

***PUBLIC VERSION***

**UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.**

**In the Matter of**

**CERTAIN TWO-WAY GLOBAL  
SATELLITE COMMUNICATION  
DEVICES, SYSTEM AND  
COMPONENTS THEREOF**

**Investigation No. 337-TA-854  
(Enforcement Proceeding)**

**COMMISSION OPINION**

**I. SUMMARY**

On March 7, 2014, the presiding administrative law judge (“ALJ”) issued an enforcement initial determination (“EID”) finding a violation of the Consent Order issued on April 5, 2013 (“the Consent Order”), against DeLorme Publishing Company, Inc. and DeLorme InReach LLC (collectively, “DeLorme”), both of Yarmouth, Maine. The ALJ found that DeLorme sold within the United States after importation accused InReach 1.5 devices that infringe, via inducement, claims 1 and 2 of U.S. Patent No. 7,991,380 (“the ’380 patent”). The ALJ found no violation of the Consent Order with respect to a second accused device, the InReach SE device. On April 23, 2014, the Commission determined to review the EID in part. The Commission did not review the ALJ’s finding of a violation of the Consent Order with respect to the InReach 1.5 devices.

However, the Commission determined to review the ALJ’s finding of no violation with respect to the InReach SE devices. On review, the Commission reversed the ALJ’s finding and determined that DeLorme’s sales within the United States of the InReach SE devices, including an imported component thereof, violated the Consent Order. The Commission now terminates the enforcement proceeding and imposes a civil penalty in the amount of \$6,242,500 based on 227

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days on which a violation of the Consent Order occurred.<sup>1</sup>

**II. BACKGROUND**

**A. April 5, 2013 Consent Order**

The Consent Order issued in the underlying investigation was unilaterally proposed by and entered into by DeLorme. See Inv. No. 337-TA-854, Order No. 21 (March 15, 2013). The Order reads in relevant part:

1. Upon entry of the proposed Consent Order, DeLorme shall not import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation *any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10–12, and 34 of the '380 Patent* after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the '380 Patent or except under consent or license from Complainant, its successors or assignees.

Consent Order at ¶ 1 (April 5, 2013) (emphasis added). Under the terms of the Consent Order, DeLorme violates the order if, after entry of the order, it imports, sells for importation, or sells or offers for sale within the United States after importation any infringing two-way global satellite communication devices, system, or components thereof.

**B. The Current Enforcement Proceeding**

The Commission instituted this enforcement proceeding on May 24, 2013, based on an enforcement complaint filed on behalf of BriarTek IP, Inc. (“BriarTek”) of Alexandria, Virginia. 78 *Fed. Reg.* 31367, 31576-77 (May 24, 2013). The complaint alleged violations of the Consent

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<sup>1</sup> Commissioner Schmidlein is only participating in the remedy phase of this enforcement proceeding. She was sworn in as a Commissioner on April 28, 2014, after the Commission made its violation determination on April 23, 2014. See Comm’n Notice (April 23, 2014). Thus, Commissioner Schmidlein did not participate in the violation determination and accordingly does not join the violation discussion in this opinion.

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Order by DeLorme's continued practice of prohibited activities including selling or offering for sale within the United States after importation any two-way global satellite communication devices, system, or components thereof that infringe one or more of claims 1, 2, 5, 10-12, and 34 of the '380 patent. The Commission's notice of institution also named the Office of Unfair Import Investigations as a party. Claims 5, 11-12, and 34 were terminated from the enforcement proceeding, leaving claims 1, 2, and 10 as the asserted claims.

*1. Intellectual Property Asserted*

The technology at issue involves a communication device carried by a user that enables communication with a remote monitoring system via a satellite network for personal emergency monitoring, tracking, and messaging. Users of the device may include hikers, skiers, campers, and other outdoor enthusiasts or individuals requiring a communication connection where landlines and cellphone communications are not available. The device allows the user to send messages or alarms to the monitoring system and to receive responses back from the monitoring system via the satellite network.

