

No. 15-777

IN THE
Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG
ELECTRONICS AMERICA, INC., SAMSUNG
TELECOMMUNICATIONS AMERICA, LLC

Petitioners,

v.

APPLE INC.,

Respondent.

**On Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

**BRIEF OF NIKE, INC. AS *AMICUS CURIAE* IN
SUPPORT OF NEITHER PARTY**

JEANINE HAYES
BRIAN FOGARTY
TIMOTHY CREAN
NIKE, INC.
One Bowerman Drive
Beaverton, Oregon 97005

HOWARD S. HOGAN
Counsel of Record
LUCAS C. TOWNSEND
JASON NEAL
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 887-3640
hhogan@gibsondunn.com

Counsel for Amicus Curiae

TABLE OF CONTENTS

	Page
INTEREST OF <i>AMICUS CURIAE</i>	1
SUMMARY OF ARGUMENT.....	11
ARGUMENT	13
I. EFFECTIVE DESIGN PATENT REMEDIES PROMOTE COMPETITION AND ENHANCE ECONOMIC EFFICIENCY.....	13
A. Innovative Design Promotes Competition	14
B. Design Patents Enable Companies To Protect Their Investments In Innovative Design	21
C. Effective And Enforceable Remedies Are Critical To Design Innovation And Economic Efficiency	28
II. THE COURT SHOULD PRESERVE THE TRADITIONAL DISGORGEMENT REMEDY FOR DESIGN PATENT INFRINGEMENT UNDER SECTION 289	31
CONCLUSION	38

TABLE OF AUTHORITIES

	Page(s)
Federal Cases	
<i>Aftermarket Tech. Corp. v. Whatever It Takes Transmissions</i> , No. 3:00CV-326-R, 2003 U.S. Dist. LEXIS 27933 (W.D. Ky. Aug. 12, 2003)	25
<i>Balsley v. LFP, Inc.</i> , 691 F.3d 747 (6th Cir. 2012).....	37
<i>Bates v. United States</i> , 522 U.S. 23 (1997).....	31
<i>Bergstrom v. Sears, Roebuck & Co.</i> , 496 F. Supp. 476 (D. Minn. 1980)	31
<i>Brooktree Corp. v. Advanced Micro Devices, Inc.</i> , 977 F.2d 1555 (Fed. Cir. 1992)	22
<i>Catalina Lighting, Inc. v. Lamps Plus, Inc.</i> , 295 F.3d 1277 (Fed. Cir. 2002)	32
<i>Chrysler Corp. v. Silva</i> , 118 F.3d 56 (1st Cir. 1997)	14
<i>Egyptian Goddess, Inc. v. Swisa, Inc.</i> , 543 F.3d 665 (Fed. Cir. 2008)	26
<i>Ericsson, Inc. v. D-link Sys., Inc.</i> , 773 F.3d 1201 (Fed. Cir. 2014)	32, 33
<i>Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.</i> , 499 U.S. 340 (1991).....	24
<i>Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts</i> , 944 F.2d 1235 (6th Cir. 1991).....	22

<i>Fruit of the Loom, Inc. v. Girouard</i> , 994 F.2d 1359 (9th Cir. 1993).....	15
<i>Gorham Co. v. White</i> , 81 U.S. 511 (1871).....	26
<i>Jay Franco & Sons, Inc. v. Franek</i> , 615 F.3d 855 (7th Cir. 2010).....	14, 22
<i>Kansas v. Nebraska</i> , 135 S. Ct. 1042 (2015).....	30
<i>KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.</i> , 543 U.S. 111 (2004).....	26
<i>Krueger Int’l, Inc. v. Nightingale, Inc.</i> , 915 F. Supp. 595 (S.D.N.Y. 1996).....	14
<i>Lon Tai Shing Co. v. Koch & Lowy</i> , No. 90 Civ. 4464, 1990 U.S. Dist. LEXIS 19123 (S.D.N.Y. Dec. 14, 1990)	15
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 564 U.S. 91 (2011).....	32, 37
<i>Nike, Inc. v. Wal-Mart Stores, Inc.</i> , 138 F.3d 1437 (Fed. Cir. 1998)	34, 36
<i>Richardson v. Stanley Works, Inc.</i> , 597 F.3d 1288 (Fed. Cir. 2010)	22
<i>Selle v. Gibb</i> , 741 F.2d 896 (7th Cir. 1984).....	26
<i>Telebrands Direct Response Corp. v. Ovation Commc’ns, Inc.</i> , 802 F. Supp. 1169 (D.N.J. 1992)	20, 21
<i>Varsity Brands, Inc. v. Star Athletica, LLC</i> , 799 F.3d 468 (6th Cir. 2015).....	27

W.T. Rogers Co. v. Keene,
778 F.2d 334 (7th Cir. 1985).....16

Wal-Mart Stores, Inc. v. Samara Bros.,
529 U.S. 205 (2000).....14, 30

*Whelan Assocs., Inc. v. Jaslow Dental
Lab., Inc.*,
797 F.2d 1222 (3d Cir. 1986)26

Federal Statutes

15 U.S.C. § 1116(d)(1)(A)7

15 U.S.C. § 111733

15 U.S.C. § 1117(a).....33, 36

15 U.S.C. § 1117(b).....7

15 U.S.C. § 112724, 25

17 U.S.C. § 302(a)-(c).....25

17 U.S.C. § 50433

17 U.S.C. § 504(b).....33, 36, 37

18 U.S.C. § 23207

35 U.S.C. § 102(a).....24

35 U.S.C. § 154(a)(2)25

35 U.S.C. § 1718, 24

35 U.S.C. § 17325

35 U.S.C. § 28431, 32, 33

35 U.S.C. § 28911, 12, 29, 31

35 U.S.C. § 311(a).....25

35 U.S.C. § 32125

Act of Feb. 4, 1887, Chapter 105, 24 Stat. 387	31
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011)	31
Patent Law Treaties Implementation Act of 2012, Pub. L. No. 112-211, 126 Stat. 1527	25

International Statutes

Council Regulation 6/2002, art. 12 (EU)	27
Council Regulation 6/2002, art. 89 (EU)	27
Industrial Design Act, R.S.C. 1985, c I-9, § 5.1(a) (Can.)	28
Industrial Design Act, R.S.C. 1985, c I-9, § 10 (Can.)	28
Industrial Design Act, R.S.C. 1985, c I-9, § 15.1 (Can.)	28

