in the statute.

75. Act of July 8, 1870, ch. 230, § 59, 16 Stat. 198 (1870). Imposing a “penalty” for infringement was, in this era, a matter for law courts, for the defendant had a right to a jury trial on the issue. Courts sitting in equity could not award penalties. See, e.g., *Betts*, *supra* note 1, at 183–84 (questioning the constitutionality of the 1887 remedy on this ground). One early case characterized the \$250 minimum award as “in the nature of a penalty.” See *Untermeyer v. Freund*, 50 F. 77, 78 (C.C.S.D.N.Y. 1892), *aff’d*, 58 F. 205, 209–11 (2d Cir. 1893). Punitive treble damages remain available to design patentees under 35 U.S.C. § 284.

76. Burstein, *AOM in 1887*, *supra* note 4, at 5 (inferring this definition based on patent office and court decisions).

entitlement so that ever smaller parts of articles of manufacture can be design patented. A second is a loosened standard for disqualifying a design on functionality grounds. Both changes have had significant effects on the functioning of the § 289 disgorgement remedy and its total profit rule.

During the late nineteenth century and into the twentieth, patent officials frequently denied design patent claims for failure to satisfy the article of manufacture prerequisite, as when a patent holder attempted to claim a design consisting of multiple independent articles.<sup>77</sup> To establish infringement, moreover, the patent holder had to persuade the fact-finder that an “ordinary observer, giving such attention as a purchaser usually gives” would purchase the alleged infringing item, “supposing it to be the” patented item.<sup>78</sup> In *Dobson*, for instance, Hartford would have had to show that the overall design of Dobson’s carpet was so similar to the patented carpet that an “ordinary observer” would purchase the defendant’s carpet “supposing it to be the same” as Hartford’s.

Some late nineteenth and early twentieth century cases involved claims for designs of articles of manufacture that, while complete in themselves, were embodied within end products consumers could purchase in the market. For instance, *Young v. Grand Rapids Refrigerator Co.* involved a design for a refrigerator latch<sup>79</sup> and *Untermeyer v. Freund* a design for watch cases.<sup>80</sup> These cases do not contradict Professor Burstein’s argument that until recently design patents were issued for the novel overall appearance of an item “that had a unitary structure and was complete in itself for use or for sale.” These cases merely illustrate that the “article of manufacture” concept could include items such as latches and metal casings without being coextensive with end products such as refrigerators and watches. This distinction is significant because in these cases the patentees were not allowed to recover the entire profit the infringers made on sales of end products embodying the patented designs. In *Young*, the court awarded the patentee the \$250 minimum statutory damage because it was unable to determine how much of Grand’s profits from sales of refrigerators were attributable to the latch design (i.e., the relevant article of manufacture to which the patented design was applied).<sup>81</sup> The *Untermeyer* court awarded profits from sales of the watch cases rather than profits from sales of watches having the infringing cases.<sup>82</sup>

Based on our review of the historical record, as described above, we are persuaded that the well-established practice in the nineteenth century and much of the twentieth century was to issue design patents for the overall appearance of

---

77. *Id.* at 36–49.

78. *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 528 (1871).

79. 268 F. 966 (6th Cir. 1920).

80. 50 F. 77 (C.C.S.D.N.Y. 1892), *aff’d*, 58 F. 205 (2d Cir. 1893).

81. *Young*, 268 F. at 974; *see also* *Frank v. Geiger*, 121 F. 126 (C.C.S.D.N.Y. 1903) (\$250 awarded for infringement of design patent on end frames for bedsteads).

82. *Untermeyer*, 58 F. at 209.

articles of manufacture.<sup>83</sup> Whether this design entitlement was a matter of conventional practice or of law is unimportant.<sup>84</sup> Property can be as much a matter of convention or practice as a matter of law.<sup>85</sup>

Professor Burstein has persuasively argued that the nature of the design patent entitlement began to change substantially after a 1980 appellate court decision. Most significantly, there has been a noticeable fragmentation of this entitlement to ever smaller design elements of a product, which we will call “partial designs.”<sup>86</sup>

Professor Burstein traces this change in the nature of the design patent entitlement to 1980 when the Court of Customs and Patent Appeals (CCPA) held in *In re Zahn* that a partial design for an article of manufacture could be patented.<sup>87</sup> Zahn claimed a novel design for the shank of a drill bit by drawing the shank portion with solid lines in his claim.<sup>88</sup> He excluded the flutes and cutting edge of the drill bit from the scope of his claim by identifying these elements with dotted lines.<sup>89</sup> The patent office rejected the claim because “a design patent cannot properly be granted for the ornamental design of a portion only of an article of manufacture.”<sup>90</sup> The CCPA reversed, holding that the

---

83. The “article of manufacture” concept in design patent law has dual significance. First, it is relevant to the subject matters eligible for design patenting in 35 U.S.C. § 171(a). Second, it identifies the article whose profits an infringer must disgorge under § 289. Logically that term should mean the same thing in both contexts, and conventionally we believe this was the case. A common practice today is for designers to file for patents on partial features of products rather than on the overall product appearance. The relevant article of manufacture for patent eligibility purposes logically should be the same as for disgorgement purposes. Hence, disgorgement in partial design cases should be for profits on the articles to which partial designs have been applied, not on end products. Yet, in *Pacific Coast Marine Windshields, Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297 (M.D. Fla. 2014), the court was prepared to disgorge the defendant’s profits from selling boats embodying the infringing windshields, *id.* at \*10, even though windshields were the articles of manufacture depicted in the patent. *See* Marine Windshield, U.S. Patent No. D555,070 (filed Apr. 27, 2006).

84. Until the end of the nineteenth century, design patents could include multiple claims. *See, e.g.*, WILLIAM L. SYMONS, THE LAW OF PATENTS FOR DESIGNS § 42 (1914) (one design per patent became the norm in 1898).

85. *See, e.g.*, ROBERT C. ELLICKSON, ORDER WITHOUT LAW: HOW NEIGHBORS SETTLE DISPUTES 52–53 (1991) (using case study of the handling of cattle trespass disputes by residents of Shasta County to argue “norms, not legal rules, are the basic source of entitlements.”); Henry E. Smith, *Community and Custom in Property*, 10 THEORETICAL INQUIRIES L. 5 (2009) (proposing an information cost theory to explain when custom is incorporated in the law).

86. Burstein, *AOM in 1887*, *supra* note 4, at 12–14 (giving examples). All designs are “partial” in the sense that they do not extend to all design elements of end products. For the sake of clarity, we distinguish the historical practice of patents on overall designs, such as those for carpets, lamps, and chairs, with the modern practice of allowing patents on even very small partial elements of an overall end product.

87. 617 F.2d 261 (C.C.P.A. 1980).

88. Burstein, *AOM in 1887*, *supra* note 4, at 8–10, 13 (discussing Zahn’s claim and the decision).

89. *Id.* at 9. Burstein asserts that even if dotted lines had occasionally been used in design patents prior to *Zahn*, those dotted lines did not have the same significance they had after *Zahn*.

90. *Zahn*, 617 F.2d at 264.

“statute is not limited to designs for complete articles, or ‘discrete’ articles, and certainly not to articles separately sold.”<sup>91</sup>

The CCPA seems to have regarded *Zahn* as consistent with *Gorham v. White*,<sup>92</sup> which involved a patent for a design of the handles of tablespoons and forks. Yet it is telling that in finding that the defendant’s tableware had infringed the plaintiff’s design patent, the *Gorham* Court relied on expert witness testimony comparing the overall appearance of the defendant’s tableware and *Gorham*’s tableware. The experts did not compare the design of the defendant’s handle with the design of the plaintiff’s handle in isolation from the overall end product.<sup>93</sup> One expert opined that “[a]ny person seeing one of the *Gorham* spoons or forks at one end of the table, and one of *White*’s at the other end, could not tell the difference between them; not one man in fifty.”<sup>94</sup>

As a result, design patent claiming practice has changed. Since *Zahn*, it has become common for design patent applicants to claim separate patents in multiple partial design elements of end products.<sup>95</sup> To establish infringement of partial designs, the patentee must now persuade the fact finder that “the corresponding portion of the accused design . . . looks ‘the same,’ in light of the prior art” as the claimed design.<sup>96</sup> Under modern practice, had Hartford designed a carpet with a novel print, shape, and fringe, Hartford could claim separate patents in each of these design elements. If a competitor used Hartford’s novel fringe in a carpet having a different print and shape, Hartford could establish infringement under today’s prevailing interpretation of design patent law by persuading the fact finder that the competitor’s carpet fringe “looks the same” as the patented fringe. By patenting ever smaller parts of products, the design entitlement has become broader because differences in the overall appearance of a defendant’s products have become irrelevant, making it easier to find infringement. Under the Federal Circuit’s interpretation of *Gorham*, moreover, infringement analysis no longer focuses on the point of novelty of the patented design as compared with the prior art.<sup>97</sup>

The design entitlement has thus been fragmented, perhaps as a matter of law and certainly as a matter of practice. What used to be an entitlement to the distinctive overall appearance of a product of novel design has become an entitlement to the distinctive appearance of novel partial design elements embodied in a product. This fragmentation has significantly changed the nature of the entitlement by broadening its scope. The entitlement now reaches products

---

91. *Id.* at 268.

92. *Gorham v. White*, 81 U.S. (14 Wall.) 511 (1871).

93. *Id.* at 513–514.

94. *Id.* at 513.

95. Burstein, *AOM in 1887*, *supra* note 4, at 6–9.

96. *Id.* at 11 (quoting *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 672 (Fed. Cir. 2008) (en banc)).

97. *Egyptian Goddess*, 543 F.3d at 672 (discussed in Lemley, *supra* note 1, at 225–26).

that may be similar as to an element covered by a design patent, even if quite dissimilar in overall appearance.

Exacerbating the fragmentation problem is a functionality problem: the willingness of patent officials and the courts to issue and uphold patents for designs that, on their face, are more functional than ornamental, that is, designs that utility patent law and not design patent law should protect.<sup>98</sup> During the nineteenth and into the twentieth century, designs for machines could not be patented due to their functionality.<sup>99</sup> Even after courts became more receptive to patents on designs for machines or machine parts, patent examiners tended to reject claims for functional designs, or if granted, courts could invalidate such patents on functionality grounds.<sup>100</sup> However, in recent years this practice too has changed. Although the Federal Circuit sometimes says that a design must be primarily ornamental rather than primarily functional to be patentable,<sup>101</sup> in practice, it strikes down challenged patents only if the design was “dictated by function,” that is, when no other design choices were possible.<sup>102</sup> The Federal Circuit has generally resisted arguments that functional elements of patented designs should be filtered out in claim construction and infringement determinations.<sup>103</sup>

A serious consequence is that design patent law today is sometimes used to grant exclusive rights in functional designs that should be protected, if at all, under utility patent law, which subjects inventions to more rigorous examination for novelty, nonobviousness, and specific claiming. Consider, for example, the design patent on a lip and hinge plate for dock levelers at issue in *Nordock, Inc. v. Systems, Inc.*<sup>104</sup> Nordock had initially sought a utility patent on this design.

---

98. See, e.g., Lemley, *supra* note 1, at 236 (giving examples of patents on functional designs). It is ironic that the Federal Circuit overturned Apple’s trade dress claim on the same designs as it had patented, finding those designs to be too functional to be protectable trade dress. *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 990–96 (Fed. Cir. 2015).

99. Burstein, *AOM Today*, *supra* note 7, at 812–14. Utility patents could issue for both “machines” and “manufactures.” Design subject matters were perceived to overlap with utility patent subject matters only as to “manufactures,” not as to “machines.” *Id.*

100. *Id.*; see also Lemley, *supra* note 1, at 226 n.38 (quoting CCPA Judge Rich’s 1987 statement to Congress that “the great bulk” of industrial designs would not qualify for design patent protections).

101. See, e.g., *Ethicon Endo-Surgery v. Covidien, Inc.*, 796 F.3d 1312, 1329–30 (Fed. Cir. 2015); Jason J. Du Mont & Mark D. Janis, *Functionality in Design Protection Systems*, 19 J. INTELL. PROP. L. 261, 281–85 (2012). For critical commentary, see, e.g., Christopher Buccafusco & Mark A. Lemley, *Functionality Screens*, 103 VA. L. REV. 1293, 1349–50 (2017).

102. See, e.g., Sarah Burstein, *Costly Designs*, 77 OHIO ST. L.J. 107, 137–42 (2016) (documenting efforts by design patentees to obtain and enforce patents for functional elements); McKenna & Strandburg, *supra* note 24, at 46–47.

103. See, e.g., *Sport Dimension, Inc. v. Coleman Co.*, 820 F.3d 1316 (Fed. Cir. 2016) (criticized in Buccafusco & Lemley, *supra* note 101, at 1352–53).

