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INTELLECTUAL PROPERTY: A SPECIAL REPORT

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'Apple v. Samsung': Smart phone and tablet market at stake

The Federal Circuit will consider Apple's claims of design-patent infringement in March.

BY CHRISTOPHER V. CARANI

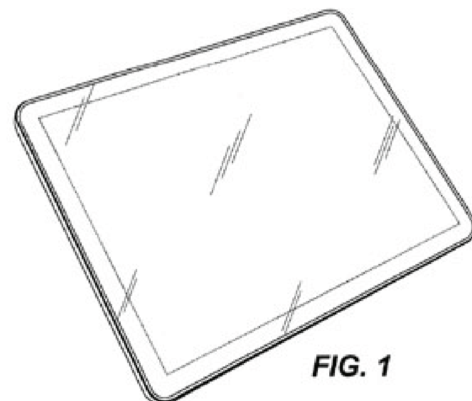
On Dec. 2, 2011, U.S. District Judge Lucy Koh denied Apple Inc.'s motion to preliminarily enjoin Samsung Electronics Co. Ltd. from making, using, offering to sell, selling within or importing into the United States certain smart phones and tablet computers. *Apple Inc. v. Samsung Electronics Ltd.*, No. 11-CV-01846, 2011 U.S. Dist. Lexis 139049 (N.D. Calif. Dec. 2, 2011). Apple's motion was premised upon allegations that these Samsung products infringed certain Apple design and utility patents. Those patents, according to Apple, protect its world-famous iPad and iPhone designs.

Although Samsung is no doubt breathing a sigh of relief that it does not have to take its products off the shelves, a close look at Koh's decision reveals that there are still rough waters ahead for the company. First, Koh found that Samsung likely infringed two of Apple's patents and that these patents are likely valid. Second, Apple recently appealed Koh's denial, presenting novel arguments that may well have some traction given the iconic nature of Apple's designs. Whatever the outcome of this legal saga (which is also pending in various jurisdictions all over the world), it will greatly shape the future of the smart phone and tablet market, not only in terms of market share for the litigants and other potential competitors, but also with respect to the evolution of designs for smart phones and tablets.

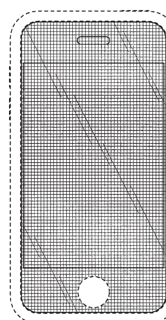
Although Apple asserted both design and

utility patents, Koh noted: "It is the design patents that are at the core of this preliminary injunction motion." 2011 U.S. Dist. Lexis 139049, at *9. Generally speaking, design patents protect the appearance of an item while utility patents protect the function of an item. In its preliminary injunction motion, Apple has asserted three design patents, U.S. Patent nos. D593,087 (D'087), D618,677 (D'677) and D504,889 (D'889). The D'087 and D'677 patents are both directed to the front faces of Apple's iPhone, and the D'889 patent is directed to the overall appearance of Apple's iPad.

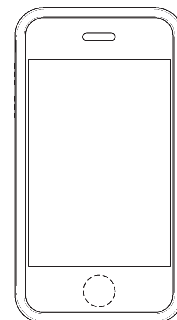
Apple asserted that Samsung's Galaxy S 4G and Infuse 4G phones infringe the D'087 and D'677 patents, and that Samsung's Galaxy Tab 10.1 tablet infringes its D'889 patent. Apple also asserted that these products, along with the Samsung Droid Charge phone, all infringe U.S. Patent 7,469,381 ('381), a utility patent that claims a method for scrolling on a touch-screen device.



Apple D '889



Apple D '677



Apple D '087

NO IRREPARABLE HARM

For all patents, Koh denied the motion, finding that Apple failed to establish it would suffer irreparable harm if Samsung were not

immediately enjoined. Apple's irreparable-harm argument asserted that the entrance of Samsung's infringing phones/tablets into the market would erode Apple's design distinctiveness. Apple also argued that it would likely lose market share as a result of Samsung's infringing products, along with ancillary sales from applications and accessories. Apple has now appealed this holding, arguing that Koh abused her discretion in failing to recognize this alleged harm.

An irreparable-harm argument in a design-patent case premised on dilution of a company's overall design distinctiveness appears to be breaking new ground. However, given the iconic nature of the Apple designs, this test case would seem to provide a strong set of facts to prevail on this type of novel argument. In a post-*eBay* world, where irreparable harm is no longer presumed once infringement and validity are found, there appear to be more and more creative arguments being forged to satisfy the irreparable-harm element for injunctions. *See eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006) (holding that traditional injunction analysis applies to determination of whether court grants permanent injunction in patent disputes).

