

Here's What's To Come In Fight Over Apple Watch Import Ban

By **Ryan Davis**

Law360 (October 31, 2023, 9:03 PM EDT) -- The U.S. International Trade Commission has ordered a ban on imports of the Apple Watch in a patent dispute with Masimo Corp., but there's still legal wrangling on tap before it potentially takes effect on Christmas Day.

The ITC found last week that Apple's smartwatch infringed two Masimo patents on technology for pulse oximetry, or measuring blood oxygen saturation, and imposed an exclusion order barring imports of infringing products beginning Dec. 25.

The high-profile case over a popular device that Apple sells millions of each year has put a spotlight on the rarely invoked ability of the U.S. president to veto ITC orders, the impact such a decision would have and the tech giant's other options to keep its products on store shelves.

"People think that when they get an exclusion order, it's the end of the process, but it's actually in some ways just the beginning of the process," said Lisa Kattan of Baker Botts LLP, a former senior investigative attorney for the ITC.

Here's what could happen next in the contentious case.

Presidential Review

The president has the authority to disapprove ITC exclusion orders for "policy reasons" within 60 days of the commission's decision. That broad power has been used only a handful of times in the past, but Apple has indicated it will argue that it is warranted here.

The company said it plans to make a strong case to U.S. Trade Representative Katherine Tai, who reviews ITC decisions, that letting the import ban take effect will negatively impact consumers and public health. The commission considered those arguments from Apple, but decided they didn't weigh against imposing the ban.

Apple secured the last presidential veto of an ITC exclusion order in 2013, when the Obama administration disapproved a decision that would have halted imports of the iPhone and iPad found to infringe a Samsung wireless patent.

"I'm sure that's what Apple is considering as giving them a puncher's chance of having it vetoed," said Benjamin Horton of Marshall Gerstein & Borun LLP.

However, he added that "my sense is it's probably a long shot," given the Apple Watch's lower public profile compared to the iPhone, and the existence of other products that have the same medical features as the smartwatch.

Kattan said the 2013 case was, "in my mind, a much more complicated situation" where "there were perhaps more policy reasons to not want to have an exclusion order." The Samsung patent at issue in that case was essential to the 3G wireless standard, and the administration cited a then-recent policy statement that import bans based on such essential patents could give owners "undue leverage."

In the Masimo case, Apple told the ITC that an import ban would deprive consumers of Apple Watch features like pulse oximetry and heart rate monitoring, negatively impacting public health and medical studies that use the device to collect data. It also argued that a ban would harm consumers by causing a wearable device shortage that other companies couldn't fill.

In its own filing, Masimo maintained that the Apple Watch's medical features are inaccurate and do not actually benefit health, and that powerful companies should not be allowed to get away with infringing patents by arguing that "the infringement is 'too big' to stop."

Both companies will likely now make their case at meetings with representatives of the USTR, to whom the president delegates the authority to veto ITC orders. But observers say Apple may have an uphill battle to prevent the decision from taking effect.

Andrei Iancu of Sullivan & Cromwell LLP, the former director of the U.S. Patent and Trademark Office, said high-level arguments could be made that many products have an impact on health or the public interest. But he said such concerns need to be balanced against the importance of protecting intellectual property rights, which is why ITC import bans are rarely vetoed.

"It would be quite detrimental to the United States if the import ban is disapproved based on the public interest factors here, because it would signal that it is indeed very difficult to issue and uphold an import ban in the face of patent infringement," Iancu said.

Nicholas Matich of McKool Smith said that "the idea that the Apple Watch is essential for the health and safety of America doesn't strike me as terribly persuasive." He added that even if that were true, "that's in some ways all the more reason to enforce the relevant IP rights, because we want to encourage people to continue to invent such devices."

Masimo took that position in its statement about the decision, citing comments submitted to the ITC on its behalf that said enforcing the ban is necessary to protect IP and preserve the incentive to innovate.

Appeals, Redesigns, Settlement

If the White House vetoes the import ban, it would be a sweeping win for Apple. Such a decision cannot be appealed by Masimo, "so that's the end of the road," Kattan said.

But if the exclusion order is left in place, Apple can appeal the ITC's patent infringement findings to the Federal Circuit, which it has said it will do.

The company can theoretically ask the Federal Circuit to put the order on hold during the lengthy appeal

process. But if that is unsuccessful and the ban remains in place, Apple has other options for keeping the Apple Watch on the market, though they may be less appealing to the company.

One is to disable the pulse oximeter feature in the Apple Watch.

Horton of Marshall Gerstein said the good news for Apple is that the patents only cover pulse oximetry, which is just one of the many things the Apple Watch can do, so the feature could seemingly be turned off, unlike in the 2013 iPhone case involving a wireless communications patent, where "if you turn it off, the phone wouldn't work anymore. Here, this is a very specific feature," he said.

Apple could also attempt to redesign the device so that it measures blood oxygen levels in a way that doesn't infringe Masimo's patents. That could be technologically challenging, but would potentially undo the effect of the exclusion order, attorneys said.

"If Apple successfully designs around [Masimo's patents], now we will have two different solutions to the problem, and everyone will be better off," Matich said.

Redesigns require ITC review, which can be risky for accused infringers, Kattan said. U.S. Customs and Border Protection enforces exclusion orders and can approve redesigns, but if ITC later finds that the product still infringes, it can impose fines for violating the order. The accused infringer can ask the ITC to review redesigns first, but that takes longer, Kattan noted.

Finally, Apple could pay to license the patents and end the dispute. But Masimo would likely seek a significant sum, given the potential impact of the ban on Apple and the fact that Masimo sells a competing watch with health features.

Patent licenses are tied to the extent of the infringer's use, Matich explained, so "if you want to make one thing, you've got to pay one price; if you want to make 10 million things, you may have to pay a lot more."

The ITC case is also just one facet of a broader intellectual property dispute between the parties, including a trade secrets case that Masimo filed against Apple where a trial seeking \$1.85 billion ended with a deadlocked jury in May, and more patent suits by each company against the other.

Horton said the existence of such messy litigation can make it challenging for parties to negotiate a settlement. But it can also provide an incentive to make a deal, because "you wrap it all up in a bow and you can be done," he said.

--Editing by Alanna Weissman and Michael Watanabe.