104. 803 F.3d 1344 (Fed. Cir. 2015) (analyzing D579,754), *rev’d sub nom.*, *Sys., Inc. v. Nordock, Inc.*, 137 S. Ct. 589 (2016). Dock levelers are devices used to bridge the height difference between truck beds and docks, enabling forklifts to easily maneuver back and forth. *Nordock*, like *Pacific Coast Marine Windshields, Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297 (M.D. Fla. 2014), is an example of a design patentee using the “article of manufacture” concept differently for § 171(a) purposes and for § 289 purposes.

After a patent examiner rejected its application for lack of novelty, Nordock applied for a design patent, using seven figures from its utility patent application in its design patent application.<sup>105</sup> When charged with infringement of this patent, Systems challenged the validity of the design patent on functionality grounds. However, the availability of alternative designs persuaded the courts that the design was not “dictated by function” and they therefore upheld Nordock’s patent.<sup>106</sup> It makes sense why firms like Nordock would be tempted to apply for a design patent instead of (or in addition to) a utility patent: the design patent system is cheaper, its examination process is less rigorous, and invalidity on novelty or functionality grounds is less common.<sup>107</sup> As long as some alternative designs can be imagined, a design patent application is unlikely to be rejected on functionality grounds.

Fragmentation of the design patent entitlement and greater allowance for functionality in designs have put pressure on the § 289 disgorgement remedy and total profit rule. The fragmentation of the entitlement increases the likelihood that the total profit rule will capture profits that are not causally attributable to the infringing design. When the overall appearance of a product is substantially the same as the plaintiff’s patented design, it is at least plausible that the defendant’s total profit (or at least most of it) on sales of products is causally attributable to the infringing design. This is particularly true of products such as the carpets in *Dobson*, insofar as the design sells the products. Because of the fragmentation of the design entitlement, it is now manifestly untrue that a patented partial design is responsible for all of the infringer’s profits. The ability to claim a design patent on features of a product that are more functional than aesthetic further raises the stakes. It opens the door to claims such as Nordock’s, in which the plaintiff attempted to recover the defendant’s entire profit on sales of a product with largely utilitarian value—a dock leveler—by claiming a design patent in part of that product—that is, the lip and hinge.

The Supreme Court in *Samsung* was made aware of concerns about the risk of grossly disproportionate awards in partial design cases.<sup>108</sup> The Court qualified the § 289 total profit remedy by holding that a design patentee could recover the total profit on a product in some cases, while in other cases it could recover only profit attributable to the infringing partial design element. Which measure of damages could be recovered would depend on what adjudicators determined was the relevant “article of manufacture” for § 289 purposes. After reviewing the

---

105. *Nordock, Inc. v. Sys., Inc.*, 927 F. Supp. 2d 577, 588–89 (E.D. Wisc. 2013). *Nordock* is also anomalous because Systems had begun selling the accused devices three years before Nordock obtained this design patent. Burstein, *AOM in 1887*, *supra* note 4, at 22.

106. *Nordock*, 803 F.3d at 1360–61; *Nordock*, 927 F. Supp. 2d at 589.

107. *See, e.g.*, Lemley, *supra* note 1, at 226–30 (the PTO is “notorious[ly] lax[]” in granting design patents); McKenna & Strandburg, *supra* note 24, at 1830.

108. Several information technology industry associations as well as major technology companies filed amicus curiae briefs in support of Samsung’s petition for certiorari raising these concerns.

Court's ruling, we explain why the Court's qualification of the total profit rule is unsatisfactory.

### III.

#### THE DISGORGEMENT CLAIMS IN *APPLE V. SAMSUNG*

Three Apple design patents were at issue in *Samsung*: the D'677 patent for a flat rectangular face for an electronic device; the D'087 patent for the rounded corners of the exterior case with a bezel; and the D'305 for the GUI display of sixteen colorful icons.<sup>109</sup> Although Apple did not have a design patent on the overall appearance of the iPhone, it frequently characterized the patents as covering the iconic look and feel of the iPhone.<sup>110</sup>

While the legal arguments in *Samsung* are our primary concern, reviewing how Apple and Samsung presented their cases to the juries helps to explain why juries awarded more than \$1 billion to Apple in the first trial and more than half a billion dollars in the most recent trial—25 percent more than the profits award that the Supreme Court vacated.<sup>111</sup>

The story Apple told was simple and powerful.<sup>112</sup> Apple spent billions of dollars to develop its highly innovative iPhone. This smartphone was a phenomenal success in the marketplace because it was a product of beautiful

---

109. See, e.g., Brief for Respondent at 5–7, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777) [hereinafter Respondent's Brief]. Apple's partial designs would probably have been ineligible subject matter for patenting in 1887, Burstein, *AOM in 1887*, *supra* note 4, at 76–78, because the D'667 and D'087 designs are designs for parts of machines, which back then could not be articles of manufacture. *Id.* at 74. Doubts exist about GUI icons as designs for articles of manufacture, since they are software-generated rather than being “applied” to an article of manufacture. *Id.* at 78 n.467. Although the USPTO once had a policy to deny design patents for GUI designs such as D'305, it changed this policy. *Id.* at 14. A large number of GUI designs have now been patented, although *Samsung* may have been the first to enforce one. *Id.* n.79. Some commentators support GUI and other virtual design patents. See, e.g., Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 STAN. TECH. L. REV. 107 (2013).

110. Respondent's Brief, *supra* note 109, at 4–12, 54. Apple displayed photographs of the overall appearance of various smartphones when doing comparisons, rather than comparing phones based only on the specific patented features. See *id.* at 8. We agree with Professor Burstein's criticism of Apple's strategy of trying to aggregate these patents as though they covered the “look and feel” of smartphones. See Burstein, *AOM Today*, *supra* note 7, at 801.

111. The \$1.05 billion jury award in 2012 included damages for trade dress dilution and utility patent infringement as well as for design patent infringement. In post-verdict proceedings, the trial court adjusted the design patent award to \$399 million. The 2017 jury awarded Apple \$533.3 million for the design patent infringements, plus about \$5 million as a reasonable royalty for utility patent infringement. See, e.g., Stephen Shankland, *Samsung Owes Apple \$539M for Infringing iPhone Patents, Jury Finds*, CNET (May 24, 2018), <https://www.cnet.com/news/jury-samsung-must-pay-apple-539-million-for-infringing-iphone-patents> [<https://perma.cc/22W7-JJWF>]. We consider these awards to exceed what a principled application of the disgorgement remedy would yield. These awards support the thesis that juries render excessive awards in litigation by overvaluing litigated features of smartphones. See Bernard Chao & Roderick O'Dorisio, *Saliency, Anchors & Frames: A Multicomponent Damages Experiment*, MICH. TELECOMM. & TECH. L. REV. (forthcoming).

112. See Brief in Opposition at 1–2, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777) [hereinafter Opposition Brief]; Respondent's Brief, *supra* note 109, at 1–12.

design. People loved the way it looked and the way it felt; owning one made people feel “cool.” Demand for iPhones was very high because its outstanding design made the phone’s functionalities so easily accessible. Samsung was jealous of this success because its phones were clunky by comparison. Its executives realized that the firm could not effectively compete against the iPhone with its existing models. It faced “a crisis of design.”<sup>113</sup> In response, its executives directed its managers to redesign its phones to look much more like iPhones. Soon after Samsung released its redesigned phones, its sales skyrocketed, taking a big bite out of Apple’s market share. An obvious inference was that some of the billions Samsung made selling the redesigned phones were due to its phones looking like the iPhone. Apple noted that the law allowed the jury to award Samsung’s total profits from selling the infringing phones. Doing so would not only teach Samsung a lesson; it would also deter other firms from being tempted to do the same.<sup>114</sup>

Samsung’s story was more complicated and less compelling.<sup>115</sup> Samsung attacked the novelty of two of Apple’s design patents by showing the jury prior art cell phones with flat faces, rounded corners and bezels. It emphasized testimony explaining the functional advantages of the patented designs, which undermined Apple’s claim that the designs were ornamental. Samsung presented evidence about the many different features of smartphones and how much value consumers place on key features, such as cameras and various apps, and pointed out how little the design-patented features contributed to the value of the smartphones overall. While not questioning the attractiveness of the overall appearance of Apple’s iPhones, Samsung wanted the jury to understand that Apple held a patent not on the overall design, but just on a few small parts. Besides, no one was deceived into buying a Samsung phone thinking they were buying an iPhone, as *Gorham* seemingly required to prove design patent infringement. Nor had Apple presented evidence that it lost any profits because of Samsung’s use of similar design features. In short, according to Samsung, Apple was being vindictive because Samsung had proved to be such a successful competitor in the smartphone market.

#### A. *The Jury Instructions and the Federal Circuit’s Ruling*

Samsung unsuccessfully argued for jury instructions that would have resulted in an award to Apple of only those parts of Samsung’s profits that Apple

---

113. Opposition Brief, *supra* note 112, at 2.

114. After the first trial, the jury foreman explained the large verdict on this basis. See Dan Levine, *Jury Didn’t Want to Let Samsung Off Easy in Apple Trial: Foreman*, REUTERS (Aug. 25, 2012), <https://www.reuters.com/article/us-apple-samsung-juror/jury-didn-t-want-to-let-samsung-off-easy-in-apple-trial-foreman-idUSBRE87O09U20120825> [https://perma.cc/W63Q-EMHY].

115. Samsung’s main arguments are reflected in *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 989–1005 (Fed. Cir. 2015). Its cert petition focused on the functionality and total profits issues. Petition for a Writ of Certiorari at 21–35, *Samsung Elecs. Co., v. Apple Inc.*, 137 S. Ct. 429 (2015) (No. 15-777) [hereinafter Cert. Petition].

proved had been caused by Samsung's infringement of its design patents.<sup>116</sup> The court instead instructed the jury that "Apple is entitled to all profit earned by [Samsung] on sales of articles that infringe Apple's design patents," which included Samsung's "entire profit on the sale of the article to which the patented design is applied and not just to the portion of profit attributable to the design or ornamental aspects covered by the design."<sup>117</sup> Based on its interpretation of the jury's verdict, the trial court entered final judgment in the amount of \$399 million for the design patent infringements, which was said to constitute Samsung's profits on sales of the infringing smartphones.<sup>118</sup>

On appeal, Samsung challenged this award on two grounds.<sup>119</sup> Its "causation" argument was that only a small portion of Samsung's profits from sales of smartphones was causally attributable to the infringing features, so Samsung should only be liable for that part. Samsung claimed textual support for this argument in § 289's reference to recovery of an infringer's profits "made from the infringement."<sup>120</sup> Its second argument was that the relevant "article[s] of manufacture" for § 289 purposes were not the infringing smartphones, but only those parts of the phones to which the patented designs had been applied (e.g., the flat rectangular face applied to the screen). Samsung argued that the trial court erred in not instructing the jury that the relevant article for disgorgement purposes could be less than the entire product as sold in the marketplace.<sup>121</sup> Apple attacked both arguments as inconsistent with a "no apportionment" rule embodied in § 289.<sup>122</sup>

The Federal Circuit agreed with Apple and made short shrift of both arguments.<sup>123</sup> It regarded Samsung's causation argument as inconsistent with the

---

116. Cert. Petition, *supra* note 115, at 16–17.

117. *Id.* Sixty-one percent of the Samsung smartphone models on which the \$533 million verdict was based infringed only one of the Apple design patents. Another 22 percent infringed only two of the patents. See Sarah Burstein, *The Apple v. Samsung Retrial: Breaking Down Apple's Design Patent Claims*, COMP. PAT. REMEDIES BLOG (May 15, 2018), <http://comparativepatentremedies.blogspot.com/2018/05/the-apple-v-samsung-retrial-breaking.html> [<https://perma.cc/BN63-22AU>].

118. Cert. Petition, *supra* note 115, at 17.

119. Samsung also challenged the validity of Apple's design and utility patents, the utility patent award, and the dilution claim. *Apple*, 786 F.3d at 989–1005. It succeeded in knocking out the latter. *Id.* at 990–96.

120. 35 U.S.C. § 289 (2018). Samsung parsed § 289 as follows: an infringer who "applies the patented design . . . to any article of manufacture . . . shall be liable to the extent of his total profit . . . but [the owner] shall not twice recover the profit *made from the infringement*." Cert. Petition, *supra* note 115, at 27. Samsung argued that the "more natural reading" of § 289 authorized recovery of the portion of the product to which the patented design was applied. *Id.*

121. *Id.* at 27–28.