State Statute

Wash. Rev. Code Ann. § 9.16.030, <i>et seq.</i>	7
---	---

Regulation

80 Fed. Reg. 17,918 (Apr. 2, 2015).....	25
---	----

Constitutional Provision

U.S. Const. art. I, § 8, cl. 8	23
--------------------------------------	----

Other Authorities

5 J. Thomas McCarthy, <i>McCarthy on Trademarks and Unfair Competition</i> § 30:65 (4th ed. 2016).....	33
---	----

Nathan Crilly et al., <i>Seeing Things: Consumer Response to the Visual Domain in Product Design</i> , 25 Design Stud. 547 (2004)	20
Karen Dacre, <i>Air Max Factor: the Nike Classic Still Has It</i> , London Evening Standard (Apr. 22, 2013)	4, 5
Jonathan Evans, <i>This New Nike Release Is a Celebration of All Things Air Max</i> , Esquire (Mar. 26, 2016)	5
<i>The Federalist</i> No. 43 (James Madison) (Clinton Rossiter ed., 1961)	23
Elizabeth Ferrill & Tina Tanhehco, <i>Protecting the Material World: The Role of Design Patents in the Fashion Industry</i> , 12 N.C. J.L. & Tech. 251 (2011)	24
Pete Forester, <i>Why Nike Flyknit Is the Most Stylish and Innovative Sneaker Technology Today</i> , Complex (Apr. 2, 2015)	3
Kim Goodwin, <i>Designing for the Digital Age</i> (2009)	16
Leslie J. Hagin, <i>A Comparative Analysis of Copyright Laws Applied to Fashion Works: Renewing the Proposal for Folding Fashion Works into the United States Copyright Regime</i> , 26 Tex. Int'l L.J. 341 (1991)	27
Industrial Designers Society of America, <i>What Is Industrial Design?</i>	13

Japan External Trade Organization, Setting up a Business in Japan § 5.7.2	27
Minu Kumar & Charles H. Noble, <i>Beyond Form and Function: Why Do Consumers Value Product Design?</i> , 69 J. Bus. Res. 613 (2015)	15
Mark A. Lemley, <i>A Rational System of Design Patent Remedies</i> , 17 Stan. Tech. L. Rev. 219 (2013)	35
Andrew D. Luecke, <i>The Evolution of Visible Air</i> , Esquire (Mar. 12, 2015)	5
Hannah Martin, <i>Nike Collaborates with 10 Furniture Designers for a Motion- Inspired Installation in Milan</i> , Architectural Dig. (Apr. 12, 2016)	3
Benjamin Menzies, <i>Air Reinvented: The Nike Air Max 1</i> , Acclaim	3, 5
Minako Mizuno, <i>From Filing to Registration of Design</i> (Japan Patent Office Asia- Pacific Industrial Property Center 2006)	28
Tim Newcomb, <i>Nike Gets Technical in New Elite Series Sneakers for LeBron, Durant and Kobe</i> , Sports Illustrated (Mar. 2, 2015)	5
Jeneanne Rae, <i>Design Can Drive Exceptional Returns for Shareholders</i> , Harv. Bus. Rev. (Apr. 4, 2014)	21
S. Rep. No. 49-206 (1886)	23, 29, 34, 36
Slam, <i>Nike ‘What The’ Kobe X Elite</i> (Dec. 23, 2015)	5

Trefis Team, <i>Here's How Nike Is Innovating to Scale Up Its Manufacturing</i> , Forbes (May 18, 2016).....	1
Karl T. Ulrich & Steven D. Eppinger, <i>Product Design and Development</i> (5th ed. 2012).....	15
Raymond Wong, <i>HP's New 2-in-1 Laptops Are Inspired by Nike Flyknit Sneakers</i> , Mashable (May 3, 2016).....	3

INTEREST OF *AMICUS CURIAE*¹

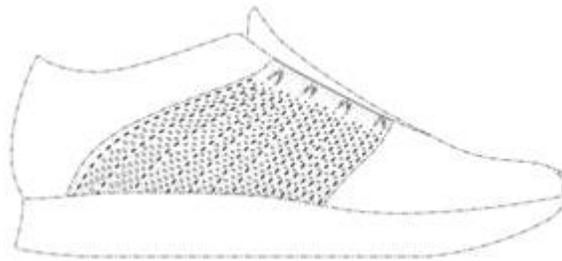
Nike is the world's leading developer, designer, and seller of athletic footwear, apparel, equipment, accessories, and services. Nike's portfolio of brands includes the NIKE Brand, the Jordan Brand, Converse, and Hurley. Nike and Nike's affiliate brands have achieved iconic status and worldwide recognition largely due to Nike's innovative designs, including many designs that are protected by design patents. As the owner of more than two thousand active design patents, Nike holds the third largest portfolio of design patents in the United States.² Nike therefore has a substantial interest in the question presented.

In consumer product markets and in fashion industries, including the highly competitive market for athletic footwear and apparel, product designs are often a key factor driving sales. Consumers largely choose products with designs that appeal to them and reflect their aesthetic sensibilities, their personalities, and the image they wish to convey to those around them.

¹ Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party, or any other person other than *amicus curiae* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented in writing to the filing of this brief.

² Trefis Team, *Here's How Nike Is Innovating to Scale Up Its Manufacturing*, Forbes (May 18, 2016), <http://www.forbes.com/sites/greatspeculations/2016/05/18/heres-how-nike-is-innovating-to-scale-up-its-manufacturing/#2aaaf5c07024>.

Nike's Flyknit® footwear is a recent and striking example of how patented design innovations led to a consumer product that generates consumer demand. Through significant investment, Nike developed numerous innovative designs, several of which are protected by design patents, including the design for a shoe upper depicted below.



U.S. Patent No. D668,032 (filed May 21, 2012).

Nike further developed hundreds of additional footwear designs that utilize Flyknit® and are protected by Nike's design patents, including for example, the Nike Flyknit® Racer:



The lightweight, multicolor knitted design for shoe uppers has won significant media acclaim and inspired similar designs in other consumer products,

ranging from laptop computers to drums and floor lamps.³

Why Nike Flyknit Is the Most Stylish and Innovative Sneaker Technology Today

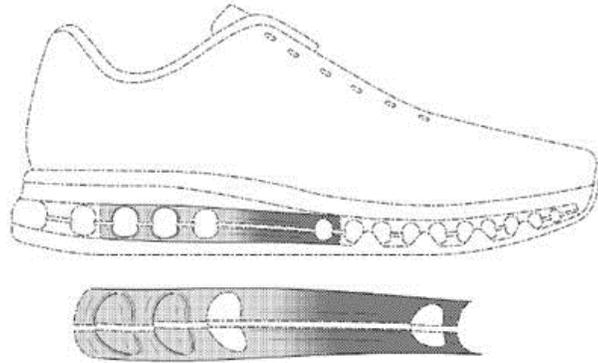
Pete Forester, *Why Nike Flyknit Is the Most Stylish and Innovative Sneaker Technology Today*, Complex (Apr. 2, 2015), <http://www.complex.com/sneakers/2015/04/nike-flyknit-is-the-most-stylish-and-innovative-sneaker-technology-today>.

Nike's Flyknit[®] designs are just one recent example of Nike's storied history of groundbreaking design innovations. Another notable example is Nike partially exposing the air bags built into the midsoles of certain models of its footwear, done for the first time in its 1987 Air Max[®] 1 design.⁴ Like the Flyknit[®] design, many of Nike's Air Max[®] designs were and are protected by design patents, including the one below:

³ E.g., Raymond Wong, *HP's New 2-in-1 Laptops Are Inspired by Nike Flyknit Sneakers*, Mashable (May 3, 2016), <http://mashable.com/2016/05/03/2016-hp-pavilion-x360-hands-on/#OiZnz9bY0gqI>; Hannah Martin, *Nike Collaborates with 10 Furniture Designers for a Motion-Inspired Installation in Milan*, Architectural Dig. (Apr. 12, 2016), <http://www.architecturaldigest.com/gallery/nike-furniture-designers-installation-in-milan>.

