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Dear Santa: Will US Trade Ban on Apple Watch Ruin Christmas?

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October 30, 2023

- Masimo defeated Apple in clash over patented oximeter tech
- Biden administration now controls watch's fate

For the second time in a decade, Apple Inc. is facing an import ban of one of its flagship devices as certain Apple Watch models will be barred starting on Christmas Day unless the Biden administration steps in, or the tech giant and patent owner come to an agreement.

The US International Trade Commission decided last week that certain models of the Apple Watch infringe a pair of patents held by medical-device maker Masimo Corp., starting a 60-day clock that could end in an outright ban of those models on Dec. 25. The patents apply at least to Apple Watch models in Series 6, 7, 8, and 9.

While Apple considers an appeal and both companies await a decision by the Office of the US Trade Representative, investors and consumers are left wondering if the commission's decision may shape Apple's sales this holiday season.

If I'm considering an Apple Watch as a holiday gift, should I rush to buy it?

It "won't impact anyone's ability to purchase an Apple Watch between now and December 25," when the 60-day presidential review period ends, said [Benjamin T. Horton](#), who chairs the intellectual property litigation practice at Marshall, Gerstein & Borun LLP.

"I wouldn't be all that worried about it or let this affect the decision to buy one, or when to buy one, one way or the other," said [Nicholas Matich](#), a lawyer at McKool Smith PC. He's a former acting general counsel for the US Patent and Trademark Office who has represented the agency before the Federal Circuit and US Supreme Court.

[Lisa Kattan](#), a partner at Baker Botts LLP who was a senior investigative attorney at the ITC's Office of Unfair Import Investigations, said the trade agency "is very sensitive about the effect that its remedial orders will have on the public."

Even if the ban is enacted, the ITC's notice said it would include an exemption for service, repair, or warranty terms for products purchased prior to the end of the presidential review period. That should clear any concerns about products bought before Dec. 25.

What is the status of the ban?

The ban would last until the patents expire in August 2028, though any subsequent cancellation of them could change that.

"That's a lifetime in the smartwatch industry," Matich said.

For now, the ban is on hold until the review period has passed—unless Katherine Tai, the USTR to whom the president delegates veto power, opts to overturn the ITC's remedial orders on public policy grounds. The orders include a limited exclusion of infringing Apple Watch models and a cease-and-desist order, which would force Apple to stop selling infringing watches already in the US.

Presidential vetoes, however, are rare. The Obama administration in 2013 intervened to zap a ban on Apple's iPhones stemming from a dispute with Samsung. The most recent example before that was in 1987, when the Reagan administration vetoed a ban on imports of Samsung-manufactured semiconductor memory chips and products that used them.

"I think they have a puncher's chance for it," Horton said of Apple's odds of obtaining a Biden administration veto. "But if I had to gamble, I'd say they're not going to get that kind of help for a couple of reasons."

The Apple Watch, he said, isn't an economic driver like the iPhone is. "People aren't conducting business on their Apple Watch in the same way," Horton said.

And the administration might decide not to intervene, he said, if it determines that Apple can cure its violations by swapping out hardware or by issuing a fix by updating firmware.

What are Apple's options?

Apple can challenge the ITC's final decision at the US Court of Appeals for the Federal Circuit. That won't delay the ban, Bloomberg Intelligence analyst Tamlin Bason wrote in a Friday note, "and attempts to design around the patents aren't certain to work." The decision, he said, gave Masimo leverage to negotiate a multiyear license agreement in the range of \$60 million to \$300 million per year. The estimates are based on the price difference between the Apple Watch Series 9, which has the infringing feature, and Apple Watch SE, which doesn't.

Lobbying the US Trade Representative to veto the ban is another option. "And if they do, that's the end of it," Kattan said. "That's not appealable. So that would be probably the best-case scenario in terms of kind of a get-out-of-jail-free card, if you will."

To avoid the ban—assuming there's no Christmas veto—the Cupertino, Calif.-based tech giant would have to design around five infringed claims in two patents. "It's far more likely Apple settles the case, agreeing to pay Masimo ongoing royalties," Bason said. "Such an accord would likely bring an end to all existing litigation between the parties."

US Customs and Border Protection has a branch devoted to exclusion orders and enforcement. Turning to that option could yield a ruling about such redesigned products, Kattan said, but "the caution there is that if Customs gets it wrong, then the patent owner can go back to the ITC for a different judgment. And then the importer is on the hook potentially for civil penalties for violating the ITC's exclusion order. So getting clearance from Customs is not a safe harbor."

If she were in Apple's shoes, Kattan said, "I would be thinking, 'Well, it's a very, very small chance that there's a veto, but why would I settle if I can just make this go away?'"

"I'm imagining it's going to be a full court press with all of their options," she said.

But could Apple and Masimo settle by the holidays?

Masimo's victory dates back to at least 2013 when Apple officials reached out to the Irvine, Calif.-based company to discuss pulse oximetry technology, Masimo's CEO Joe Kiani told Bloomberg Law. Despite Apple's overtures toward a partnership, the company ultimately hired away about 25 of Masimo's experts on the blood-oxygen tool, including the company's chief medical officer, he said.

"Fighting Apple is just different. They have a great reputation and force you to spend just nonsense money, including on legal," he said in an interview. "But at the end of the day, we got a fair trial and a fair judge, and were able to neutralize Apple."

While the ITC's decision could end in an outright ban of several Apple Watch models, Kiani said his objective was only to ban the blood-oxygen tool on those watches. He said Apple has tested updated Masimo technology that could, if licensed, resolve the infringement.

"They know it works. We can help to fix their problems," he said.

Apple spokesperson Hannah Smith disputed Kiani's comments, pointing to court filings from a trade secrets trial between Masimo and Apple over the same technology. The jury trial ended this summer without a unanimous verdict.