122. Opposition Brief, *supra* note 112, at 13.

123. *Apple*, 786 F.3d at 1001–02. The Federal Circuit held that the iPhone designs Apple claimed as trade dress were too functional to be protectable. *Id.* at 990–96. Some features Apple had claimed as trade dress (e.g., the graphical user interface arrangement of icons, the flat face, and rounded corners of the case) overlapped with the designs it had patented. Samsung argued that the functionality of these features for trade dress purposes should have precluded a verdict of design patent infringement, but the Federal Circuit was unpersuaded. *Id.* at 998–99. The first question in Samsung's Petition focused on

text of § 289, with Congress' intent to do away with apportionment in design patent cases, and with precedents interpreting that provision.<sup>124</sup> Samsung's claim that only profits "made from the infringement" could be recovered under § 289 could not be squared with the no-apportionment mandate Congress had established for design patent awards.

Nor was the court persuaded by Samsung's article-of-manufacture argument, which relied on the Second Circuit's decision in *Bush & Lane Piano Co. v. Becker Bros.*<sup>125</sup> Bush & Lane sought an award of profits from Becker's sales of pianos that infringed Bush & Lane's patent on the design of a piano case. The court ordered Becker to disgorge its profits only on sales of the cases.<sup>126</sup> The Federal Circuit distinguished *Bush & Lane* because customers could choose among different cases when purchasing pianos, so the cases were distinct articles of manufacture.<sup>127</sup> The "innards" of Samsung's phones, by contrast, could not be purchased separately from the cases.<sup>128</sup> The Federal Circuit treated Samsung's article of manufacture argument as merely a continuation of its "quest for apportionment."<sup>129</sup> In a footnote, the court responded to an amicus brief supporting Samsung's interpretation of § 289, saying that its policy-based arguments should be directed to Congress.<sup>130</sup>

#### B. The Parties' Arguments to the Court

Samsung's Petition for a Writ of Certiorari emphasized that the Federal Circuit's total profit ruling "provide[d] a vehicle for design patent holders to obtain unjustified windfalls far exceeding the conceivable value of any inventive contribution."<sup>131</sup> Even "if a patented design is only 1% responsible for the product's sale, the patent's owner still gets 100% of the profits."<sup>132</sup> For example, if a car manufacturer infringed a design patent on a cup-holder, the patentee would be entitled to all profits arising from sales of cars containing infringing

---

this functionality defense. See Cert. Petition, *supra* note 115, at 21–26. The Court denied certiorari on that issue.

124. *Apple*, 786 F.3d at 1001–02. The Federal Circuit quoted from its decision in *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998) and cited four older decisions in support of its rejection of Samsung's argument. While the *Nike* decision discussed the "no apportionment" point, Wal-Mart had not raised the relevant article of manufacture issue to limit its liability. Burstein, *AOM in 1887*, *supra* note 4, at 15 n.88.

125. 222 F. 902, 903 (2d Cir. 1915).

126. *Id.* at 905 ("When the patent owner is awarded the profits due to his design he receives all he is entitled to.").

127. *Apple*, 786 F.3d at 1002.

128. *Id.* The flat face of the screen and the beveled rounded edges were, however, manufactured separately from the internal components of the phones and could have been sold separately.

129. *Id.* The Federal Circuit denied Samsung's request to rehear the case. Cert. Petition, *supra* note 115, at 19.

130. *Apple*, 786 F.3d at 1002. The Federal Circuit had never interpreted the "article of manufacture" concept for § 289 purposes before 2015. See Burstein, *AOM in 1887*, *supra* note 4, at 3.

131. Cert. Petition, *supra* note 115, at 3.

132. *Id.* at 26.

cup-holders.<sup>133</sup> Samsung warned that this created “an open invitation to litigation abuse, and has already prompted grave concern across a wide range of US companies about a new flood of extortionate patent litigation, especially in the field of high technology.”<sup>134</sup> The Federal Circuit’s ruling was a “radical departure” from traditional principles of equity and causation that apply to all intellectual property and tort claims.<sup>135</sup> Samsung asked the Court to restore these principles by interpreting the “made from the infringement” language of § 289 as establishing a causation requirement that would link the profits awarded to those attributable to the infringement.<sup>136</sup>

Samsung’s Petition also challenged the Federal Circuit’s conclusion that end products were the only relevant “article[s] of manufacture” for § 289 purposes as inconsistent with cases such as *Zahn* and *Bush & Lane*, in which courts had recognized that the relevant articles to which patented designs were applied could be subparts of products sold in the market.<sup>137</sup> In *Bush & Lane* the Second Circuit had limited the patentee’s recovery to profits from sales of the cases, not of the pianos.<sup>138</sup>

Apple’s opposing brief emphasized the billions of dollars Apple had invested for several years in creating the revolutionary iPhone whose “explosive success was due in no small part to its innovative design,” which included the “distinctive” appearance of those features protected by its design patents.<sup>139</sup> There was “overwhelming” evidence that Samsung had copied the innovative look of the iPhone.<sup>140</sup> The main reason that Samsung’s share of the smartphone market had risen from 5 percent to 20 percent and Apple’s market share had declined in the two years after Samsung’s smartphones entered the market was because they copied the look of iPhones.<sup>141</sup> A profits disgorgement remedy under § 289 was consequently justified.<sup>142</sup> The lower courts had “simply applied the

---

133. *Id.* The cup-holder hypothetical got some traction with the Court. *See infra* note 156 and accompanying text. Design patents on cup-holders do exist. *See* U.S. Patent No. D484,753 (filed Oct. 21, 2002).

134. Cert. Petition, *supra* note 115, at 3.

135. *Id.* at 26.

136. *Id.* at 26–27. Samsung abandoned its causation argument after the Solicitor General found it unpersuasive. *See* Transcript of Oral Argument at 5–6, *Samsung Elecs. Co., v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777) [hereinafter Oral Argument]; Brief for the United States as Amicus Curiae Supporting Neither Party at 14–15, *Samsung Elecs. Co.*, 137 S. Ct. 429 (No. 15-777) [hereinafter SG Brief]. We think the SG was wrong to reject Samsung’s causation/apportionment argument for reasons discussed in Part IV.

137. Cert. Petition, *supra* note 115, at 28. Design patent professionals consider the term “article of manufacture” to mean one (potentially very small) thing in the context of what is design-patentable under 35 U.S.C. § 171(a) (2018), and yet something quite different (and far bigger) when it comes to profits awards under § 289. *See supra* note 104 for examples. We disagree.

138. *Bush & Lane Piano Co. v. Becker Bros*, 234 F. 79, 82 (2d Cir. 1916). The court decided that 50 percent of the profits from sales of pianos were attributable to the cases. *Id.* at 83.

139. Opposition Brief, *supra* note 112, at 1.

140. *Id.* at 2.

141. *Id.* at 11.

142. *Id.* at 37.

statute and well-settled law” to the “extraordinary record of infringement and copying in this case.”<sup>143</sup>

Although the Court did not ask the Solicitor General (SG) about whether to grant certiorari, once the Court decided to hear the case, the SG filed a brief in support of neither party. The SG agreed with Samsung on two key points. First, the Federal Circuit’s ruling on the article of manufacture issue was wrong as a matter of policy because it “would result in grossly excessive and essentially arbitrary awards.”<sup>144</sup> Second, the SG agreed that there were ample precedents for treating specific parts of end products as relevant articles of manufacture in design patent cases, citing, among others, *Bush & Lane* in support of this proposition.<sup>145</sup> The SG thus agreed with Samsung’s article-of-manufacture argument.<sup>146</sup>

To concretize the dilemma posed in *Samsung*, the SG’s brief proffered a hypothetical design patent on the distinctive shape of VW Beetle cars, saying that “one might reasonably say either that the design determines the appearance of the automobile’s body or that it determines the appearance of the car as a whole.”<sup>147</sup> The task should be “to identify the article that most fairly may be said to embody the defendant’s appropriation of the plaintiff’s innovation.”<sup>148</sup> The SG characterized this as a fact issue on which the defendant should bear the burden of proof.<sup>149</sup> It proposed consideration of four factors when deciding whether the relevant article was less than the end product: (1) the scope of the design as claimed in the patent; (2) the relative prominence of the design in the finished product; (3) whether the design was physically or conceptually distinct from the finished product; and (4) the physical relationship between the patented design and the rest of the product.<sup>150</sup>

Samsung’s merits brief elaborated on arguments made in its Petition. Apple’s brief was substantively similar to its opposing brief except on two points. First, in deference to the SG’s analysis, Apple acknowledged that the relevant article of manufacture *could be* less than the finished product, but emphasized that this didn’t mean that it *must be* less than the finished product.<sup>151</sup>

---

143. *Id.* at 2.

144. SG Brief, *supra* note 136, at 8. The SG regarded the design patent troll issue as a serious concern. *Id.* at 24.

145. *Id.* at 20–23.

146. The SG rejected Samsung’s causation argument as inconsistent with the text of § 289 because the “made from the infringement” language was intended to stop plaintiffs from getting double recovery, not to confine the extent of profits to be disgorged. *Id.* at 14–15.

147. *Id.* at 26.

148. *Id.*

149. *Id.* at 9, 30–31.

150. *Id.* at 27–29. The SG cited *Bush & Lane* in support of three of these factors, *id.* at 28–29, but did not cite precedent for the relative prominence factor. Courts have endorsed the SG’s test in three recent cases. *See, e.g.,* Burstein, *AOM Today*, *supra* note 7, at 793–94. We criticize the SG’s test *infra* Part IV.B.

151. Respondent’s Brief, *supra* note 109, at 37. Apple had initially defended the lower courts’ interpretation of the article of manufacture issue. Opposition Brief, *supra* note 112, at 25–31.

Second, it contended that there was no need to remand the case for a new trial because Samsung had proffered no evidence that the relevant article of manufacture was anything less than the infringing smartphones.<sup>152</sup>

### C. Oral Argument Before the Court

Once Apple conceded that the relevant article of manufacture could be less than the finished product for § 289 purposes, it was clear that the Court was going to reverse the Federal Circuit's ruling on the article-of-manufacture issue. Yet, the oral argument revealed that difficult questions remained about how a reconceived disgorgement remedy would work in practice. The Justices peppered the advocates with questions about how to apply the total profit rule when the relevant article was something less than the finished product.

The Justices wondered, for instance, about what kinds of evidence should be presented to juries when making these determinations.<sup>153</sup> They speculated that expert testimony might be needed on both issues if the relevant article was something less than the entire end product.<sup>154</sup> They queried the lawyers about appropriate jury instructions.<sup>155</sup>

The Justices also wondered about what weight to give to consumer attraction to the design. Samsung's hypothetical of a design patent on a cup-holder for automobiles got some play during the oral argument as an easy case for declining an award of total profits on end products.<sup>156</sup> No *Dobson*-like carpet design hypothetical came up, presumably because this too would be an easy case in which an award of the entire profit on the end product would be untroublesome.

More difficult was what to do about an intermediate case such as the VW Beetle body hypothetical the SG posed.<sup>157</sup> Justice Alito opined that no one buys a car just because of the way it looks.<sup>158</sup> Justice Sotomayor thought that the shape of the VW Beetle should be the relevant article of manufacture, but then wondered how one could decide how much of the profits of the car should be disgorged—i.e., what share of the profit on infringing cars was attributable to this shape.<sup>159</sup> Justice Kennedy was skeptical of a cost-based approach to profits disgorgement analysis when the copied design was a stroke of genius.<sup>160</sup> Justice

---

152. Respondent's Brief, *supra* note 109, at 40–49.

153. Oral Argument, *supra* note 136, at 9–11, 25–26. Samsung's lawyer suggested various types of evidence that might be relevant, such as consumer surveys, costs of manufacture, and profit margins for different components. *Id.* at 9–10.

154. *Id.* at 10, 24–25, 28–29.

155. *Id.* at 4–5, 14–15, 22–23, 27–28.

156. *Id.* at 4, 23, 38–39, 45. Justice Kennedy proposed a de minimis exception for cup-holder-like designs. *Id.* at 4. Designs for refrigerator latches also came up in oral argument. *Id.* at 28.

157. *Id.* at 15–16.

158. *Id.* at 31–32.

159. *Id.* at 44. What if the exterior body of such a car represented 10 percent of the costs, but 90 percent of the profits? *Id.*

160. *Id.* at 10.

Kagan wondered whether consumer attraction to the patented design should be a factor in the determination of the relevant article of manufacture issue or in the determination of the profit attributable to the infringing element of a product.<sup>161</sup> Justice Kennedy worried that defining the article of manufacture as an element of an end product would result in apportionment of profits that § 289 was supposed to foreclose.<sup>162</sup>

Some Justices asked the advocates about the SG's proposed test for the relevant article of manufacture.<sup>163</sup> On the fly, both lawyers seemed to endorse it.<sup>164</sup> But neither side had briefed the proposed test, so the test hung out there as something to consider.<sup>165</sup> Without adequate briefing, it was unlikely the Court would take a stance on that issue. It was clear, however, that the SG's test only addressed the relevant article of manufacture issue and provided no guidance about how to decide what profits to disgorge when the end product was not the relevant article of manufacture.<sup>166</sup>

In short, the Justices were perplexed during oral argument not about how to resolve the case—for it was obvious that the Court would reverse—but about the seemingly insoluble practical and legal difficulties of resolving the article of manufacture and disgorgement of profits issues when the article of manufacture was an element of an end product. A related challenge was how to reconcile the interpretation of § 289 the Court was about to endorse and the “no apportionment” rule that the Justices seemed to believe that Congress had established when adopting the precursor to § 289 in 1887.