⁴ Benjamin Menzies, *Air Reinvented: The Nike Air Max 1*, Acclaim, <http://www.acclaimmag.com/style/air-reinvented-the-nike-air-max-1/> (last visited June 2, 2016).

4



U.S. Patent No. D702,424 (filed Nov. 22, 2013).

Nike continues to innovate on the Air Max[®] platform with new designs, including the Nike Air Max[®] 2014 below:



The iconic Air Max[®] design was a unique and first-of-its-kind product offering, resulting in commercial success. It launched a new form of footwear and its wide popularity and press acclaim have endured for nearly three decades.⁵

⁵ See, e.g., Karen Dacre, *Air Max Factor: the Nike Classic Still Has It*, London Evening Standard (Apr. 22, 2013),

Air Max factor: the Nike classic still has it

These shoes aren't made just for running marathons. Even after 25 years, the Nike Air Max trainer is still the hippest in town, says Karen Dacre

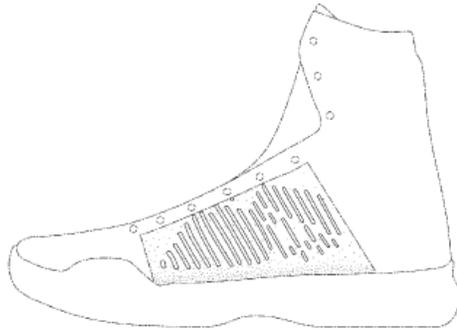
Karen Dacre, *Air Max Factor: the Nike Classic Still Has It*, London Evening Standard, (Apr. 22, 2013), <http://www.standard.co.uk/fashion/air-max-factor-the-nike-classic-still-has-it-8582465.html>.

Similarly, Nike's Kobe X Elite design is a wildly popular athletic-shoe design that has been lauded by consumers and the press since its release.⁶ Like its

<http://www.standard.co.uk/fashion/air-max-factor-the-nike-classic-still-has-it-8582465.html> (“From hip-hop stars of the past three decades to trainer-obsessed teenagers and then every other urban dweller in every major metropolis on the world, the Nike Air Max’s reach is planet-encompassing.”); Jonathan Evans, *This New Nike Release Is a Celebration of All Things Air Max*, Esquire (Mar. 26, 2016), <http://www.esquire.com/style/news/a43340/nike-air-max-royal/> (“[T]he [Air Max] design quickly became a modern icon”); Andrew D. Luecke, *The Evolution of Visible Air*, Esquire (Mar. 12, 2015), <http://www.esquire.com/style/mens-accessories/news/a33621/nike-air-max-history-infographic/> (“Few shoes are as iconic (or continuously popular) [as] Nike’s . . . Air Max range”); Menzies, *supra* note 4 (Air Max 1 “started a footwear revolution”).

⁶ See, e.g., Tim Newcomb, *Nike Gets Technical in New Elite Series Sneakers for LeBron, Durant and Kobe*, Sports Illustrated (Mar. 2, 2015), <http://www.si.com/nba/2015/03/02/nike-elite-series-sneakers-lebron-durant-kobe> (“The Kobe X Elite continues the use of a new traction system and a cushioning strategy that combines Lunarlon foam and Nike Zoom Air. . . . For Nike, the Elite line magnifies sneaker technology in a signature way.”); Slam, *Nike ‘What The’ Kobe X Elite* (Dec. 23, 2015), <http://www.slamonline.com/kicks/nike-what-the-kobe-x-elite-kicks/#rGmVCW7AOSjbxmk8.97> (referring to a new color pattern of the Kobe X Elite as “the perfect way to round out a huge

Flyknit® and Air Max® designs, Nike owns design patents on many of its Kobe X Elite designs, including the one below reflecting the model's distinctive shoe upper:



U.S. Patent No. D735,463 (filed Dec. 30, 2014).



http://cdn.solecollector.com/media/up/2015/11/1000_nike-kobe-x-elite-high-university-redwhite-obsidian-bright-crimson-1447087220.jpg.

2015 for the Kobe X silhouette, one of the most popular on the NBA's hardwood and in the streets").

Design successes driving new and innovative products like these do not happen by chance. To the contrary, Nike invests substantial resources in developing and protecting designs that are innovative and appealing and will resonate with consumers. Nike employs diverse teams of nearly 1,000 employees dedicated to apparel, footwear and graphic design, as well as color and material design experts. Nike and its designers routinely work with many of the world's greatest athletes to conceive and bring to market innovative designs that will inspire consumers. Nike also invests substantial resources in improving the quality, cost, and functional aspects of its products, but it is frequently the design that drives consumer demand. Indeed, Nike's products are often purposefully engineered around novel and innovative designs. As a result, the success of a Nike product is often inextricably bound to the appeal of the kind of new, exciting designs that are protected by design patents.

Given the global popularity of Nike's products, there are, unfortunately, entities tempted to ride in Nike's wake and make a quick profit by selling knockoffs of Nike's original designs. United States federal and state law provides for appropriate remedies to combat counterfeit versions of Nike's products—that is, copies that also bear exact replicas of Nike's trademarks. *See, e.g.,* 15 U.S.C. §§ 1116(d)(1)(A), 1117(b); 18 U.S.C. § 2320; Wash. Rev. Code Ann. § 9.16.030, *et seq.* (outlining criminal and civil remedies). However, for products that copy Nike's enormously popular designs but do not complete the fraud by holding themselves out as genuine Nike products (*i.e.*, they do not have a Swoosh or the

Nike wordmark), the appropriate protection is the intellectual property right created by Congress under the Design Patent Act, codified at 35 U.S.C. § 171, *et seq.* As a result, Nike has applied for and owns thousands of design patents, covering its designs or portions of its designs used in all of its product lines, including its athletic and leisure footwear, apparel, athletic equipment, and digital devices or services.

Effective protection, policing, and enforcement of these intellectual property rights are vitally important to Nike's brands' success, competitive position, and growth potential. As set forth in greater detail below, these remedies provide incentives for companies like Nike to develop new designs that speak to consumers' interests—both because it is in Nike's interest to avoid prior design rights owned by third parties and because Nike has some reassurance that its investment in new and original designs will not be usurped by copycats who seek to make a quick profit by simply stealing the designs that prove to be popular in the marketplace. These knockoffs injure Nike and other innovative companies and designers by diverting individual sales and diluting the uniqueness of intentionally designed products, for specific items and in general. This is why enforcement of intellectual property rights helps to ensure that Nike's products remain distinctive and allows companies like Nike to reinvest in creative and innovative designs. To this end, Nike recently brought suit against Fujian Bestwinn (China) Industry Co., Ltd., for infringement of Nike's exclusive design patent rights protecting Nike's shoe uppers and outsoles, including design patents teaching certain of Nike's Flyknit® designs. *See Nike, Inc. v. Fujian*

Bestwinn (China) Indus. Co., No. 2:16-cv-00311-APG-VCF (D. Nev. filed Feb. 17, 2016); *see also Nike, Inc. v. Skechers U.S.A., Inc.*, No. 3:16-cv-00007-PK (D. Or. filed Jan. 4, 2016).

