

The Supreme Court - December 6, 2016

The Supreme Court of the United States issued decisions in three cases today:

Samsung Electronics Co. v. Apple Inc., No. 15-777: A jury found that smartphones manufactured by petitioner Samsung infringed respondent Apple Inc.'s design patents that covered a rectangular front face with rounded edges and a grid of colorful icons on a black screen. The Patent Act provides that for design patent infringement, a person who manufactures or sells "any article of manufacture to which [a patented] design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit." 35 U.S.C. §289. The jury awarded \$399 million in damages, which was Samsung's entire profit from its infringing smartphones. The Federal Circuit affirmed over Samsung's argument that damages should be limited because the relevant "articles of manufacture" were not the entire smartphone, but only the front face or screen. The Court today reversed and remanded, holding that the term "article of manufacture," as used in §289, encompasses both a product sold to a consumer and a component of that product, such that a patent holder will sometimes be entitled to the infringer's total profit from a component of the end product only.

The Court's decision is available [here](#).

Salman v. United States, No. 15-628: The Supreme Court in *Dirks v. SEC*, 463 U.S. 646 (1983), held that in an insider trading case under Section 10(b) of the Securities Exchange Act of 1934 and the Security and Exchange Commission's Rule 10b-5, a tippee's liability for trading on inside information hinges on whether the tipper breached a fiduciary duty by disclosing the information. The Court further held that such a breach occurs when the tipper discloses the inside information for a personal benefit, which can include making "a gift of confidential information to a trading relative or friend." *Id.* at 664. Here, petitioner Bassam Salman was convicted for trading on inside information he received from an extended family member, who in turn had received the information from Salman's brother-in-law. The Ninth Circuit, citing *Dirks*, rejected Salman's argument that he cannot be held liable because his brother-in-law did not personally receive money or

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property in exchange for the tips, finding instead that the jury could infer that the tipper breached a duty because he made a “gift of confidential information to a trading relative.” The Court today affirmed, adhering to *Dirks* and the Ninth Circuit’s application of that precedent, and rejecting any requirement that the tipper must also receive something of a pecuniary or similarly valuable nature in exchange for a gift to family or friends.

The Court’s decision is available [here](#).

State Farm Fire & Casualty Co. v. United States ex rel. Rigsby, No. 15-513: The False Claims Act (“FCA”) imposes civil liability on individuals who knowingly present a false or fraudulent claim for payment approval to the Federal Government. The Act also permits a private party, known as a “relator,” to bring an FCA action on the Government’s behalf, and requires that such complaints must be filed in camera and “shall remain under seal for at least 60 days.” 31 U.S.C. §3730(b)(2). Here, respondents Cori and Kerri Rigsby, former insurance claims adjusters, filed an under seal complaint against petitioner State Farm, alleging State Farm had instructed them to misclassify wind damage as flood damage to shift liability to Government-backed flood insurance policies. State Farm moved to dismiss the suit on the ground that the respondents had violated the seal requirement when one of their attorneys disclosed the complaint’s existence to journalists. The District Court refused to dismiss the case after balancing the actual harm to the Government, the severity of the violations, and the evidence of bad faith. State Farm appealed after the respondents prevailed at trial, and the Fifth Circuit affirmed the denial of State Farm’s motion to dismiss. The Court today affirmed, holding that a violation of the seal provision does not necessarily require a relator’s complaint to be dismissed, and that short of such a *per se* rule, the District Court also did not abuse its discretion by denying State Farm’s motion.

The Court’s decision is available [here](#).