#### D. The Court's Opinion

As expected, the Court unanimously reversed the Federal Circuit's end-product-only interpretation of § 289 on the article-of-manufacture issue. While holding that a component of a finished product *could be* the relevant article of manufacture, even if consumers could not purchase it separately, the Court left open the possibility that the relevant article might alternatively be the end product, rather than some part to which the design was applied.<sup>167</sup> The Court did not cite, let alone discuss, any of the cases cited in the briefs in which courts had determined that the relevant article was less than the end product.<sup>168</sup> Nor did it

---

161. *Id.* at 31.

162. *Id.* at 49–50.

163. *Id.* at 20.

164. *Id.* at 20–21. Samsung also suggested a two-factor test. *Id.* at 47–48.

165. The SG tried to apply this test to the VW Beetle hypothetical. *Id.* at 28–30.

166. *Id.* at 22.

167. *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 434 (2016) (“The only question we resolve today is whether, in the case of a multicomponent product, the relevant ‘article of manufacture’ *must always be* the end product sold to the consumer or whether it can also be a component of that product.”) (emphasis added).

168. It is surprising that the Court did not discuss *Bush & Lane*, since Samsung, the SG, and various amici prominently discussed that decision. The Court also did not cite *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966 (6th Cir. 1920) (awarding \$250 as statutory damages because of difficulty

speculate about what the relevant article of manufacture might be in the *Samsung* case. The Court said nothing whatsoever about how to calculate disgorgement damages when the relevant article of manufacture was not the end product, nor about the consistency of its ruling with the “no apportionment” mandate of § 289. Nor did it mention the nuanced purpose of the disgorgement remedy (which is to deter but not to punish), nor what, if any, weight to give to the scope of a design patent in assessing profits disgorgement.

The Court instead offered dictionary definitions of various terms such as “article” and “manufacture” and noted the longstanding practice of patent examiners issuing design patents for components of products.<sup>169</sup> The closest thing to guidance in the *Samsung* opinion was this:

Arriving at a damages award under § 289 [] involves two steps. First, identify the ‘article of manufacture’ to which the infringed design has been applied. Second, calculate the infringer’s total profit made on that article of manufacture.<sup>170</sup>

Although both parties wanted the Court to resolve the relevant article of manufacture issue,<sup>171</sup> the Court declined to do so. While noting that the SG had proposed a test for the first of these two steps, the Court neither endorsed it nor offered any other guidance about what test to use because the parties had not briefed the issue.<sup>172</sup>

In other words, the Court kicked the can down the road by holding that the article of manufacture could be a component of the end product, but not necessarily. The Court left it to lower courts to work out the details.

#### IV.

##### REFLECTIONS ON THE *SAMSUNG* DECISION

The *Samsung* case represents a missed opportunity to reflect on the roles that causation and apportionment can and should play in the assessment of profits disgorgement in design patent cases. Drawing upon a classic disgorgement case,

---

in determining what profits to disgorge on sales of refrigerator latches to which the patented design had been applied) nor *Untermeyer v. Freund*, 58 F. 205 (2d Cir. 1893) (ordering disgorgement of profits on the sale of watch cases to which the patented design had been applied, although not on the sales of the watches whose cases infringed). The SG’s brief had also cited two other cases in which the relevant article of manufacture was less than the end product: *Pullman Couch Co. v. Union*, 39 U.S.P.Q. 100 (D. Md. 1938) (furniture part was the relevant article of manufacture because it was manufactured separately from the furniture in which it was embodied, even though not sold separately) and *Simpson v. Davis*, 12 F. 144 (E.D.N.Y. 1882) (cup of railing post was likely a distinct article because it was manufactured separately). SG Brief, *supra* note 136, at 22. The only design patent cases the Court fleetingly cited were *Dobson*, the Federal Circuit’s *Samsung* decision, and *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344 (Fed. Cir. 2015). The Court concomitantly vacated and remanded *Nordock* for reconsideration in light of its *Samsung* decision.

169. *Samsung*, 137 S. Ct. at 434–35. This suggests the Court thought the “article of manufacture” term should mean the same thing for § 171(a) patentability and § 289 disgorgement purposes.

170. *Id.* at 434.

171. Cert. Petition, *supra* note 115, at 54–55; Respondent’s Brief, *supra* note 109, at 41–49.

172. *Samsung*, 137 S. Ct. at 436.

this Part shows these concepts can help to illuminate the intuitions behind the cup-holder and VW Beetle design hypotheticals that so intrigued the Court as well as designs that are not so hypothetical. This Part also reflects on a likely inadvertent consequence of the *Samsung* decision: to make some things easier for plaintiffs and some things harder for defendants in design patent cases.

*A. Causation and Apportionment Can and Should Play a Role  
in Design Patent Disgorgement Cases*

The *Samsung* decision elided several difficult issues. The litigants' contending damage claims and the hypotheticals posed in the briefs and during oral argument presented a mix of factual, conceptual, and policy issues. The conceptual issues involve untangling the factual issue of causation from the legal and policy issues of apportionment and how to handle causal uncertainty. Untangling these issues clarifies the legal and policy issues presented by the cup-holder and the VW Beetle hypotheticals. These issues turn out to be very different from the legal and policy issues that the total profit rule was intended to solve. While some might suggest that these differences are a matter of degree, not of kind, we think the changes in the nature of the design entitlement make the differences enormous. Moreover, once the legislative history of the total profit rule is properly understood, it becomes clear that Congress' enactment of the precursor to § 289 took neither causation nor apportionment off the table as relevant considerations when applying the total profit rule. The Court failed to recognize this in *Samsung*.

*1. Variations on a Classic Disgorgement Case*

Consider the following variations on a classic disgorgement case, *Edwards v. Lee's Administrator*.<sup>173</sup> These thought experiments can help to untangle the issues of causation, apportionment, and factual uncertainty presented by the claim in *Samsung* and various hypotheticals from the briefs and oral argument.<sup>174</sup>

Edwards and Lee owned land under which lay a beautiful cave. Edwards discovered this and invested in the necessary infrastructure to make it a tourist attraction (known as "The Great Onyx Cave"). Although the entrance and about

---

173. 96 S.W.2d 1028 (Ky. Ct. App. 1936).

174. *Edwards* also considered the issue of proximate cause in the context of a disgorgement claim. In tort law, proximate cause rules limit a tortfeasor's liability for tortiously caused harm. Similar rules in the law of disgorgement permit a wrongdoer to keep some profits even if they are causally attributable to a wrong. Thus, in *Edwards* the plaintiff was unable to recover any profits Edwards earned on a hotel he built and operated to serve tourists who came to see the cave at issue in the case. *Id.* at 1033 (affirming the chancellor's exclusion of "profits received by the appellants from the operation of the hotel"). The circumstances in *Edwards* are described *infra* notes 175-76 and accompanying text. The Third Restatement of Torts recommends using the term "scope of liability" rather than proximate cause or legal cause to make it clear that it is not an issue of causation. *See, e.g.*, RESTATEMENT (THIRD) OF TORTS: LIABILITY FOR PHYSICAL AND EMOTIONAL HARM ch. 6, special note on proximate cause (AM. LAW INST. 2000) [hereinafter TORTS RESTATEMENT]. For the same reason it is preferable to use the term "scope of entitlement" in the context of the disgorgement remedy.

two-thirds of the cave were under Edwards' land, he knew that a significant part of the cave, including some of the most spectacular features, was under Lee's land.<sup>175</sup> Eventually Lee brought a lawsuit claiming trespass and seeking to recover a share of Edwards' profits. The court awarded Lee one-third of Edwards' profits from exploiting the cave.<sup>176</sup>

The *Dobson* carpet case is somewhat analogous to a hypothetical variant in which almost the entire cave is under the plaintiff's land, including all of the features that make the cave a tourist attraction. Intuitively, the plaintiff has a compelling claim to recover all (or at least a very large share) of the defendant's profit from exhibiting the cave on these facts.

The cup-holder hypothetical is similar to another variant hypothetical in which a small part of the cave is under the plaintiff's land, but none of the major attractions.<sup>177</sup> Intuitively, the plaintiff should recover none (or at most a very small share) of the defendant's profit under such facts.

The VW Beetle body hypothetical is an intermediate case closer to the real facts in *Edwards*.<sup>178</sup> Not surprisingly, this type of case is more difficult. What makes it more difficult? In large part, the problem is causation and factual uncertainty.

There is little if any causal or factual uncertainty in the first two hypotheticals. When a small part of the cave (with none of the major attractions) is under the plaintiff's land, a court can be sure that none (or very little) of the defendant's profit from exhibiting the cave is causally attributable to the parts of the cave under the plaintiff's land. In the counter-factual world in which the defendant does not try to exploit these parts of the cave, a court can predict with certainty that the defendant would still have developed the cave as a tourist attraction. A court can also predict that the defendant's profit would have been the same (or almost the same) since all (or almost all) tourists who visited the cave would have done so even if the attraction did not include the parts under the plaintiff's land. This is analogous to the cup-holder hypothetical.

When almost the entire cave is under the plaintiff's land, including all of the features that make the cave a tourist attraction, a court can be certain that all of the defendant's profits from exhibiting the cave are causally attributable to the trespass because so much of the cave was under the plaintiff's land. Any profit above a normal return on Edwards' investment would be causally attributable to the trespass on the plaintiff's land. In the counter-factual world in which the defendant did not try to exploit parts of the cave under the plaintiff's land, the

---

175. *Edwards*, 96 S.W.2d at 1033.

176. *Id.* Lee sought to disgorge Edwards' gross profits, arguing that Edwards' trespass was willful. The court denied this, as that recovery would not be restitutionary. *Id.* at 1032. For fuller background on this and similar controversies, see Bruce Ziff, *The Great Onyx Cave Cases—A Micro-History*, 40 N. KY. L. REV. 1 (2013).

177. The refrigerator latch design in *Young* is similar to the cup-holder hypothetical.

178. The piano case in *Bush & Lane* resembles the VW Beetle hypothetical.

court can predict with certainty that the cave would not have been developed as a tourist attraction. This case is somewhat analogous to *Dobson*. In this counterfactual world, the defendant would have invested the money it spent to develop the cave as a tourist attraction in an alternative way, and, on average, would have earned a normal return on this investment.

## 2. *Separating the Issues of Apportionment and Causation*

One important difference between *Dobson* and the hypothetical in which almost the entire cave is under the plaintiff's land, including all of the attractions, is that although causation would not be a problem, apportionment would remain an issue. It is important to separate the issue of apportionment from the issue of causation when possible. One mistake often made in interpreting § 289 is to assume that the total profit rule takes off the table both the issue of apportionment and the issue of causation when determining disgorgement damages.<sup>179</sup> This does not logically follow because causation and apportionment are conceptually distinct issues. There is no reason to assume that a legislator who decided to take one issue off the table also intended to take the other issue off the table.

The hypothetical in which almost the entire cave, including all of the attractions, is under the plaintiff's land presents a problem of apportionment because the use of the defendant's entitlement (the cave entrance) is a necessary or but-for cause of the total profit from exhibiting the cave. No profits would have been made without the cave entrance. The problem of apportionment arises in tort cases when the wrongful acts of multiple parties are each a but-for cause of a single indivisible loss. When negligent acts of a plaintiff and of a defendant are, for example, each a but-for cause of a single indivisible injury to the plaintiff, responsibility for damages for the injury is apportioned between the plaintiff and defendant. The issue of apportionment in calculating disgorgement damages arises when multiple parties possess an entitlement used in an enterprise, or when multiple parties contribute to an enterprise and each party's entitlement or contribution is a but-for cause of a single indivisible profit realized by the enterprise.

---

179. See, e.g., Perry Saidman et al., *Determining the "Article of Manufacture" Under 35 U.S.C. § 289*, 99 J. PAT. & TRADEMARK OFF. SOC'Y 349, 353 (2017) ("causation was buried with apportionment"). The argument from legislative intent is a non-starter. When the "total profit" rule was enacted, a plaintiff had to establish that the product sold by the defendant was sufficiently similar in overall appearance to the product on which the plaintiff held a design patent such that an ordinary consumer could not distinguish the two products. There is no reason to believe that when Congress enacted the "total profit" rule, it would have adopted a rule allowing a patent holder to recover the entire profit on the sale of the product in a case in which the infringing feature is a minor element of a product. The argument from statutory text also is a non-starter. The argument requires defining "article of manufacture" for purposes of 35 U.S.C. § 171(a) (2018) to mean one potentially small thing for eligibility purposes while defining "article of manufacture" for purposes of 35 U.S.C. § 289 to mean the entire product. The same term should mean the same thing in both contexts. See *supra* note 83 and accompanying text.