In cases such as these, the statutory remedy of a “total profit” award for design patent infringement is critical to encouraging creative design and reinvestment by deterring infringement *ex ante* and obtaining effective redress when infringement does occur. In Nike’s experience, because of the popularity of its designs, companies and individuals may be tempted to try to maximize their profit by “fast-following” and copying protected designs. The reality of facing a substantial, actual damages award is a deterrent to would-be intentional infringers, making it less likely that intellectual property owners like Nike (as well as law enforcement agencies) will need to expend significant resources addressing knockoff products. Conversely, if the Court were to water down the remedies provided under Section 289, it would embolden potential infringers to treat the risk of an infringement judgment as simply the price of doing business, and one that can be managed by advancing arguments as to the appropriate apportionment of costs.

If Nike and other companies creating and bringing to market new and innovative designs cannot adequately protect their advances, there will be little incentive for them to dedicate and reinvest time and resources to producing innovative and socially valuable designs. Conversely, the availability of remedies for design patent infringement ultimately encourages others in the industry to invest in their own original designs, which can advance industries and

ultimately benefits consumers by broadening the basket of choices of product designs available to them in the marketplace.

By submitting this brief, Nike seeks to emphasize that a robust and administrable damages remedy is essential to the effectiveness of the Patent Act and to enforcement of protectable designs. Although Nike supports neither party in this case and expresses no view on whether the lower courts properly applied the law to the facts, Nike's own experience shows that the traditional "total profit" rule is the correct and most administrable remedy for infringement of design patents. Nike has no objection to companies that follow fashion trends generally and compete for sales honestly based on price, quality, or other attributes. But in the fiercely competitive world of fashion and consumer products, when willful copying of innovative designs rises to the level of infringing a valid, original design patent because the plaintiff can establish that the knockoff is "substantially the same" as the patented design, it is entirely appropriate that Congress has authorized the disgorgement of infringers' "total profit." The prospect of an award of "total profit" serves to encourage "fast followers" to follow trends, not infringe intellectual property, and allows patent owners to avoid litigation in many cases by deterring infringement and encouraging reasonable, negotiated settlement where necessary.

In sum, Nike has a strong interest in the proper measure of damages for design patent infringement, including disgorgement of total profit from sales of infringing products. If the Court departs from this longstanding interpretation, it will create a host of

issues for innovative consumer product and fashion companies, like Nike, that have relied on the plain text of 35 U.S.C. § 289 and the certainty of the “total profit” rule.

SUMMARY OF ARGUMENT

I. A. Product design is a vital way that companies advance industries, drive demand, and foster competition. Aesthetic designs frequently apply to entire products and can be their chief distinguishing features. Designs impart valuable information about the product and often serve as fashion statements, influencing how others perceive the consumer. Each of these enhances consumer demand, which is why innovative companies increasingly incorporate design into their corporate strategy.

B. Design patents protect significant investments and incentivize reinvestments needed to develop successful designs. In many fashion industries, including the footwear, equipment, and apparel industry, barriers to copying are low. Knockoffs and copying cause significant harm to innovators, consumers, and the public, contrary to the purposes of the patent system. Design patents are carefully tailored to address that harm. Unlike other forms of intellectual property, design patents have relatively strict prerequisites and a comparatively short term of protection that tightly confine the scope of the property right. And the recognized standard for design patent infringement, that an accused product must be “substantially the same” as a valid design patent, further limits the remedy to cases where innocent infringement is extremely unlikely, especially compared to the standards Congress created for in-

fringement of other intellectual property rights. At the same time, design patents help to fill a gap in United States intellectual property law that allows companies to compete more effectively with their international rivals.

C. For the design patent system to work as Congress intended, there must be a robust and administrable remedy for infringement. Congress provided that remedy in the statutory “total profit” provision. The “total profit” remedy continues to be the most logical approach in the design arena because innocent design patent infringement is rare and unauthorized copying often quickly follows a new design, eroding an innovator’s investment and profits. Requiring design patent owners to apportion their damages to the infringer’s profit from the patented design would effectively render design patents a right without a remedy. It would remove a significant deterrent to infringement and open the doors to a marketplace flooded with knockoffs and copycats, removing incentives for American designers and companies to invest in innovative designs. And it would increase litigation and further burden the court system by emboldening intentional infringers and requiring courts to grapple with difficult questions of apportionment.

II. The traditional “total profit” rule is the correct interpretation of the remedy provision for design patents, 35 U.S.C. § 289. Not only does that interpretation flow from the text and structure of the statute, it addresses the specific concerns and policy that caused Congress to enact the provision. Unlike other statutes where Congress consciously designated a calibrated system of burden shifting to allow

courts to determine what part of an infringer’s profits should be deducted from any recovery, Congress made a different choice for the limited remedy for design patent infringement. If the Court were to depart from the “total profit” rule, it would be importing a limitation that has no basis in the text, and would throw a settled area of intellectual property law into turmoil, which would in turn frustrate the expectations of innovators who have invested in design patents in reliance on a damages model that has been uniformly interpreted for more than a century. It would also create, for the first time in more than a century, a host of difficult questions of first impression that courts would have to resolve without guidance from Section 289’s text.

ARGUMENT

I. EFFECTIVE DESIGN PATENT REMEDIES PROMOTE COMPETITION AND ENHANCE ECONOMIC EFFICIENCY

Companies increasingly compete in the competitive consumer product marketplace through design. Like any valuable property, proprietary designs deserve legal protection—and an effective remedy when they are misappropriated or infringed.

A. Innovative Design Promotes Competition

The basic goal of industrial design is “creating products and systems that optimize function, value and appearance for the mutual benefit of user and manufacturer.” Industrial Designers Society of America, *What Is Industrial Design?*, <http://www.idsa.org/education/what-is-industrial->

design (last visited June 7, 2016). Consistent with this philosophy, the “aesthetic appeal” of a product often is intimately tied to, and complements, its more “tangible characteristics.” *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 860 (7th Cir. 2010). When an aesthetic design is effectively and fully integrated into a consumer product, it can help that product to resonate with consumers on multiple levels.

A product’s visual design can impart important information about the product itself. The design of a consumer good can convey information about its position in the marketplace vis-à-vis competing goods and sometimes “can serve as a source identifier” in many industries. *Krueger Int’l, Inc. v. Nightingale, Inc.*, 915 F. Supp. 595, 609 (S.D.N.Y. 1996) (Sotomayor, J.). A classic example is the market for automobiles, where “there is enormous competition that depends upon the body appearance of automobiles,” *Chrysler Corp. v. Silva*, 118 F.3d 56, 57 (1st Cir. 1997), and where manufacturers use styling cues to differentiate among models, position their products relative to the competition, and appeal to consumers’ aesthetic sensibilities.