The asserted claims of the '380 patent pertain to a two-way global satellite emergency monitoring and reporting system comprised of two major components: a user unit and a monitoring system. The claimed user unit includes an input device allowing the user to input textual data, a user processor, and a user satellite communication connection all communicatively coupled together. The claimed monitoring system includes a monitoring satellite communication connection, an output device, and a monitoring processor all communicatively coupled together. The claimed user unit and monitoring system are adapted for mutual communication via a satellite

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network wherein information entered at the input device by a user can be presented to an observer at the output device of the monitoring system. *See, e.g.*, '380 patent at col. 8:2-23 (claim 1)

The asserted claims further include dependent claims in which the user unit is adapted to be coupled to a user. *Id.* at col. 8:24-25 (claim 2). Other dependent claims state that the user satellite communication connection includes a transmitter wherein the user processor can format the user data received via the input device for transmission by the transmitter. *See id.* at col. 8:50-54 (claim 10).

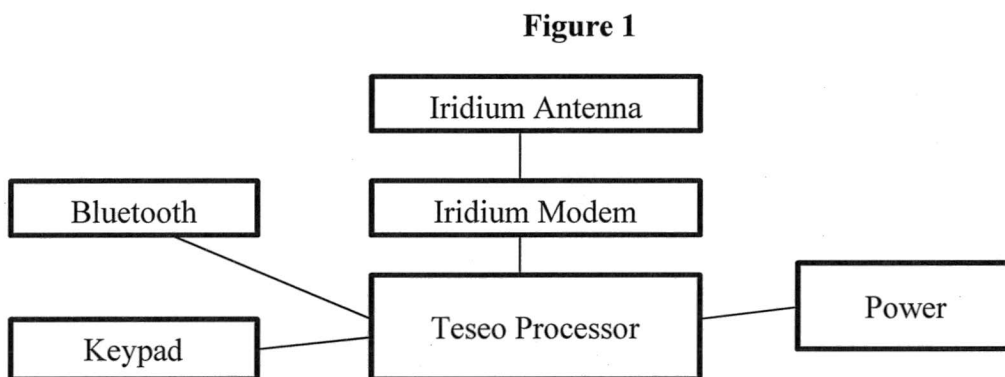
*2. The DeLorme Devices and System*

The devices at issue in the enforcement proceeding are the DeLorme InReach 1.5 and DeLorme InReach SE devices. The InReach 1.5 and SE devices have similar structures and both provide two-way messaging. The accused InReach devices allow two-way communication via a third-party operated satellite constellation called the Iridium satellite network. The Iridium satellite network consists of 66 telecommunication satellites in geosynchronous orbit and is capable of providing voice and data coverage to enabled devices over most of the Earth's surface. Each InReach device contains an Iridium modem, which operates as a transmitter/receiver; an Iridium antenna; a Bluetooth wireless transceiver; an Avnet authentication chip; and a user processor manufactured either by Teseo or STMicro. Each InReach device further includes plastic housing which incorporates a belt clip. The InReach 1.5 device uses an Iridium 9602 modem and the InReach SE device uses an Iridium 9603 modem. The InReach 1.5 device also includes a display screen and an internal rechargeable battery that the InReach SE device does not. A representative illustration of the InReach device and its relevant interior components is shown



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below in Figure 1.



CX-56C.

DeLorme sells the complete InReach device to end users using distributors and does not sell any component of the device separately. To use the InReach device or system, the end user must set up an online account and purchase a subscription service through DeLorme. DeLorme then activates the InReach device and allows it to access and communicate with the Iridium satellite network. The end user of the InReach device can pair it with a smartphone or other mobile device via a Bluetooth connection. To perform pairing, the mobile device must run Earthmate application software developed by DeLorme. The user processor in each InReach device receives user data from the paired mobile device via the Bluetooth connection and processes the user data for wireless transmission on the Iridium satellite communication network. The end user may then use the paired mobile device to send text messages, audio, or images over the Iridium satellite network. CX-33C at 23-25, 68; CX-236C at Admission Nos. 90-93; CX-2C at QQ. 138-42; CX-252; JX-12C.