The issue of apportionment would not arise if only a small part of the cave (and none of the major attractions) was under the plaintiff's land because none of the defendant's profits from exhibiting the cave would be causally attributable to the attractions under the plaintiff's land. One only gets to the apportionment issue after causation has been determined.<sup>180</sup>

The issue of apportionment arises when both the plaintiff's entitlement and the infringer's contribution are but-for causes of profits. An apportionment that enables an infringer to keep a share of the profits sometimes can be justified on both desert and efficiency grounds.<sup>181</sup> Consider the hypothetical case in which the cave entrance is on the defendant's land but none of the cave attractions. The desert argument is that the defendant is entitled to retain a share of the profits from the cave attraction because those profits could not have been made without defendant's infrastructure investment and the use of the cave entrance on its property. The efficiency argument assumes there is some impediment to the defendant's obtaining a license from the plaintiff to exhibit parts of the cave under the plaintiff's land. If the defendant cannot be expected to obtain a license from the plaintiff, it should be allowed to keep a share of the profits so it has an incentive to develop the cave without a license. On the other hand, if there is no impediment to the defendant obtaining a license, then apportionment might be denied to encourage the defendant to obtain a license. Indeed, if there is no impediment to the defendant obtaining a license, then a punitive remedy can be justified by similar reasoning. The efficiency argument is thus relatively weak if only the cave entrance is on the defendant's land because the defendant might be expected to obtain a license. The fairness argument is also relatively weak if only the cave entrance is on the defendant's land because most people would think the defendant is entitled to only a small share of the profit as a matter of desert.

The efficiency and fairness arguments for apportionment are stronger on the real facts in *Edwards*, where one-third of the cave, including some of the most spectacular features, was under the plaintiff's land. The issue of apportionment bled into the issue of causation on the facts in the real case (and raised the problem of causal uncertainty) because apportionment was an issue with respect only to the profit the defendant would not have earned had the attraction not included the one-third of the cave under the plaintiff's land. The plaintiff had no claim to profit the defendant would have earned on a smaller attraction.

An important difference exists between *Edwards* and the VW Beetle hypothetical. In *Edwards* the plaintiff was unharmed by the defendant's trespass

---

180. See, e.g., TORTS RESTATEMENT, *supra* note 174, § 26 ("When damages for an injury can be divided by causation, the factfinder first divides them into their indivisible component parts and separately apportions liability for each indivisible component . . .").

181. Gideon Parchomovsky et al., *Of Equal Wrongs and Half Rights*, 82 N.Y.U. L. REV. 738, 757-63 (2007) (making fairness and efficiency arguments for splitting a gain that is in the nature of a windfall).

because it in no way reduced the profit the plaintiff was making from the use of his land. In the VW Beetle hypothetical, however, a competitor's sale of cars infringing a design patent on the Beetle shape might well harm the patentee because some people might buy Beetle-shaped cars from the infringer, not from VW.

Another variation on *Edwards* can account for this twist. Consistent with *Edwards*, we assume that one-third of the cave, including some of the most spectacular features, is under the plaintiff's land. The twist comes from imagining that the plaintiff could have opened a second entrance to the cave on its land so it could have made profits exploiting this tourist attraction. Under this counter-factual, the defendant's profit on the cave would consist of three parts: first, the profit the defendant would have made on a smaller attraction that included only parts of the cave under its land; second, the profit the plaintiff could have made on a smaller attraction that included only the parts of the cave under the plaintiff's land; third, any additional profit made possible by having a single attraction that included the entire cave.

This variation illustrates two ways that the causal issue can be framed in disgorgement analysis. Up to this point, we have framed the issue by asking what share of the defendant's total profit from the enterprise was causally attributable to the defendant's wrong. The answer is the second and third types of profits; that is, the profit that the plaintiff could have made on a smaller attraction featuring only those parts of the cave under its land and the additional profit made possible by having a single attraction that included the entire cave. However, one can also frame the issue by asking what share of the total profit was causally attributable to the defendant's contribution to the enterprise. The answer is the first and third types of the profits; that is, the profit that the defendant could have made on a smaller attraction featuring only the parts of the cave under its land and the additional profit made possible by having a single attraction that included the entire cave.

In principle, the defendant should always retain the first type of profit, and the plaintiff should always recover the second type, which can be described either as compensatory damages or as disgorgement damages. The third type of profit that could be made only by combining the entitlements of the plaintiff and the defendant raises the issue of apportionment. In principle, it should not matter how the causal issue is framed. Yet, we think that in practice, how the issue is framed really matters. To guard against a distortionary framing effect, courts should try framing the causal issue both ways.

### 3. *Congress Assumed Infringement of a Design Patent Did Not Present the Problem of Apportionment*

This brings us to the legislative history of § 289. It is striking that the House Report framed the issue by considering what share of the total profit was causally attributable to the defendant's contribution to the infringing enterprise. It

justified the total profit rule by assuming that none of the profits from infringement of a design patent was causally attributable to the infringer's contribution, assuming the infringer was allowed to recover the cost of its capital and labor.<sup>182</sup> This took the issue of apportionment off the table and trivialized the issue of causation. The implicit argument was that an award of total profit minus the cost of the defendant's capital and labor was a rough proxy for the plaintiff's lost profit.

As noted above, desert is one argument for apportionment of profit when a profit can be made only by combining the entitlements (or other contributions) of the plaintiff and defendant. The House Report explicitly negated the desert argument for apportionment in its explanation of why the total profit rule does not deprive an infringer of its just deserts:

The rule of recovery prescribed by the bill prevents the infringer from actually profiting by his infringement. The patentee recovers the profit actually made by the infringing article if he can prove that profit, that is, what the infringer realized from the infringing articles minus what they cost him; but the patentee recovers nothing beyond that profit, *the capital and labor invested being left with the infringer just as it was before the infringement.*<sup>183</sup>

The premise is that the infringer has contributed nothing necessary to realize the profits it made in selling the infringing products beyond the cost of its capital and labor. Thus, the Report argued:

[I]t is just that the entire profit on the article should be recoverable 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, and the patentee is entitled to all the good will the design has in the market, and so, after the analogy of trade-mark law, is entitled to all the profit the infringer made on the goods marked.<sup>184</sup>

The Report painted a picture of an infringer who stole market share and profits from the originator of a popular design to satisfy demand created by that design. The Report basically assumed that the demand for products such as carpets was fixed and that the value to a manufacturer of originating a popular design "is in the increased sales he makes thereby. The design is merely the principle of selection in the purchasing of articles of manufacture."<sup>185</sup>

Under these assumptions, there is no issue of apportionment as a factual matter. The infringer's actions are not a but-for cause of the profit recovered

---

182. See *supra* notes 70–72 and accompanying text.

183. House Report, *supra* note 5, at 3 (emphasis added).

184. *Id.* The House Report erred in assuming that trademark owners could disgorge all of a defendant's profits from sales of infringing products. See, e.g., Mark A. Thurmon, *Confusion Codified: Why Trademark Remedies Make No Sense*, 17 J. INTEL. PROP. L. 245, 274 (2010). The Senate Report omits this statement.

185. House Report, *supra* note 5, at 2.

under the total profit rule, so long as the infringer recovered the cost of its capital and labor.

A total profit rule is justified on both fairness and efficiency grounds under these assumptions by inferring that the plaintiff would have sold the same amount of product (e.g., carpet) as sold by the infringer and at the same price, with no loss in quality and no increase in cost. Indeed, the Report claimed that infringing sales were a source of inefficiency and threatened a diversion of profits that undermined innovation incentives. It claimed that “the effect of design patent laws was to cheapen production and so ultimately to reduce prices, because it enabled the manufacturer to run longer on a given design than he otherwise could, and thus avoid changing machinery.”<sup>186</sup> The report further claimed that imitation products, which might be no cheaper than the patentees’ products, tended to be shoddy.<sup>187</sup> These claims seem exaggerated to us, as do some of the House Report’s other claims. We will return to considering what to make of these exaggerated claims when assessing the fairness and efficiency of the total profit rule in the modern era.

In sum, the total profit rule was not intended to solve a problem of apportionment. The Report assumed this problem away by arguing that none of the profit on the infringing sales was causally attributable to the defendant’s contribution once the defendant was allowed to retain its capital and labor. This raises the question: what problem was the total profit rule intended to solve?

#### 4. *The Total Profit Rule Was Intended to Solve an Evidentiary Problem*

The House Report presented the total profit rule as intended to solve a problem created by the evidentiary rule articulated in *Dobson* and *Garretson*. This rule allowed patentees to recover lost profits as compensatory damages or to recover the defendants’ profits from the use of infringing designs as disgorgement damages, but only if plaintiffs could present evidence to prove either type of profit with reasonable certainty. A similar rule in contract law allows plaintiffs to recover consequential damages only when such damages can be determined with reasonable certainty.<sup>188</sup>

The Report explained what was problematic about the *Dobson* holding that led to its legislative response creating the total profit rule:

The Supreme Court held in substance that the complainant must clearly prove what part of his own damage, or what part of defendant’s whole profit on the articles made and sold was directly due to the *appearance* of those articles as distinguished from their material, their fabric, their utility, [etc.]; the design, to wit, the appearance, being the only thing patented.<sup>189</sup>

---

186. *Id.* at 3.

187. *Id.*; see also *supra* note 61 and accompanying text.

188. RESTATEMENT (SECOND) OF THE LAW OF CONTRACTS § 352 (AM. L. INST. 1981).

189. House Report, *supra* note 5, at 1–2.

In explaining why the “total profit” rule was appropriate, the Report observed: “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.”<sup>190</sup>

Perhaps the misunderstanding that the total profit rule was intended to preclude apportionment could have been avoided if the Report had used the word “divisible” instead of “apportionable.”<sup>191</sup> Tort law uses the term “divisible” to denote situations in which the total damages resulting from wrongful conduct can be divided among multiple actors, with plaintiffs being entitled to recover damages only for that part of the harm caused by the defendant.<sup>192</sup>

The following hypothetical illustrates the concept of divisibility. Assume that the negligent acts of Drivers A and B are each a but-for cause of a collision that totals both cars. Neither A nor B suffered significant bodily harm because their air bags deployed. Driver A seeks medical attention for a minor injury received in the accident, but dies as a result of the negligence of Doctor C. C is not causally responsible for the property damage to the cars because that loss would have occurred even had C not been negligent. This is a divisible injury. Yet, A, B, and C are each causally responsible for A’s death. This is an indivisible injury. Hopefully the jury would assign most of the responsibility for A’s death to C. But this is a matter of apportionment, not causation.

Sometimes in tort law factual uncertainty makes a loss that is divisible in principle indivisible in practice. Suppose that P’s car stalls on a highway, after which D1 negligently collides with P’s car and then D2 negligently collides with the wreckage of P’s and D1’s cars. In principle, the harm to P and P’s car from these two collisions is divisible. If a court was omniscient, it could observe the condition of P and D1 and their cars before the D2 collision, and D2 would be liable only for the additional harm for which D2 was causally responsible. This loss is divisible in principle, but not in practice, because a court cannot observe the condition of P and D1 and their cars before the D2 collision. It is, therefore, not possible to infer with any confidence what the condition was before the D2 collision. These problems are generally handled in tort law with presumptions. In this hypothetical, the burden would be placed on D2 to establish that the loss to P and D1 was divisible.

The total profit rule can be understood as creating a conclusive (i.e., irrebuttable) presumption that the defendant’s total profit on the sale of the infringing product was causally attributable to the infringing design, once the

---

190. *Id.* at 3.

191. The Court characterized the issue as one of separability (which is a synonym for divisibility) in *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 445 (1885) (quoting *Garretson v. Clark*, 111 U.S. 127 (1884)). See also *supra* note 50 and accompanying text.

192. See, e.g., TORTS RESTATEMENT, *supra* note 174, § 26 (“When damages for an injury can be divided by causation, the factfinder first divides them into their indivisible component parts and separately apportions liability for each indivisible component . . .”).

defendant is given an allowance for the cost of its labor and capital.<sup>193</sup> An irrebuttable presumption that the total profit on a product is causally attributable to the infringing design is fine so long as the presumption roughly corresponds with reality. But when the presumption does not roughly correspond with reality, it raises the same concerns that justify apportionment because the rule strips from the defendant profit that is causally attributable to the defendant's contributions.

The House Report argued for the total profit rule by claiming that the rule was intended to address cases in which *none* of the profit to be disgorged was causally attributable to the defendant's contribution, once the defendant was allowed to recover its capital and labor. This claim seems exaggerated. The total profit rule deprives the defendant of a return on taking risk, for example. The cost of the defendant's capital and labor may not be fully accounted for under the rule. Moreover, some of the total profit may be attributable to the defendant's good will, market power, or own intellectual property.