Innovative design also helps to reinforce consumer impressions about a product’s quality and functionality. This Court has acknowledged that “almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.” *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 213 (2000).

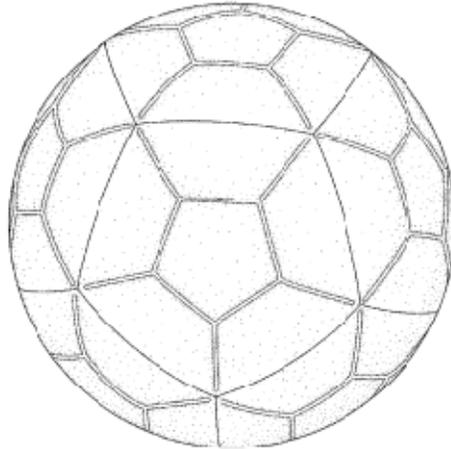
Product design can also convey information about the consumer, serving as a form of expression by consumers who choose to associate themselves with a particular product. “An attractive product may be associated with high fashion and image and will likely create a strong sense of pride among its owners.” Karl T. Ulrich & Steven D. Eppinger, *Product Design and Development* 213 (5th ed. 2012). On top of that, an item’s distinctive design can ensure that “sophisticated buyers . . . have [an item] in mind as a unique product regardless of whether they know or remember the name of the . . . company that manufactures it.” *Lon Tai Shing Co. v. Koch & Lowy*, No. 90 Civ. 4464, 1990 U.S. Dist. LEXIS 19123, at *29 (S.D.N.Y. Dec. 14, 1990). This is especially so in the consumer products market for footwear and apparel, where many consumers purchase goods not only for their functionality but also to make a fashion statement. See, e.g., *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1361 (9th Cir. 1993) (allegedly infringing garments were purchased “for a fashion statement” and not for “utilitarian purposes”). “While making social value judgments from product design, consumers are primarily thinking about themselves in relation to others. It can give consumers a sense of status or self-esteem through their perceptions of the impression they make during product usage.” Minu Kumar & Charles H. Noble, *Beyond Form and Function: Why Do Consumers Value Product Design?*, 69 J. Bus. Res. 613, 616 (2015).

In the footwear and apparel market, consumers often choose products that help them make a visual statement about their personalities and who they as-

pire to be. Companies with strong brands, like Nike, “understand that their products must not only make a good impression, but should also be visually identifiable as *theirs*.” Kim Goodwin, *Designing for the Digital Age* 331 (2009). Nike’s protected designs, for example, help to convey one of Nike’s brand missions: “To bring inspiration and innovation to every athlete in the world,” and “[i]f you have a body, you are an athlete.”

Significantly, patented designs frequently affect entire products and can be their “most distinctive feature.” *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 337 (7th Cir. 1985). This is particularly true in the footwear, equipment, and apparel industry, where a patented design can cover an entire product or a visually dominant feature of the product. The image depicted below, for example, shows a patented design featured on the Nike Ordem soccer ball.

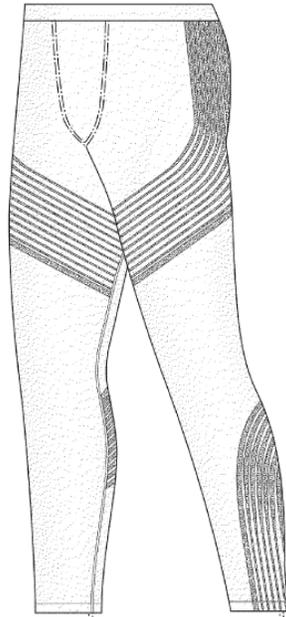
17



U.S. Patent No. D697,566 (filed Aug. 30, 2013).



Similarly, the images depicted below show patented design elements featured in the Nike Power Speed tights.



U.S. Patent No. D750,348 (filed May 26, 2015).

The patented design element is likewise a striking visual element in Nike's Metcon footwear line:

19



U.S. Patent No. D722,425 (filed May 31, 2014).



Patented design elements such as these examples play a major role in communicating the perfor-

mance advantages and visually appealing aspects of Nike's products, distinguishing them from competitors' brands and contributing to a cohesive overall appearance. Patented designs also can push others to develop different designs, and thus promote competition that fuels a healthy market.

Each of these attributes of effective design has tremendous economic and competitive consequences for businesses. "The visual appearance of products is a critical determinant of consumer response and product success." Nathan Crilly et al., *Seeing Things: Consumer Response to the Visual Domain in Product Design*, 25 *Design Stud.* 547, 547 (2004). For this reason, leading companies seeking a competitive edge invest significant resources in researching and developing innovative designs. Those investments may include consultants, consumer surveys, marketing efforts, and investment in design professionals who can effectively communicate brand identity through cohesive visual themes. Companies may even prioritize "building and patenting a design that is more costly . . . but aesthetically more appealing." *Telebrands Direct Response Corp. v. Ovation Commc'ns, Inc.*, 802 F. Supp. 1169, 1173 (D.N.J. 1992) (internal quotation marks omitted).

At Nike, designers receive insights and information directly from athletes and use that information to drive Nike's innovative designs. Moreover, a team of design specialists reports directly to Nike's CEO—himself a former designer—to ensure that product design remains at the center of Nike's corpo-

rate strategy.⁷ Nike's experience and successes over 50 years show the powerful role that skillfully executed product designs play in driving consumer demand, advancing marketplaces, and achieving a competitive edge.

B. Design Patents Enable Companies To Protect Their Investments In Innovative Design

1. Developing effective designs that resonate with consumers is neither easy nor cost-free. To the contrary, product design is a rigorous, iterative process requiring expertise and involving laborious trial and error. For every one design that achieves commercial success, numerous designs and design variations must be conceived and tested in the product development stage. *See, e.g., Telebrands Direct Response Corp.*, 802 F. Supp. at 1173 (discussing this process). Most of those designs are never embodied in a commercial product, and it is often difficult or impossible to predict which designs ultimately will succeed and resonate with consumers, and which will not.

In contrast, it is very easy for competitors to copy innovative designs that *already* have been developed and marketed to the public. When a design appears in commerce, it is readily accessible to consumers and competitors alike. Unscrupulous copiers can wait on the sidelines to gauge market reaction to a competitor's innovative designs, and misappropriate

⁷ See Jeneanne Rae, *Design Can Drive Exceptional Returns for Shareholders*, Harv. Bus. Rev. (Apr. 4, 2014), <https://hbr.org/2014/04/design-can-drive-exceptional-returns-for-shareholders/>.

only those designs that achieve market success. In this manner, unauthorized copiers can avoid costs associated with developing original designs, and instead unfairly capitalize on the investments made by their competitors “at a fraction of the cost to the originator.” *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1562 (Fed. Cir. 1992). Such copying exploits the original designers’ work and results in “[a]ctionable harm.” *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1240 (6th Cir. 1991).

For design patents, the risk of innocent infringement is low. Aesthetic designs are an inexhaustible resource, and design patents, by definition, do not cover the utilitarian aspects of a product that may dictate appearance. See *Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1293 (Fed. Cir. 2010). Hence, a competitor has abundant opportunity to create its own design aesthetic wholly apart from Nike’s protected design. When a competing product bears an infringing ornamental design, it is likely the result of deliberate copying or willful infringement—a phenomenon all too common in the footwear and apparel industry, and especially true in today’s athletic apparel market.

