Samsung Ordered To Pay Apple $1.05B In Patent Case

Paul Elias, Associated Press

SAN JOSE, Calif. (AP) — After a year of scorched-earth litigation, a jury decided Friday that Samsung ripped off the innovative technology used by Apple to create its revolutionary iPhone and iPad.

The jury ordered Samsung to pay Apple $1.05 billion in the latest skirmish of a global legal battle between the two tech giants. An appeal is expected.

Apple Inc. filed its patent infringement lawsuit in April 2011 and engaged legions of the country's highest-paid patent lawyers to demand $2.5 billion from its top smartphone competitor. Samsung Electronics Co. fired back with its own lawsuit seeking $399 million.

The verdict, however, belonged exclusively to Apple, as the jury rejected all Samsung's claims against Apple. Jurors also decided against some of Apple's claims involving the two dozen Samsung devices at issue, declining to award the full $2.5 billion Apple demanded.

However, the jury found that several Samsung products illegally used such Apple creations as the "bounce-back" feature when a user scrolls to an end image, and the ability to zoom text with a tap of a finger.

Apple lawyer plans to formally demand Samsung pull its most popular cellphones and computer tablets from the U.S. market. They also can ask the judge to triple the damages to $3 billion. U.S. District Judge Lucy Koh will decide those issues along with Samsung's demand she overturn the jury's verdict in several weeks.

The outcome of the case is likely to have ripple effects in the smartphone market. After seeing Samsung's legal defeat, other device makers relying on Android may become more reluctant to use the software and risk getting dragged into court.

"Some of these device makers might end up saying, 'We love Android, but we really don't want to fight with Apple anymore," said Christopher Marlett, CEO of MDB Capital Group, an investment bank specializing in intellectual property.

ISI Group analyst also viewed the verdict as a blow to Android, as much as Samsung.

During closing arguments at the trial, Apple attorney Harold McElhinny claimed Samsung was having a "crisis of design" after the 2007 launch of the iPhone, and executives with the South Korean company were determined to illegally cash in on the success of the revolutionary device.

Samsung's lawyers countered that it was legally giving consumers what they want: smartphones with big screens. They said Samsung didn't violate any of Apple's patents and further alleged innovations claimed by Apple were actually created by other companies.

Samsung, headquartered in Seoul, responded to the verdict, saying in a statement it was "unfortunate that patent law can be manipulated to give one company a monopoly over rectangles with rounded corners."

"Today's verdict should not be viewed as a win for Apple, but as a loss for the American consumer. It will lead to fewer choices, less innovation, and potentially higher prices," Samsung said.

The jurors' determination that Samsung took Apple's ideas probably matters more to the companies than the damages figures, Marlett said.

"I don't know if $1 billion is hugely significant to Apple or Samsung," Marlett said. "But there is a social cost here. As a company, you don't want to be known as someone who steals from someone else. I am sure Samsung wants to be known as an innovator, especially since a lot of Asian companies have become known for copying the designs of innovators."

Samsung has emerged as one of Apple's biggest rivals and has overtaken as the leading smartphone maker. Samsung's Galaxy line of phones run on Android, a mobile operating system that Google Inc. has given out for free to Samsung and other phone makers.

Google entered the smartphone market while its then-CEO Eric Schmidt was on Apple's board, infuriating Apple co-founder Steve Jobs, who considered Android to be a blatant rip off of the iPhone's innovations.

After shoving Schmidt off Apple's board, Jobs vowed that Apple would resort to "thermonuclear war" to destroy Android and its allies.

If Android lose any ground in the mobile computing market, that would hurt Google, too. That's because Google relies on Android to drive mobile traffic to its search engine and services to sell more advertising.

The Apple-Samsung trial came after each side filed a blizzard of legal motions and refused advisories by the judge to settle the dispute out of court. Deliberations by the jury of seven men and two women began Wednesday.

Jurors left the courthouse without addressing the scrum of international media who camped out at the San Jose courthouse for a month.

They notified the judge at about 2:30 p.m. that they had arrived at a verdict after deliberating two-and-a-half days. Many expected deliberations to last longer because of the complexity of the case.

Jurors filed into the courtroom silently Friday, the youngest juror who favored flipflops, shorts and playing videogames was wearing a Beatles sweatshirt and handed over the 20-page verdict form with little fanfare.

Apple and Samsung combined account for more than half of global smartphone sales. Samsung has sold 22.7 million smartphones and tablets that Apple claimed uses its technology. McElhinny said those devices accounted for $8.16 billion in sales since June 2010.

From the beginning, legal experts and Wall Street analysts viewed Samsung as the underdog. Apple's headquarters is a mere 10 miles from the San Jose courthouse, and jurors were picked from the heart of Silicon Valley where Jobs is a revered technological pioneer.

While the legal and technological issues were complex, patent expert Alexander I. Poltorak previously said the case would likely boil down to whether jurors believed Samsung's products look and feel almost identical to Apple's iPhone and iPad.

To overcome that challenge at trial, Samsung's lawyers argued that many of Apple's claims of innovation were either obvious concepts or ideas stolen from Sony Corp. and others. Experts called that line of argument a high-risk strategy because of Apple's reputation as an innovator.

Apple's lawyers argued there is almost no difference between Samsung products and those of Apple, and presented internal Samsung documents they said showed it copied Apple designs. Samsung lawyers insisted that several other companies and inventors had previously developed much of the Apple technology at issue.

Apple and Samsung have filed similar lawsuits in eight other countries, including South Korea, Germany, Japan, Italy, the Netherlands, Britain, France and Australia.

"This is not the final word in this case or in battles being waged in courts and tribunals around the world, some of which have already rejected many of Apple's claims," Samsung said in its statement.

Samsung won a home court ruling earlier Friday in the global patent battle against Apple. Judges in Seoul said Samsung didn't copy the look and feel of the iPhone and ruled that Apple infringed on Samsung's wireless technology.

However, the judges also said Samsung violated Apple's technology behind the feature that causes a screen to bounce back when a user scrolls to an end image. Both sides were ordered to pay limited damages.

The Seoul ruling was a rare victory for Samsung in its arguments that Apple has infringed on its wireless technology patents. Samsung's claims have previously been shot down by courts in Europe, where judges have ruled that Samsung patents were part of industry standards that must be licensed under fair terms to competitors.

The U.S. case is one of some 50 lawsuits among myriad telecommunications companies jockeying for position in the burgeoning $219 billion market for computer tablets and smartphones.

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