So what should we make of the exaggerated character of some of the claims in the House Report? Let's assume the authors of the House Report were being honest and genuinely believed the claims they were making, or they believed the claims were only slightly exaggerated. They believed that *Dobson* was analogous to the hypothetical in which only the cave entrance and none of the attractions was on the defendant's land and that no more than a small share of the total profit

---

193. There is another way to think about how the total profit rule changed the approach to measuring profit as applied in *Dobson*. In *Dobson*, the Court treated the relevant counter-factual as one in which the defendant manufactured and sold the same quantity of carpet, but without the infringing design. This counter-factual required predicting what effect the defendant's use of the infringing design would have on the volume of sales and the amount of profit. Under this approach, disgorgement damages could be recovered if the use of the infringing design increased the sales price. For example, if *Dobson*'s usual price for selling non-infringing carpets was \$1.50 per yard, but its price for carpets with the infringing pattern was \$2.50 per yard, the \$1.00 per yard difference would be the profits attributable to infringement. The House Report rejected this approach, arguing "that designs do not increase the selling price, but only the quantity sold of the articles on which they appear." House Report, *supra* note 5, at 2.

The statutory total profit rule implicitly changed the counter-factual. The Court in *Dobson* assumed a counter-factual in which the defendant would have manufactured and tried to sell the same quantity of carpet without the infringing design. The total profit rule assumed the counter-factual in which the defendant reduced its output and sales by the quantity of infringing carpet it sold, forgoing proceeds on sales of infringing carpets and saving itself the expense of producing and marketing the infringing carpets.

Sometimes the law specifies what is or is not a permissible counter-factual in causal analysis. This is a question of policy. For example, when the defendant deliberately uses the plaintiff's tangible property to make a profit, the defendant is generally not allowed to argue the counter-factual in which the defendant negotiated for a license. The law may bar this counter-factual to punish the defendant for taking what it should have bought. Gergen, *supra* note 17, at 835–36. Such a counter-factual is, however, sometimes allowed in intellectual property cases. For example, plaintiffs sometimes recover the predicted price of a license as lost profits in trade secret misappropriation cases. UNIF. TRADE SECRETS ACT § 2 (amended 1985), 14 U.L.A. 437, 449 (1990). Damage awards for infringement of a design patent can also be based on the established price of a license or an estimated reasonable royalty under § 284. The House Report disclaimed this option saying that "the value of the property [was] as short-lived as the caprice of purchasers, and resid[ed] in the exclusive character of the use." House Report, *supra* note 5, at 2.

from the sale of the infringing carpets was attributable to the defendant's contribution.<sup>194</sup>

In the variant of the cave hypothetical in which almost all of the cave was under the plaintiff's land, the defendant's contribution—the cave entrance—clearly is a cause-in-fact of the total profit. But the relatively small size of that contribution justifies the defendant being entitled to retain, at most, only a small share of the total profit, especially given that there is no reliable basis for determining how small that share should be. In *Dobson*, the defendant's contribution probably was a cause-in-fact of a small share of the total profit, but there was similarly no reliable basis for determining that share. The total profit rule is defensible in both cases because any unfairness and possible inefficiency in denying the defendant a share of the profits would likely be small and offset by the advantages of having a simple rule.

5. *Changes in the Nature of the Design Entitlement Have Undercut Congress' Assumptions When Adopting the Precursor of § 289*

The unitary character of the design entitlement in 1887 made the House Report's profits-related claims less far-fetched than they seem today, as the design entitlement has become so fragmented. The fragmented character of the design entitlement increases the likelihood that an award of total profits will deprive the defendant of profit for which its contribution was causally responsible.<sup>195</sup> Indeed, fragmentation opens the door to a claim for total profit when little or none of the defendant's profits is attributable to the infringing elements of the product.

Thus, the existence of partial design entitlements makes plausible a claim for an award of total profits on the sales of cars containing infringing cup-holders, even though none, or very little, of the profits on car sales would be causally attributable to the infringement.<sup>196</sup> This application of the total profit rule would yield an indefensible result.<sup>197</sup> It would be just as indefensible in the

---

194. It is worth noting, however, that the plaintiffs in the first *Dobson* case waived all claims to the defendant's profits. *Dobson*, 114 U.S. at 441–42. Although Dornan sought to disgorge the Dobsons' profits, the special master determined there were no profits to disgorge. *Dobson v. Dornan*, 118 U.S. 10, 17 (1886). Had the precursor to § 289 been in force when those cases were before the courts, Hartford and Dornan would have recovered \$250 each as damages.

195. Recall that the design entitlement has further been altered by allowing patents on designs of parts of machines and other functional creations. The design entitlement was also altered by the omission in 1952 of the restriction on profits disgorgement to those who had knowingly infringed design patents. The risk of innocent infringement is especially high for the more functional of today's patented designs (e.g., the flat face of a smartphone).

196. Prior to *Samsung*, one court was prepared to award disgorgement of profits on sales of boats for infringement of a design patent on a boat window. *See supra* note 83.

197. Consistent with the logic of disgorgement, courts should consider a counter-factual in which the defendant chose a non-infringing alternative, which might have had a negligible (if any) effect on profits. Unfortunately, the *Samsung* decision has not abated the cup-holder-like problem. *See, e.g.*, Sarah Burstein, *Microsoft, Corel and the "Article of Manufacture"*, PATENTLY-O (May 16, 2018), <https://patentlyo.com/patent/2018/05/microsoft-article-manufacture.html> [https://perma.cc/H488-

hypothetical case in which only a small part of the cave (and none of the attractions) was under the plaintiff's land to award the plaintiff the defendant's total profit on the cave. This is why the cup-holder hypothetical is so powerful. It is a case in which none, or very little, of the defendant's total profit is causally attributable to the plaintiff's contribution.

Yet, an award of a defendant's total profit on the cave remains indefensible if this fact is changed due to desert and efficiency concerns. Assume the entrance of the cave was on the defendant's land. Assume further that there was a short stretch of cave under the plaintiff's land that was the only access to the attractions, all of which were under the defendant's land. Now all, or almost all, of the profit from the cave attractions is causally attributable to the use of the plaintiff's part of the cave. Still, giving the plaintiff the total profit from the defendant's showings of the cave would be objectionable as a matter of desert because it would deny the defendant any profits from the use of its own parts of the cave.

The total profit rule also is objectionable as a matter of efficiency because it puts the plaintiff in a position to be able to extract a disproportionate share of the profit from the cave attraction by refusing to agree to a license. This is the familiar problem of bilateral monopoly. The total profit rule is even worse, as a matter of efficiency, when the plaintiff's entitlement to a claim of total profit is uncertain, as it may be if the plaintiff holds a questionably enforceable design patent.<sup>198</sup> Uncertainty imposes search costs on the defendant to determine the strength of a potential plaintiff's claim on the total profit of the cave attraction. Uncertainty about the strength of an entitlement (for instance, a questionably enforceable design patent) may make it more difficult to price a license. Moreover, uncertainty imposes litigation costs because uncertain claims that are not covered by a license may be litigated. The potential for multiple claims to total profit exacerbates these inefficiencies because this increases search costs, transaction costs, and the risk of holdout.<sup>199</sup>

The total profit rule is also objectionable as a matter of desert and efficiency when one-third of the cave is under the plaintiff's land, including some of the most spectacular features. This is similar to the *Edwards* case as well as the partial designs in the VW Beetle shape hypothetical and in *Apple v. Samsung*. We have explained why we disagree with those who read the legislative history of the total profit rule as taking the issues of causation and apportionment off the table in determining when and how the total profit rule in § 289 should be

---

W3X7] (describing Microsoft's effort to disgorge all profits from Corel's sales of software for infringing design patent on a user interface component).

198. A worse scenario may occur if the defendant began selling the accused devices before the design patent issued, as in *Nordock*. See *supra* note 105.

199. In design patent cases, adjudicators should also consider the counter-factual of non-infringing options that the defendant had. Perhaps adopting one or more of those options would have enabled the defendant to make less profit, but a total profit rule that ignores such a counter-factual is not being true to the underlying logic of the disgorgement remedy.

applied.<sup>200</sup> The Supreme Court is unlikely to reopen this issue any time soon. However, that does not mean that courts cannot rethink the roles of causation and apportionment in future design patent cases in keeping with our analysis.

*B. Samsung's Article of Manufacture Rule and the SG's Four-Factor Test Are Defective*

Courts will almost certainly face difficult problems in trying to apply the *Samsung* rule under which the relevant article of manufacture whose profits must be disgorged under § 289 may be the end product or some part of it. This Part once again draws upon the cup-holder and VW Beetle body hypotheticals, as well as the facts in *Dobson*, to assess whether the SG's test for determining the relevant article of manufacture will provide sound answers to the tricky questions posed in § 289 cases.

Recall that the SG recommended that juries should consider the following four factors when deciding whether the relevant article was the end product or a part:

- 1) the scope of the design as claimed in the patent;
- 2) the relative prominence of the design in the finished product;
- 3) whether the design is conceptually distinct from the finished product; and
- 4) the physical relationship between the patented design and the rest of the product.<sup>201</sup>

The SG envisioned that in post-*Samsung* proceedings a jury would, after finding infringement, be directed to consider what was the relevant article of manufacture. If the jury decided the relevant article was the end product, it would then award as disgorgement damages the defendant's total profit on sales of the infringing products. If the jury decided the relevant article was part of an end product, the jury would then award as disgorgement damages the defendant's total profit on that part. When more than one design patent had been infringed, the SG seems to have imagined that juries could disaggregate infringing parts of the end product into multiple articles of manufacture. Disgorgement damages would then be the sum of the profits on each of these parts.

---

200. We find a basis for taking causation and apportionment into account in the text of the 1887 Act, which allowed recovery of "the total profit made by [the defendant] from the manufacture *or* sale [] of the article or articles to which the design . . . has been applied." Act of Feb. 4, 1887, ch. 105, 24 Stat. 387, 387–88. (emphasis added) as an alternative to the statutory damage remedy of \$250, which was the award that Congress expected to be the default. The courts in *Untermeyer* and *Bush & Lane* awarded total profit on manufacture of articles that were parts of a larger end product. The text of § 289 can likewise be read to allow apportionment insofar as it allows recovery "to the extent of his total profit" attributable to the relevant article of manufacture. We think the end-product-only proponents have not properly understood the full legislative history of this remedy.

201. SG Brief, *supra* note 136, at 27–29.

Consider how the test would play out as applied to the cup-holder hypothetical, the VW Beetle body hypothetical, and the facts in *Dobson*. We expect the Supreme Court would want the judge to decide the article of manufacture issue in a cup-holder case because no reasonable jury could find the article of manufacture to be the end product (i.e., the car). The patent claim would presumably cover the cup-holder, not a whole car.<sup>202</sup> A cup-holder is not a prominent design feature of a car. A cup-holder is conceptually distinct from a car, as it is possible to picture a cup-holder without a car in the image. And a cup-holder is an accessory to a car, not an integral part of it.

So far so good, you may think. The *Samsung* article of manufacture rule and the SG's test seem to get this right. The relevant article would be the cup-holder. But before we conclude that the proper award under § 289 would be \$250 because it is impossible to calculate with any precision how much to award as cup-holder profits, we run into the first of many questions not addressed by the Court. When a judge asks a jury to determine the total profit attributable to the cup-holder, the jury might deliberate for a short time and then send the judge this question: "Are we supposed to determine the value that having cup-holders adds to the car, or the value that having cup-holders of this design adds to the car?"<sup>203</sup> We assume the answer would be the latter. Many people think a cup-holder is a necessity in a car. The aesthetic design of a cup-holder is a luxury. The former answer would let the holder of the design patent on the cup-holder capture a large share of the profit on the car if they decide that having a cup-holder is a necessity. This would defeat the purpose of the new article of manufacture rule.

We expect the Supreme Court would want the judge to decide the article of manufacture issue in *Dobson*-like cases because no reasonable jury could find the article of manufacture to be anything other than the end product (i.e., the carpet). Under the SG's test, the scope of the patented design would be the overall appearance of carpets of that pattern. The surface pattern is most likely the most prominent feature of carpets. It is difficult to picture a carpet pattern without a carpet in the image. And the pattern physically covers the appearance of the carpet.

Great, you may think. The Court's article of manufacture rule at least gets *Dobson* right. Under § 289 and its precursor, the award should be for the total profit on sales of the carpet. But suppose the lawyer who litigated the cup-holder case asked why this should be so. This lawyer might point out that in the cup-holder case the jury was told to determine the value that having a cup-holder of this design adds to the car. The jury was not told to determine the value that cup

---

202. We worry that in the aftermath of *Samsung*, design patent applicants will claim end-products as the article of manufacture for § 171(a) purposes in their filings with the USPTO. We would hope that patent examiners or courts would be skeptical of this kind of gamesmanship, but we are not confident that they will.