A total-profits damages regime helps to ensure that investments in innovative designs are properly incentivized and rewarded. “[M]any cases say that fashionable designs can be freely copied unless protected by patent law.” *Jay Franco & Sons*, 615 F.3d at 860. Patents encourage investment in design and enable innovators to realize a return on their investment. This in turn fulfills Congress’s constitutional duty to “promote the Progress of Science and

useful Arts” by securing limited exclusivity for inventors. U.S. Const. art. I, § 8, cl. 8. As Congress long ago recognized, property rights in original designs are “intimately related to material progress in the industrial arts” (S. Rep. No. 49-206, at 1 (1886)), and thus fall squarely within Congress’s authority over patents.

Infringement of protected designs can lead to significant economic harm. On the innovator side, copying and infringement of protected designs can erode the innovator’s return on its investment in those designs and frustrate the innovator’s business expectations. The diversion of sales to an infringer most immediately harms the innovator’s bottom line. Over time, that diversion can also adversely affect the innovator’s brand and result in a shift of consumer preference away from the innovator’s products. *See Nike, Inc., Annual Report 73 (Form 10-K) (July 23, 2015).*

Infringement and copying of protected designs also harms competition and the public good. The patent system reflects the recognition that the “public good fully coincides . . . with the claims of individuals” who conceive and disclose their patented inventions in exchange for a limited period of exclusivity. *The Federalist* No. 43, at 272 (James Madison) (Clinton Rossiter ed., 1961). Copying and infringement skews that system by allowing copiers to benefit from investments made by their rivals, a form of unfair and asymmetric competition that rewards illicit conduct and discourages investment and innovation. At the same time, copying and infringement can also erode the tax base and disrupt labor markets—significant public harms that call for a meaningful

deterrent. *See, e.g.*, Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & Tech. 251, 259 (2011) (“As a result of the counterfeit and knockoff industry in 2004 alone—including all goods such as fashion, accessories, and multimedia—New York lost \$1 billion tax revenue . . .”).

2. Design patent rights are carefully calibrated to achieve a balance between promoting innovation and deterring the harms associated with unfair competition. The elements required to establish and maintain design protection are in many cases stricter than those for other comparable intellectual property rights.

To obtain a design patent, an applicant must have a “new, original and ornamental design for an article of manufacture” that satisfies the other criteria for patentability, such as novelty and nonobviousness. 35 U.S.C. § 171; *see also id.* § 102(a). In contrast, trademarks need not even be original, so long as they serve to designate a specific source of goods or services to the consuming public. 15 U.S.C. § 1127. And the standard for protectability under copyright law is relatively low: Any “creative spark, no matter how crude, humble or obvious it might be,” qualifies a work as sufficiently original to merit copyright protection. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991) (internal quotation marks omitted).

If the United States Patent and Trademark Office issues a design patent, the patent owner receives a statutory limited monopoly of only 15 years from the date of grant (or 14 years for applications filed

before May 13, 2015). 35 U.S.C. § 173; Patent Law Treaties Implementation Act of 2012, Pub. L. No. 112-211, § 102(7), 126 Stat. 1527, 1532 (effective May 13, 2015); 80 Fed. Reg. 17,918, 17,918 (Apr. 2, 2015). By comparison, copyrights and trademarks have much longer terms of protection, up to the life of the author plus 70 years or 95 or 120 years, depending on the nature of authorship for copyright (*see* 17 U.S.C. § 302(a)-(c)), and indefinitely for trademarks, as long as the trademark remains in “use” in commerce (15 U.S.C. § 1127). Congress also distinguished the term of design patents from the longer term for utility patents of 20 years from the date the application is filed. *See* 35 U.S.C. § 154(a)(2).

The validity of issued design patents can be challenged in an administrative “inter partes review” proceeding before the United States Patent and Trademark Office (35 U.S.C. § 311(a)), and in a “post-grant review” proceeding within nine months after a design patent issues (*id.* § 321). Post-grant agency review does not serve as an effective check in the same way for copyrights and trademarks, which do not entirely depend on registration. *See, e.g., Aftermarket Tech. Corp. v. Whatever It Takes Transmissions*, No. 3:00CV-326-R, 2003 U.S. Dist. LEXIS 27933, at *14, *55 (W.D. Ky. Aug. 12, 2003). Thus, for any design patents that issue with a broader scope than warranted, there are means for challenging those patents *before* questions of infringement arise.

The test to establish design patent infringement, moreover, is stricter than the tests to establish infringement of comparable intellectual property rights such as trademarks and copyrights. To establish in-

fringement of a design patent, the owner must establish that the defendant's product is "substantially the same" as the protected design. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 668 (Fed. Cir. 2008) (internal quotation marks omitted). Under this standard, where the patented and accused designs are "sufficiently distinct" and "plainly dissimilar," there is no liability in the first place. *Id.* The owner of a trademark or claimed trade dress, in contrast, need only establish that there is a "likelihood of confusion" between the trademarks or trade dresses at issue. *See, e.g., KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117-18 (2004). Similarly, a copyright owner may establish infringement even where there is no direct evidence of copying by establishing that there are enough substantial similarities to an available work to give rise to an inference of copying. *See, e.g., Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1231-32 (3d Cir. 1986); *Selle v. Gibb*, 741 F.2d 896, 901-03 (7th Cir. 1984). For design patents, in contrast, plaintiffs have been unable to establish liability without demonstrating that the asserted patent and the accused product are "substantially the same" for over a century. *See Gorham Co. v. White*, 81 U.S. 511, 528 (1871).

Each of these features of design patents helps to ensure that the property right is tailored to the unique attributes of protected ornamental design. It is therefore critical in preserving the protections afforded by design patents that there is a robust and administrable remedy for infringement.

3. In the United States, it is notoriously difficult to protect apparel designs other than via design pa-

tents. Under the Copyright Act, for example, the test to determine which portions of apparel designs are and are not protectable has been described as “a mess—and it has been for a long time.” *Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468, 496-97 (6th Cir. 2015) (McKeague, J., dissenting), *cert. granted*, No. 15-866, 2016 WL 98761 (U.S. May 2, 2016). Design patents provide an important protection not available under other intellectual property law.

Design patents also help to level the playing field between design innovators in the United States and those in other countries. Most developed countries recognize a distinct category of protection for apparel designs above and beyond the protections offered under their respective national copyright laws. *See generally* Leslie J. Hagin, *A Comparative Analysis of Copyright Laws Applied to Fashion Works: Renewing the Proposal for Folding Fashion Works into the United States Copyright Regime*, 26 *Tex. Int’l L.J.* 341 (1991).