If Apple is ultimately unsuccessful in warding off Samsung's smart phone and tablet designs, it can be expected that the smart phone and tablet market will coalesce with similar "Apple-inspired" products for the next two to three years. Under that scenario, it will be interesting to see how Apple's design team responds: Stay the course or abandon its minimalist design approach.

Koh penned a 65-page detailed analysis on the merits of the case, including (preliminary) findings on claim construction, infringement and validity for each of the asserted patents. Specifically, Koh found that Samsung's Galaxy S 4G and Infuse 4G phones infringed the D'677 patent, Samsung Galaxy Tab 10.1 infringed the D'889 patent, and all of the accused Samsung products infringed the '381 utility patent. She also held that Samsung had raised a "substantial question" as to the validity of the D'087 and D'889 patents, but with respect to the D'677 and '381 patents, she found that it had not.

Thus, with respect to the D'677 and '381 patents, Koh's current perspective is that they are valid and infringed. Forward looking, Apple appears to have a solid chance of prevailing on summary judgment and obtaining a sizeable money damages award. Of particular significance here, the potential remedies of design patentees are not limited to just reasonable royalties and lost profits, but rather also include infringer's profits without apportionment. 35 U.S.C. 289 (damages statute specific to design patents providing for disgorgement of infringer's profits). Of course, just as it has had difficulty securing a preliminary injunction, Apple ultimately may well have difficulty securing a permanent injunction, given Koh's pronouncements to date.

APPEALABLE ISSUES

With respect to the invalidity findings for the D'087 and D'889 patents, Apple may have appealable issues with respect to the legal standards Koh applied when determining design-patent anticipation and design-patent obviousness. Koh drew her legal standards for these defenses from *Int'l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1239-40 (Fed. Cir. 2009) (Clevenger, J., dissenting), which sought to rearticulate the tests for design-patent anticipation and obviousness.

For her anticipation finding, Koh applied an "ordinary observer" test, which requires only that the designs are "substantially the same" to anticipate. 2011 U.S. Dist. Lexis 139049, at *37-*41. This liberal legal standard appears to directly contradict the U.S. Court of Appeals for the Federal Circuit's long-standing precedent requiring an anticipatory reference to be "identical in all material respects." See, e.g., *Hupp v. Siroflex of Am. Inc.*, 122 F.3d 1456 (Fed. Cir. 1997); see also "Design Patents Sunk in International Seaway," 83 BNA Pat., Trademark & Copyright J. 278 (December 2011); see also "Apple v. Samsung: Intelligence on Apple On U.S. Design Patent Offensive," 82 BNA Pat., Trademark & Copyright J. 906, at 10 (October 2011). Significantly, *Int'l Seaway* was not an *en banc* decision, which is necessary to overrule prior Federal Circuit precedent; indeed, *Int'l Seaway* did not even cite *Hupp* or any of its progeny, which established the "identical in all material respect" standard.

For her obviousness finding, Koh appears to have departed from the patent statute and precedent in analyzing whether the D'889 design patent was invalid for obviousness. Specifically, while she used the viewpoint of one of ordinary skill in the art to determine whether two prior-art references could be combined, Koh employed the perceptions of the "ordinary observer" to determine whether the differences between this combined reference and the design patent were sufficient to sustain the validity of the patent.

The use of the viewpoint of an ordinary observer for an obviousness inquiry appears contrary to Federal Circuit precedent, and also the Patent Act itself. The act specifies that the viewpoint of one of ordinary skill in the art should be employed for obviousness determinations, not an ordinary observer. 35 U.S.C. 103 ("obvious at the time the invention was made to a person having ordinary skill in the art"). Further, long-standing Federal Circuit precedent directs that the ultimate question of obviousness rests with those of skill in the art. See, e.g., *Hupp v. Siroflex of Am.*, 122 F.3d at 1462 ("The determination of the ultimate question of obviousness is made from the viewpoint of a person of ordinary skill in the field of the patented design.") (citing *Litton Systems Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1443 (Fed. Cir. 1984)); see also *In re Nalbandian*, 661 F.2d 1214, 1216 (CCPA 1981). Significantly, *Int'l Seaway* addressed neither this apparent conflict with the plain language of § 103, or the long-standing Federal Circuit precedent.

Although these issues on anticipation and obviousness appear ripe for a challenge, Apple has not forged them in its appeal brief. Thus, a challenge to *Int'l Seaway* and the needed clarification on the law of design-patent anticipation and obviousness will need to wait for another day. In the meantime, Apple's appeal raises interesting issues regarding the irreparable-harm element in design-patent cases. Oral argument is set for early March. Tune in on your smart phones and tablets — whether an Apple, Samsung or otherwise — to see how this patent battle continues.

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