203. That is, how much of the profits from sales of cars is attributable to the infringing cup-holders, assuming that the cup-holders aren't sold separately?

holders add to the car. Sure, the article of manufacture is the carpet. But, to be consistent, shouldn't the jury be asked to determine the value the design adds to the carpet?

We expect judges would resolve this quandary by adopting inconsistent damage rules for cases like the cup-holder hypothetical and cases like *Dobson*. In a case similar to the cup-holder hypothetical, the jury would be instructed to award any profit on the end product that was attributable to the component that constitutes the article of manufacture embodying the patented design. The jury would not be instructed to award the profit attributable to the end product as a whole. In a case like *Dobson*, the jury would be instructed to award the total profit on the end product. Having these inconsistent damage rules is the only way to follow the statute's command (which is to give the plaintiff the defendant's total profit in a case like *Dobson*) while achieving the purpose of the new article of manufacture rule.

The inconsistency of these two damage rules would create a cliff effect in the remedy for infringement of a design patent, as the VW Beetle hypothetical illustrates.<sup>204</sup> If the jury decides the article of manufacture is the car, then VW will recover the defendant's total profit on the line of infringing cars. If the jury decides the article of manufacture is the body of the car, then VW will recover the amount of profit attributable to the body of the car having the patented design—and not the profit attributable to the car having a body. The first measure of damages strips the defendant of all profit attributable to its contribution to the car while the second measure does not.

There is nothing inherently wrong with having a cliff effect in remedies.<sup>205</sup> There often are sharp discontinuities in remedies. There is, for example, a sharp discontinuity in remedies between tortious conduct that warrants punitive damages and tortious conduct that does not. There is also a sharp discontinuity in the remedy for breach of contract at the line between cases in which a plaintiff may recover damages for emotional disturbance and cases in which a plaintiff can only recover damages for its financial losses.

When there is a sharp discontinuity in remedies, it is important that the line be drawn at the appropriate place and in the appropriate way. The SG's four-factor test could work reasonably well in industries with a fairly high correlation between the four factors and the share of the total profit on an end product that

---

204. The term "cliff effect" is used in tax law to refer to a situation in which a small change in a taxpayer's position results in a large change in taxes. For example, a deduction or credit is lost entirely when income is above a threshold. This is avoided in tax law by phasing a change in across a range of income.

205. Cliff effects are generally thought to be problematic in tax law because of the distortion of behavior at a cliff. Cliff effects are not as problematic in private law because there may be value in distorting behavior at a cliff. A familiar example involves a comparison of a rule of negligence liability with a rule of strict liability. A rule of negligence liability creates a cliff at the point at which an actor fails to use reasonable care. This cliff may be desirable because it improves compliance at the margin. See Steven Shavell, *Strict Liability Versus Negligence*, 9 J. LEGAL STUD. 1 (1980).

is causally attributable to an infringing design. For example, the test could work reasonably well for decorative products like wallpaper. The risk of total profit liability basically rises with the extent and salience of infringing elements in the overall design of a product.

The SG's four-factor test might also work reasonably well for products that serve a utilitarian purpose, but also have a significant decorative element in industries in which innovation and competition largely are focused on decorative features. Carpet may be an example. Fashion products may be another example. Firms that innovate and compete with respect to the utilitarian features of such products would just have to be careful not to infringe on patented designs because of the risk that the end product would be found to be the relevant article of manufacture under the SG's four-factor test.

The SG's four-factor test works poorly, however, as to products that serve a utilitarian purpose and have some decorative elements in industries in which innovation and competition focus on both the utilitarian and the decorative features or mainly on the product's utilitarian aspects. Consumer electronics like smartphones are an example. Profits on such products are likely to be attributable to a mix of a product's utilitarian and decorative features. The four-factor test focuses solely on a product's decorative features. It allows a firm that has a design patent on a significant decorative feature of a product to suppress innovation and competition on the utilitarian features. The SG's test ignores the possibility that the utilitarian features, rather than the decorative ones, may drive demand for the end product. The SG's test also fails to consider whether the article in question was produced through a different manufacturing process than the end product.<sup>206</sup> The risk of unprincipled disgorgement awards is particularly strong if the patented feature becomes iconic. Moreover, the fuzziness of the four-factor test invites litigation.

A fundamental flaw with the SG's four-factor test is that it addresses only one dimension of the problems with the total profit rule that arise from the fragmentation of the design entitlement. The test could work reasonably well for products for which innovation and competition is driven by decorative features because the rule basically asks the fact-finder to evaluate how significant the infringing elements of a product are to the overall appearance of the product. The SG's test ignores features of a product that have nothing to do with how the product looks and gives too little weight to the scope of the design actually patented.

---

206. The SG's brief emphasized separate manufacturing processes as relevant to the article of manufacture determination, but did not add this as a fifth factor for consideration. SG Brief, *supra* note 136, at 20–23.

C. *How the Samsung Decision Made Things Worse for Defendants in Design Patent Cases*

Samsung and several amici who supported its petition, including Facebook, Google, Dell Computer, and Hewlett-Packard, must have been greatly relieved when the Court decided that the article whose profits must be disgorged under § 289 is not always and inevitably the marketed end product. The proliferation of patents on ever smaller design elements of information technologies would, under the Federal Circuit's ruling, have put huge amounts of profits at risk. The *Samsung* decision at least gave them a chance to argue that the patent covered only a small element of the product, akin to the cup-holder hypothetical that resonated with the Court.

Apple's subsequent victory before a jury, resulting in a \$533 million award that was about 25 percent larger than the "total profits" award the Court vacated, is a cautionary tale. In a sense, the *Samsung* decision was a gift to design patent plaintiffs because it did not address, let alone resolve, many key issues that will undoubtedly arise in future cases. The Court did not hint about what test should be used for either the relevant article determination or assessment of profits to disgorge, and did not cite approvingly to decisions such as *Bush & Lane*. As a result, the Court gave plaintiffs and their lawyers an opening to argue for very plaintiff-friendly factors, some of which Apple proffered on remand.<sup>207</sup> Prominent design-patent prosecutors have proposed, for instance, that the end product should be "the default article of manufacture" for § 289 purposes, only to be overcome if the visual contribution made by the patented design to the overall appearance of the product was minor, neither party separately sold the article, and/or the infringer's intent in appropriating the design was innocent.<sup>208</sup>

The SG's proposed test is more balanced than those proffered by these practitioners. That test is, however, very vague and open-ended. Authors of one pro-Apple amicus brief warned that the SG's test was unlikely to prevent disproportionate awards. Indeed, "[i]t is more likely to generate error of its own, given that it would be costly, complex, and unpredictable to apply."<sup>209</sup> Professor Burstein agrees that the SG's test "will increase the cost and complexity of design patent litigation without any reasonable likelihood of producing fairer, more just, or more predictable outcomes."<sup>210</sup> Moreover, she argues the SG's test is also "built on a legally and logically flawed foundation."<sup>211</sup> The SG cited to

---

207. See, e.g., Apple's Opening Brief in Response to the Court's July 28, 2017 Order at 2, *Apple Inc. v. Samsung Elecs. Co.*, No. 11-CV-01846-LHK, 2017 WL 4776443 (N.D. Cal. Oct. 12, 2017); see also Brief of Nordock, Inc. as Amicus Curiae in Support of Respondent at 3, *Samsung Elecs. Co., Ltd. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777).

208. Saidman et al., *supra* note 179, at 355.

209. Brief of Amici Curiae on Behalf of Intellectual Property Professors in Support of Respondent at 28, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016) (No. 15-777).

210. Burstein, *AOM Today*, *supra* note 7, at 783–84.

211. *Id.* at 783. Neither the Court nor the SG, in Burstein's view, properly understood the "article of manufacture" concept. *Id.* at 832–33.

*Bush & Lane* to support the patent scope, conceptual distinctness, and physical relationship factors, but cited no relevant cases or other authorities in support of the design's relative prominence factor.<sup>212</sup> The SG's failure to include a manufacturing process factor or give due consideration to competition on end products' utilitarian features is likely to put design patent defendants at a disadvantage.

The SG also argued that courts should put the burden of production and persuasion on any defendant who contends that the relevant article is less than the end product.<sup>213</sup> Moreover, it asserted that the relevant-article issue should be decided by a jury.<sup>214</sup> Neither of these propositions was grounded in the statute, design patent case law, or due consideration of the policies at stake or traditional principles underlying the disgorgement award. Even assuming the SG was right about the burden of proof and the jury trial issue—both of which we dispute—a serious reason to be concerned with these propositions is that it may make it more difficult for design patent disgorgement cases to be decided on summary judgment. Furthermore, neither party's expert witnesses would be able to adequately prepare reports on their assessments of the profits to be disgorged because no one would know until the trial was over what the relevant article of manufacture actually was. In addition, jury verdicts on total profits awards would be difficult for appellate courts to overturn, even if grossly excessive or punitive, because juries do not have to explain their decisions, as judges would be obliged to do.

Three post-*Samsung* decisions thus far have adopted the SG's test.<sup>215</sup> In both cases that went to trial, design patentees were able to persuade juries that the relevant article was the end product, and obtained awards that were disproportionate to the contributions that the designs made to the end products and denied the defendant a return on its contributions.<sup>216</sup> One of the few

212. SG Brief, *supra* note 136, at 27–29.

213. *Id.* at 30–31. The SG inappositely relied on a securities fraud case and an administrative law case in support of this position. In a third case cited by the SG, *id.* at 31, a declaratory judgment action involving a patent, the Supreme Court actually reversed the Federal Circuit and held that the burden of proving infringement remained with the patentee even in a declaratory suit brought by a potential infringer. See *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014).

214. SG Brief, *supra* note 136, at 29–30. The SG relied on a patent and a trademark case and also linked the jury's role in determining design patent infringement with determining the relevant article.

215. Burstein, *AOM Today*, *supra* note 7, at 783 & n.9.

216. See *supra* note 13 and accompanying text concerning the verdict against Samsung. The second case was *Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories*, No. 3:17-cv-01781-HZ (S.D. Cal. 2017) (jury award of more than \$3 million in total profits on sales of gloves that infringed a design patent on glove liner material). On appeal, the Federal Circuit vacated the summary judgment finding of infringement issued by the district court and remanded for further proceedings. *Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, Inc.*, No. 2018-1329, 2018-1331, 2018-1728, 2019 WL 5938886, at \*9 (Fed. Cir. Nov. 13, 2019). The court did not reach any of the disgorgement issues, as the infringement finding was vacated. *Id.* *Nordock* was the third of these cases. On remand, the trial court announced that the SG's test should be applied, supplemented with a manufacturing process factor. See *Nordock, Inc. v. Sys., Inc.*, 125 U.S.P.Q.2d 1011, (E.D. Wis. 2017). The parties subsequently settled.

advantages of the Federal Circuit's rule was that firms had a more concrete idea about their liability exposure. Design patent disgorgement decisions are now a crap shoot with enormous stakes. We are certain this was not the Court's intention in *Samsung*, but what can and should be done to rationalize design patent remedies?

## V.

### POSSIBLE PATHS FORWARD

This Part explores three ways to address the problems we perceive with § 289 awards in partial design patent cases. First, Congress could repeal or amend § 289. Second, judges could decide that they, not juries, should render design patent disgorgement judgments. Third, judges could refine the two-step test articulated by the Court in *Samsung*, and insofar as disgorgement determinations are rendered by juries, they could provide better jury instructions and special verdict forms.

#### A. *Should Congress Consider Repealing or Amending § 289?*

Several commentators have recommended that Congress consider repealing § 289 because of the seemingly insoluble practical and legal difficulties in determining how much of an infringer's profits should be awarded in partial design patent cases to achieve the unjust enrichment goals that underlie the disgorgement remedy.<sup>217</sup> These very same difficulties caused Congress to repeal the disgorgement remedy in utility patent cases in 1946.<sup>218</sup> Repealing § 289 would harmonize the remedies available for patent infringements. It is difficult to justify making the disgorgement remedy available in all design patent cases, yet never making it available in utility patent cases. As we know from *Apple v. Samsung*, design patent disgorgements sometimes yield profits awards that are grossly excessive and inconsistent with the principles underlying the disgorgement remedy. The repeal could also be justified because of the substantial changes in the nature of the design patent entitlement since 1887.