By way of example, the European Union offers up to 25 years of statutory protection for fashion designs (*see* Council Regulation 6/2002, art. 12), and authorizes EU-wide injunctions against the sale of infringing goods, orders seizing infringing products or products used to make infringing products, and sanctions according to the laws of the member country in which the infringement occurred (*id.* art. 89). Japan’s Design Law provides 20 years of protection for novel, creative, and unique designs (*see* Japan External Trade Organization, Setting up a Business in Japan § 5.7.2, *available at* <https://www.jetro.go.jp/usa/protection-of-designs.html> (last visited June 7,

2016)), and authorizes design owners to sue infringers under a negligence standard.⁸ Canada's Industrial Design Act provides 10 years of protection for novel and aesthetic features on a useful article of manufacture (*see* Industrial Design Act, R.S.C. 1985, c I-9, §§ 5.1(a), 10), and authorizes remedies against infringement that include injunctive relief, damages or lost profit, punitive damages, and the destruction of the infringing products (*id.* § 15.1).

Design patents help to fill the gap between the limited legal protections for designs in the United States and the more comprehensive protections afforded by other industrialized nations. Effective legal rights against design patent infringement are therefore important in allowing companies like Nike that are based and do much of their design work in the United States to compete on an equal footing with international competitors in a growing global marketplace.

C. Effective And Enforceable Remedies Are Critical To Design Innovation And Economic Efficiency

Inherent in any system affording intellectual property rights is the need for appropriate remedies for infringement of those rights. In the United States, private stakeholders play an essential role in detecting infringement and enforcing intellectual property rights. Central to this legal regime is the existence of an effective and meaningful remedy.

⁸ Minako Mizuno, *From Filing to Registration of Design*, at 5-6 (Japan Patent Office Asia-Pacific Industrial Property Center 2006), http://www.training-jpo.go.jp/en/images_x/uploads/text_vtr/pdf/2-06.pdf.

Because the costs of detecting infringement and enforcing intellectual property rights are substantial, the holders of intellectual property rights must have an adequate incentive to incur those enforcement costs. For design patents, the “total profit” remedy serves that function.

Congress codified the “total profit” remedy at 35 U.S.C. § 289, which allows the patent owner to seek disgorgement of the infringer’s “total profit” from sales of the article bearing the infringing design. By making available an award of the infringer’s total profit, Congress ensured that design patent owners have an adequate economic incentive to police and enforce their intellectual property rights. Congress’s remedy also provides legal certainty to the marketplace and relieves parties and courts of the frequently impossible burden of proving how much of an infringer’s profit is attributable to the protected design element. In contrast, depriving patent owners of any meaningful recovery unless they can somehow quantify the portion of the infringer’s profit attributable to the stolen design would lead to systematic under-enforcement of design patent rights, a scenario that Congress long ago recognized would “virtually repeal the design patent laws.” S. Rep. No. 49-206, at 1.

The scenario that Congress feared is particularly real in markets such as the footwear and apparel market, where products sell at a fast pace and in high volumes, where innocent infringers are rare, and where product lifecycles are short. In such markets, infringers can effectively divert innovators’ profits by entering and exiting the market swiftly in hopes that innovators will not detect the infringement in time or find enforcement worth the cost.

Especially in such markets, an award of the infringer’s total profit is a crucial bulwark against the non-enforcement of design patents. It is entirely appropriate that Congress would require the disgorgement of an infringer’s “total profit” in such circumstances.

A robust remedy for design patent infringement serves as a meaningful deterrent for would-be infringers and helps to reduce the costs associated with infringing activity *ex ante*. If a would-be infringer faces the possibility of losing its “total profit” from sales of the article bearing the infringing design, it may be far less likely to copy the patented design in the first instance and may instead compete on the basis of alternative designs. *Cf. Kansas v. Nebraska*, 135 S. Ct. 1042, 1064 (2015) (compelling state to “disgorge profits” may “deter[]” future transgressions).

A robust remedy also serves the interests of judicial efficiency because in many instances an infringer will cease its infringing activity when it receives a pre-litigation notice from the patent owner. When patent owners are backed by a plausible threat of disgorging the infringer’s total profit, potential infringement disputes are often quickly and efficiently resolved without the need to burden the courts and incur litigation expenses. *Cf. Wal-Mart Stores*, 529 U.S. at 214 (noting the deterrence effect from “the plausible threat of successful suit”).

II. THE COURT SHOULD PRESERVE THE TRADITIONAL DISGORGEMENT REMEDY FOR DESIGN PATENT INFRINGEMENT UNDER SECTION 289

1. This Court “ordinarily resist[s] reading words or elements into a statute that do not appear on its face.” *Bates v. United States*, 522 U.S. 23, 29 (1997). Here, Section 289’s remedy provision is straightforward and unambiguous. At the patent owner’s option, a design patent infringer “shall be liable to the owner to the extent of his total profit” from sales of “any article of manufacture” to which the infringer “applies the patented design, or any colorable imitation thereof.” 35 U.S.C. § 289. This provision supplements, and extends, the standard remedy provided under 35 U.S.C. § 284, which authorizes an award of damages for infringement in the amount of a “reasonable royalty” or the patent owner’s lost profit—*i.e.*, the amount of money the patent owner lost due to the infringement. Congress enacted the “total profit” remedy in 1887 (*see generally* Act of Feb. 4, 1887, ch. 105, 24 Stat. 387); and by retaining that remedy through the past century, despite numerous revisions to the Patent Act, Congress deliberately sought to retain a traditional disgorgement remedy for design patents. *See Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) (“In 1946, and again in 1952, Congress left the ‘total profit’ remedy for design patent infringement untouched, even while eliminating infringer profits as a remedy for infringement of utility patents and removing the requirement of knowing infringement.”); *see also* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (overhauling patent law

without amending the total profit rule for design patent damages). “Any re-calibration” of that remedy therefore “remains in [Congress’s] hands.” *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 114 (2011).

The longstanding interpretation and application of Section 289 fits comfortably within the overall structure of the Patent Act. A design patent owner may choose to recover *either* (1) damages in the form of the owner’s lost profit or a reasonable royalty under Section 284, as well as treble damages in the event of willful infringement; *or* (2) the infringer’s “total profit” under Section 289, *or* (3) \$250 in statutory damages under Section 289. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002). The decision among these options will depend upon which provides the greatest relief and is most amenable to proof in an individual case. Section 284 expressly requires apportionment to reflect “the value attributable to the infringing features of the product,” *Ericsson, Inc. v. D-link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014), but it also offers treble damages, which in many instances will exceed the profit available under Section 289. *See* 35 U.S.C. § 284. Section 289, on the other hand, allows the patent owner to avoid apportionment by seeking disgorgement of the infringer’s “total profit,” but notably withholds the trebling relief otherwise available in cases where deliberate copying or misappropriation is shown. *See Catalina Lighting*, 295 F.3d at 1291 (unlike Section 284, Section 289 “has no provision for enhanced damages”).

2. Congress’s intention that “total profit” means “total profit” becomes even clearer when Section 289 is contrasted with the comparable provisions availa-

ble to owners of utility patents, trademarks, and copyrights.