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The Iridium satellite network then transmits the user data to an Iridium ground facility in Arizona. The data continues on to a DeLorme “Back Office” located in Chicago. The DeLorme “Back Office” includes servers that process the user data and transmit it to GEOS, an independent service that monitors and responds to user transmissions. A DeLorme operations team also receives, via email, messages sent through the satellite network by InReach devices. This team can monitor the GEOS system to ensure that GEOS personnel have logged on to the system and have responded by text message to any user message. DeLorme receives a copy of the response from the monitoring system and maintains a record of all two-way texts between the user and the monitoring system. JX-12C; CX-33C at 36, 44-49; CX-41C at 11, 39-40; CX-2C at Q. 143.

### *3. Assembly of the InReach Devices Using Imported Components*

DeLorme assembled the accused InReach 1.5 devices in the United States by converting imported InReach 1.0 devices that were at issue in the underlying investigation. The conversion process included removing a main circuit board from the imported InReach 1.0 device and replacing it with a circuit board comprising the Avnet authentication chip.<sup>2</sup> Other components from the imported InReach 1.0 device, including the plastic housing, the Iridium 9602 modem, battery, and antenna, were reused in the InReach 1.5 device. CX-40C at 48; Tr. at 88, 194-98, 200-05. DeLorme also converted some imported InReach 1.5 devices into domestically-reassembled InReach 1.5 devices using a similar process. CX-36C at 73; CX-243C at Admission No. 58; CX-40C at 17-18, 48; CX-41C at 14-16; CX-34C at 13; Tr. at 88. DeLorme

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<sup>2</sup> The addition of the authentication chip allows the InReach 1.5 device to be paired with either Android or Apple iOS devices, while the InReach 1.0 device can only be paired with Android devices. Tr. at 256-57.

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domestically assembled the accused InReach SE devices using imported plastic housing.

CX-305C; Tr. at 189-91.

*4. BriarTek's Allegations in the Enforcement Proceeding Before the ALJ*

BriarTek alleged that claims 1, 2, and 10 of the '380 patent read on a system comprised of DeLorme's InReach 1.5 or SE devices, Earthmate software, the Iridium satellite system, DeLorme's servers in Chicago and its personnel, and the GEOS monitoring company. BriarTek alleged that such a system directly infringes the asserted claims and DeLorme induces that infringement. BriarTek also alleged that DeLorme violated the Consent Order by reusing Iridium modems and plastic housing from InReach 1.0 devices that were imported before the Consent Order issued to assemble InReach 1.5 devices that were sold after the Consent Order issued. BriarTek further alleged that DeLorme violated the Consent Order by selling InReach SE devices that included imported plastic housing. Finally, BriarTek alleged that DeLorme violated the Consent Order by activating previously sold InReach 1.5 and SE devices after the Consent Order was issued. *See* EID at 5.

*5. ALJ's EID*

On March 7, 2014, after an evidentiary hearing was conducted, the ALJ issued an EID finding a violation of the Consent Order. The ALJ determined that, after issuance of the Consent Order, DeLorme sold, or offered for sale within the United States after importation, accused InReach 1.5 devices that infringe, via inducement, claims 1 and 2 of the '380 patent. The ALJ also found no induced infringement and therefore no violation of the Consent Order with respect to accused InReach SE devices. The ALJ further found that DeLorme did not induce infringement

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or violate the Consent Order by activating InReach 1.5 or InReach SE devices that were sold before the effective date of the Consent Order. *See* EID at 53-61, 82-98, 120-21.