Alternatively, Congress could amend § 289 to establish meaningful limits on disgorgement awards akin to those available in US copyright law, which has long limited profits disgorgements to profits attributable to the infringement.<sup>219</sup> As in design patent cases, it may be difficult to determine with precision how

---

217. See, e.g., Cotter, *supra* note 1, at 1; Lemley, *supra* note 1, at 235; White, *supra* note 1, at 458.

218. See Roberts, *supra* note 49, at 661–69. Some commentators suggest that restitution law can provide some guidance for awards of reasonable royalties in utility patent cases. See John M. Golden & Karen E. Sandrik, *A Restitution Perspective on Reasonable Royalties*, 36 REV. LITIG. 335 (2017).

219. 17 U.S.C. § 504(b) (2018); see Lemley, *supra* note 1, at 235–37. Some commentators have recommended other amendments to § 289. See, e.g., Janis, *supra* note 1 (proposing statutory damage awards for design patent counterfeiting cases); Patryk Oskar Rogowski, *Damages for Partial Product Design Patent Infringement*, 33 TOURO L. REV. 1243, 1277–78 (2017) (recommending that Congress define the term “article of manufacture”).

much of a copyright infringer's profits are causally linked to that wrong. Yet, reasonable approximations that serve unjust enrichment goals have long been accepted.<sup>220</sup> Moreover, rules of evidence about wrongdoer profits and harms from infringement in IP cases in the modern era are more relaxed than they were in 1887, when the precursor to § 289 was enacted. Hence, one of the key rationales for the "total profit" remedy no longer exists. Conforming design patent and copyright disgorgement remedies would also make sense given that both laws provide protections for visual designs.

### B. *Should Judges, Not Juries, Render Disgorgement Awards?*

During the nineteenth and early twentieth centuries, disgorgement as a remedy in IP infringement cases, including in design patent cases,<sup>221</sup> was administered by courts sitting in equity.<sup>222</sup> The Federal Circuit has recently recognized the equitable nature of the disgorgement remedy for IP cases in *Texas Advanced Optoelectronic Solutions, Inc. v. Renesas Electronics America, Inc.*<sup>223</sup> That court vacated a jury's disgorgement of profits award for trade secrecy misappropriation holding that only courts, not juries, can award disgorgement in IP cases.<sup>224</sup>

The Federal Circuit in *TAOS* reviewed at length the historical record of the disgorgement remedy in IP cases. It cited *Sheldon v. Metro-Goldwyn Pictures Corp.* for the proposition that "recovery of profits . . . had been allowed *in equity* both in copyright and patent cases as appropriate equitable relief incident to a decree for an injunction."<sup>225</sup> The court perceived no basis for distinguishing the equitable nature of disgorgement awards in trade secrecy cases from those in other IP cases. "For Seventh Amendment purposes, claims for patent, copyright, or trademark infringement are appropriate analogues of the trade secret claim here."<sup>226</sup> Because the disgorgement remedy was unavailable at law in 1791 for these IP cases, the Federal Circuit concluded there should be no right to a jury

---

220. See, e.g., *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 403–05 (1940). The Third Restatement of Restitution cites approvingly to *Sheldon* and several other copyright disgorgement cases. See RESTITUTION RESTATEMENT, *supra* note 14, § 42. Copyright law puts the burden on the defendant to prove deductible expenses and how much of its profits were attributable to factors other than the infringement. 17 U.S.C. § 504(b) (2018). This rule recognizes that defendants should not be able to benefit because it may be difficult to calculate with precision what part of its profits are attributable to infringement.

221. See Burstein, *AOM Today*, *supra* note 7, at 827 & n.258.

222. See, e.g., *Tilghman v. Proctor*, 125 U.S. 136 (1888) (recognizing the equitable nature of disgorgement in patent case); *Stevens v. Gladding*, 58 U.S. (17 How.) 447 (1854) (equitable disgorgement in copyright case).

223. 895 F.3d 1304 (Fed. Cir. 2018).

224. *Id.* at 1319–25.

225. *Id.* at 1324 (quoting *Sheldon*, 309 U.S. at 399) (emphasis added by the Federal Circuit). *Texas Advanced Optoelectronic Solutions* also cited to a trademark case recognizing the equitable nature of disgorgement in trademark cases. *Id.* (citing *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916)).

226. *Id.* at 1325.

trial for disgorgement in trade secret cases either.<sup>227</sup> There are, moreover, strong policy and historical reasons for treating the disgorgement remedy in design patent cases as equitable in nature, and hence, more suitable for courts than for juries to award.<sup>228</sup>

In keeping with the two-step inquiry directed by the *Samsung* decision, judges should determine the relevant article of manufacture during the claim construction phase of design patent infringement cases.<sup>229</sup> As the Supreme Court recognized in *Markman v. Westview Instruments, Inc.*,<sup>230</sup> there are strong historical as well as jurisprudential reasons why courts, rather than juries, should construe the scope of patent claims.<sup>231</sup> The Federal Circuit has recognized that this rule applies in design patent cases.<sup>232</sup>

In making the article of manufacture determination during claim construction, we think courts should use Professor Burstein's definition of the term "article of manufacture": a "tangible item made by humans . . . that had a unitary structure and was complete in itself for use or for sale."<sup>233</sup> Burstein explains why this definition is consistent with the statutory scheme, patent examination practice, and the case law.<sup>234</sup> This definition would, we think, be less likely than the SG's proposed test to yield excessive and punitive awards in design patent cases. Moreover, a judicial determination of the relevant article of manufacture issue in early stages of design patent cases would enable the parties' expert witnesses to provide more focused assessments of profits to be disgorged.

The *Samsung* decision conceptualized profits disgorgement as a second step in partial design cases in which plaintiffs seek a § 289 remedy. The *Samsung* decision did not address whether this determination should be made by the court or by a jury. While the SG argued, without citing to any precedents, that this issue is one of fact that should be decided by juries,<sup>235</sup> the logic of *TAOS* suggests that determining the amount of profit to be disgorged is an equitable question for judges to decide.<sup>236</sup>

---

227. *Id.* We are not alone in thinking that. See Cotter, *supra* note 1, at 21 (arguing that judges should award profits disgorgement in design patent cases).

228. See, e.g., Chao & O'Dorisio, *supra* note 111 (empirical study suggesting that juries tend to overemphasize the significance of features in litigation and to make punitive awards even when defendants have not engaged in intentional wrongs).

229. Because design patents, unlike copyrights, do not protect the design as such, but only the design as applied to a particular article of manufacture, see *supra* note 28 and accompanying text, identifying the relevant article should logically be done as part of claim construction.

230. 517 U.S. 370, 379–83, 384–88 (1996).

231. *Id.* at 377–91; see also Burstein, *AOM Today*, *supra* note 7, at 838–39 (arguing for judicial interpretations of the article of manufacture issue as part of claim construction).

232. See, e.g., *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679–80 (Fed. Cir. 2008).

233. Burstein, *AOM in 1887*, *supra* note 4, at 5.

234. *Id.* at 25–61.

235. SG Brief, *supra* note 136, at 25–31.

236. The Supreme Court recently confirmed the equitable nature of the disgorgement remedy in a copyright case. See *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1967 n.1 (2014) (characterizing profits disgorgement in copyright cases as equitable in nature). Judges would also be

Not only has disgorgement in IP cases historically been done in equity, but judges are much less likely to make awards that are punitive or otherwise grossly excessive. Because judges would have to explain the amount to be disgorged, appellate courts could more easily review and temper such awards when they veer away from the restitutionary principles that underlie the disgorgement remedy.<sup>237</sup>

### C. *Would It Help to Refine the Samsung Test and Jury Instructions?*

The very large jury awards in *Samsung* and in *Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories* support our conclusion that the SG’s test for the “article of manufacture” in § 289 cases is flawed.<sup>238</sup> In both cases, the design patents at issue were on parts of end products, yet the juries decided that the relevant articles *were* the end products and awarded all of the defendants’ profits on those products.

Under Professor Burstein’s test, which we endorse, the relevant articles in *Samsung* would have been the smartphone screen (for the D’305 and D’677 patents) and the bezel (for the D’087 patent).<sup>239</sup> In *Columbia Sportswear*, Burstein’s test would likely yield the relevant article as the lining of the gloves. Had the juries been told to award only profits from these aspects of the defendants’ products, a total profit disgorgement award on the end product would be reversible error.<sup>240</sup>

If juries are to render profit disgorgement awards in design patent cases, courts should instruct them to give much more weight to the scope of the patent. As the Second Circuit recognized in *Bush & Lane*, “recovery should have been confined to the part which alone is covered by the claim of its patent.”<sup>241</sup> It would be “out of proportion to the injury done” to award all of an infringer’s profits on sales of end products embodying a partial design.<sup>242</sup> To award even more would “lead to results which shock the conscience.”<sup>243</sup>

---

better equipped to engage in counter-factual analyses under which defendants would be entitled to retain some profits for their contributions to the profits, with some profits also going to the plaintiff for their contributions, and some would be apportioned between the parties insofar as profits were attributable to the greater value that derived from mixing the two entitlements. *See supra* Part IV.A.2.

237. The Federal Circuit has reversed excessive awards in some utility patent cases when it has been unpersuaded that the patented element drove the entire demand for products embodying the infringing element. *See, e.g.,* *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009). Under the “entire market value rule,” plaintiffs at least have to prove the patented features drove market demand. Lemley, *supra* note 1, at 231.

238. *See supra* note 216 and accompanying text.

239. Burstein, *AOM in 1887*, *supra* note 4, at 76.

240. We reiterate the point that the term “article of manufacture” should mean the same thing for § 171(a) patentability purposes as for § 289 disgorgement purposes.

241. *Bush & Lane Piano Co. v. Becker Bros*, 222 F. 902, 904 (2d Cir. 1915).

242. *Id.*

243. *Id.* at 905.

Although we contend that § 289 disgorgement awards should only be made by judges, and not by juries, we recognize that the two post-*Samsung* disgorgement awards thus far have been rendered by juries. Because the *Apple v. Samsung* case settled after the post-remand verdict, courts may regard the jury verdict in that case as precedent (the *Columbia Sportswear* case has been reversed in part and remanded). Consequently, courts may rely upon *Apple*, as well as the SG's endorsement, despite the inconsistency of these judgments with the Federal Circuit's *TAOS* decision.

Alternatively, courts could reformulate the article of manufacture inquiry so that a design patentee could recover the total profit on an end product only if the jury concluded that all or substantially all the profit on the product was attributable to the infringing design.<sup>244</sup> This would preserve a total profit award in cases like *Dobson* while addressing our concerns. This approach is consistent with the legislative history because the total profit rule was adopted on this premise. This clarification of the law should be required in view of the fragmentation of the design entitlement and the use of design patents to cover objects of largely utilitarian value. Design patentees could also ask for recovery of the total profit attributable to the design of a part of an end product if they could prove that this profit could be determined with a reasonable degree of certainty, consistent with the watch cases in *Untermeyer*. However, such certainty would likely be impossible when the design is a relatively small element of a product, such as the refrigerator latch in *Young*.

Jury instructions should articulate principles of restitution and unjust enrichment as they bear on the scope of the design patent's claim. Courts could, for instance, give an instruction derived from the Supreme Court's explanation in *Tilghman v. Proctor* about disgorgement:

[I]t comes nearer than any other [remedy] to doing complete justice between the parties; that in equity the profits made by the infringer of a patent belong to the patentee and not to the infringer; and that it is inconsistent with the ordinary principles and practice of courts [], either, on the one hand, to permit the wrongdoer to profit by his own wrong, or, on the other hand, to make no allowance for the cost and expense of conducting his business, or to undertake to punish him by obliging him to pay more than a fair compensation to the person wronged.<sup>245</sup>

Debiasing instructions may also help to avoid excessive awards.<sup>246</sup> To achieve equitable results in partial design patent cases, the disgorgement remedy should reach profit attributable to the wrong, but no more than that. It should neither punish infringers, which instead can be accomplished, when appropriate, through

---

244. An entire market value rule award could be justified under 35 U.S.C. § 284 (2018), as this rule applies to both design and utility patents.

245. *Tilghman v. Proctor*, 125 U.S. 136, 145–46 (1888).

246. See Chao & O'Dorisio, *supra* note 111 (reporting on debiasing instructions in an experimental study of jury awards).

the treble damage award authorized under § 284, nor result in a windfall to the design patentee. Causation and apportionment should play a significant role in disgorgement awards. Special verdict forms should be used when multiple infringements are alleged, so that juries focus on appropriate awards when a defendant has infringed some of the design patents, but not others.

#### CONCLUSION

This Article has focused on the *Apple v. Samsung* case to revisit the origins and application of the disgorgement remedy in design patent law. Because of significant changes in the nature of the design patent entitlement, chiefly its fragmentation so that small partial designs are now routinely patented, there is a substantial risk that “total profit” disgorgements will yield grossly excessive awards. The Supreme Court recognized this but failed to give useful guidance about how to apply restitutionary principles of this equitable remedy in design patent cases. The Article has explained that causation and apportionment can and should be taken into account in § 289 awards in partial design patent cases.