For each of these other intellectual property rights, Congress clearly and carefully enumerated specific apportionment mechanisms absent from Section 289. Utility patent owners are entitled to “damages adequate to compensate for the infringement,” “in no event less than a reasonable royalty.” 35 U.S.C. § 284. Under that regime, damages for infringement “must reflect the value attributable to the infringing features of the product, and no more.” *Ericsson*, 773 F.3d at 1226. A copyright owner may opt to recover, *inter alia*, an infringer’s profit under 17 U.S.C. § 504. Yet unlike the “total profit” awarded under Section 289, Congress enumerated a very specific procedure for limiting an award of profit: The copyright owner need only “present proof . . . of the infringer’s gross revenue,” and then the infringer is “required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.” 17 U.S.C. § 504(b). Finally, the profit award available for trademark infringement under 15 U.S.C. § 1117 operates similarly: In “assessing profits the plaintiff shall be required to prove defendant’s sales only” and the “defendant must prove all elements of cost or deduction claimed.” *Id.* § 1117(a). Under that framework, “it is the infringer’s burden to prove any proportion of his total profits which may not have been due to use of the infringing mark.” 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:65 (4th ed. 2016).

These various apportioned remedies are far better suited to utility patents, copyrights, and trade-

marks than to design patents. Engrafting them onto the design patent system would be inefficient and would contravene Congress's clear intent. As Congress recognized, the value of an aesthetic feature protected by a design patent often will be subjective and difficult to quantify because the feature is impressionistic or incorporated into the appearance of the product as a whole. S. Rep. No. 49-206, at 1; *see also, e.g., Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1440-43 (Fed. Cir. 1998) (analyzing the history of the Patent Act and concluding that “[t]he additional remedy created in 1887 for design patents was enacted to overcome the allocation problem for designs, and did not deplete the remedies available for either utility or design patent infringement”).

Congress's plan worked: For more than a century, courts have interpreted and applied Section 289 according to its plain terms. The resulting “total profit” awards have not been difficult to administer and have not led to unforeseen problems or unjustified damages awards. To the extent that interested parties believe that the traditional “total profit” rule should be modified, those policy arguments (though unpersuasive in any event) are more properly directed to Congress.⁹

⁹ Congress might well have chosen to hold the infringer accountable for the amount of its “total sales” of the article bearing the infringing design, but instead limited the remedy to disgorgement of the infringer's unjust enrichment, or total profit. This again shows that the “total profit” remedy is crafted to reflect Congress's *own* “apportionment”—that is, by providing for recovery of the infringer's ill-gotten gains but not for gross revenues that do not increase the infringer's bottom line.

3. It is thus clear from Section 289’s text, its history, and its differences from other statutes that Section 289 does not permit any apportionment of the defendant’s “total profit.” But even if the Court were inclined to displace the simple and administrable “total profit” rule, imposing a scheme of apportionment would give rise to a tangle of difficult questions of first impression that cannot be answered by resort to Section 289’s text.

Even commentators who argue that Congress (or the courts) should abandon the “total profit” rule acknowledge that identifying the portion of an infringer’s profit “attributable” to a patented design would be difficult. *See, e.g.*, Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 *Stan. Tech. L. Rev.* 219, 237 (2013) (“Calculating how much [a single design element] adds to a [product] won’t be easy . . .”). Yet courts would not only have to make the ultimate determination of apportioned profit, but also establish a framework within which parties would bring the relevant evidence. Determining a “reasonable royalty” for utility patents is difficult enough; that process typically requires expert testimony, and damages experts are frequently excluded under *Daubert* for performing erroneous or unreliable apportionments. It would be even more difficult to engage in apportionment for design patents, as design patents have not been the subject of extensive economic or judicial analysis and are not frequently the subject of licensing agreements that might shed light on industry norms. And the only beneficiaries of this new rule would be adjudicated infringers of design patents, who would inevitably draw courts into the complex task of evaluating what

portion of the profits of infringing products are attributable to infringing design, in effect, allowing infringers to negotiate the royalty for their theft after infringement has been established.

It is clear from the legislative history that Congress did not intend that design patent holders would shoulder the full burden of any apportionment. When Congress designed the remedy now enshrined in Section 289, it was responding to the specific problem of apportioning the value of a product derived from a protected design. Congress recognized that requiring design patent holders to attribute damages precisely and specifically to the patented design would leave them “without a remedy” in the vast majority of cases of infringement. S. Rep. No. 49-206, at 1; *see also, e.g., Nike*, 138 F.3d at 1440-43 (discussing the history of the Patent Act). Congress therefore enacted the “total profit” remedy to *avoid* the inefficiencies and unintended outcomes associated with requiring patent owners to apportion their damages.

While one alternative could be for the Court to consider a burden-shifting regime akin to those found in other intellectual property statutes discussed above prescribing awards of defendants’ profits attributable to copyright and trademark infringement, those statutes (unlike Section 289) actually contain text setting out how the burden-shifting under those laws should operate. *See* 17 U.S.C. § 504(b) (copyright); 15 U.S.C. § 1117(a) (trademark). The Court would be crafting its preferred mechanism of proof without any textual hook on which to hang its handiwork. But even putting that aside, difficult and unanticipated questions still arise even where

Congress has prescribed a framework. *See, e.g., Balsley v. LFP, Inc.*, 691 F.3d 747, 767-70 (6th Cir. 2012) (describing difficulty among courts of appeals in properly defining what a plaintiff must do to prove “gross revenue” under 17 U.S.C. § 504(b)). Here, for instance, the Court likely would need to articulate the evidentiary burden a defendant must carry to rebut a presumption that all of its profits are attributable to infringement. Assuming that anything less than “total profit” can be squared with the statute, a party seeking to reduce that amount must “bear[] a heavy burden of persuasion.” *Microsoft*, 564 U.S. at 102 (internal quotation marks omitted).

The absence of any text in Section 289 or any historical precedent to guide courts in answering such questions is a powerful reason for the Court not to depart from the traditional interpretation. The inevitable uncertainty as courts and litigants test the boundaries of the new damages regime would frustrate existing investment-backed expectations and discourage future investments in innovative design. Design is a significant driver of economic growth and an important component of the United States’ competitive position in the global economy. Weakening statutory protections for design patents—and destabilizing them by departing from decades of clear statutory text—would weaken the United States’ international trade in ways that cannot be predicted.

Design patents provide narrow but important intellectual property rights for innovators seeking to protect their creative endeavors. Innovative companies within product-driven industries, such as Nike,

have invested, and continue to reinvest, significant resources securing design patents in the expectation that there is a clear, robust and administrable remedy when those rights are infringed. In order to benefit competition and the public good, the Court should uphold the longstanding interpretation of Section 289's "total profit" remedy.

CONCLUSION

For the foregoing reasons, Nike respectfully requests that the Court confirm that the proper measure of damages for infringement of a design patent is the infringer's total profit from sales of the article of manufacture bearing the infringing design.

Respectfully submitted.

JEANINE HAYES
BRIAN FOGARTY
TIMOTHY CREAN
NIKE, INC.
One Bowerman Drive
Beaverton, Oregon 97005

HOWARD S. HOGAN
Counsel of Record
LUCAS C. TOWNSEND
JASON NEAL
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 887-3640
hhogan@gibsondunn.com

Counsel for Amicus Curiae

June 8, 2016