The ALJ determined that DeLorme's sales of infringing InReach 1.5 devices took place in violation of the Consent Order on 51 days. EID at 99-100. In light of the violation determination, the ALJ recommended imposing a civil penalty of \$12,500 per day against DeLorme, for a total of \$637,500. On March 20, 2014, BriarTek, DeLorme, and the Commission investigative attorney ("IA") each filed a petition for review of the EID. On March 27, 2014, each party filed a response to the opposing petitions.

*6. The Commission's Violation Determination*

On April 23, 2014, the Commission determined to review in part the EID. The Commission did not review the ALJ's finding of a violation of the Consent Order with respect to the InReach 1.5 devices. However, the Commission determined to review the ALJ's finding of no violation with respect to the InReach SE devices. On review, the Commission determined to reverse the ALJ's finding and determined that DeLorme's sales within the United States of the InReach SE devices, which included an imported component, induced infringement of claims 1 and 2 of the '380 patent and violated the Consent Order. *See* Comm'n Notice (April 23, 2014). The Commission also determined to reverse the ALJ's finding of no induced infringement with respect to accused InReach 1.5 and SE devices that were sold before, and activated after, the effective date of the Consent Order. *Id.* As explained more fully herein, activation of these accused devices constituted infringement, but did not constitute a post-Consent Order sale after importation within the United States that would violate the Order. The Commission further

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determined to vacate the portion of the ALJ's analysis that relied on *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1305 (Fed. Cir. 2012) (*en banc*), *rev'd*, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014), to find direct infringement of claims 1 and 2 of the '380 patent through "use" of the claimed system by an end user. *Id.* The Commission also determined to vacate the portion of the ALJ's analysis concerning specific intent for induced infringement of these claims based on *Akamai*. *Id.*; *see also* EID at 85-86, 92. This opinion provides, *inter alia*, the Commission's analysis and reasoning for both its determination on violation with respect to the InReach SE devices and its determination on remedy for DeLorme's violation of the Consent Order.

The Commission also requested written submissions on the issue of the amount of the civil penalty to be imposed for DeLorme's violation of the Consent Order including responses to certain questions concerning the public interest as discussed in *Certain Erasable Programmable Read Only Memories* ("EPROMs"), Inv. No. 337-TA-276 (Enforcement), Comm'n Op. at 23-24, 26 (July 19, 1991). *See* Comm'n Notice (Apr. 23, 2014). On April 30, 2014, BriarTek, DeLorme, and the IA each filed a brief responding to the Commission's request for written submissions. On May 7, 2014, the parties filed reply briefs.<sup>3</sup>

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<sup>3</sup> *See* Complainant BriarTek's Response to April 23, 2014 Notice from the Commission ("BriarTek Sub."); Complainant BriarTek's Reply to Respondent and Staff's Response to April 23, 2014 Notice from the Commission ("BriarTek's Reply"); Response of Respondent DeLorme to Request for Written Submission ("DeLorme's Sub."); Reply of Respondents DeLorme to Request for Written Submission ("DeLorme's Reply"); Response of the Office of Unfair Import Investigations to Commission's Request for Written Submissions on Civil Penalty for Violation of the Consent Order ("IA's Sub."); Reply of the Office of Unfair Import Investigations to Private

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**III. DISCUSSION AND FINDINGS**

For the reasons set forth below, the Commission has determined to reverse-in-part and vacate-in-part the ALJ's findings that were under review. We adopt the ALJ's findings in the EID on the issues that are not inconsistent with this opinion.<sup>4</sup> The Commission finds that DeLorme violated the Consent Order on 227 days.

**A. Relevant Law**

After properly construing the claims, a tribunal compares the claims with the accused device or process to determine infringement. *See MBO Labs., Inc v. Becton, Dickinson & Co.*, 474 F.3d 1323, 1329 (Fed. Cir. 2007). To prove literal infringement, the patentee must show that an accused product contains every limitation in the asserted claims. *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1350 (Fed. Cir. 1999). The patentee bears the burden of demonstrating infringement by a preponderance of the evidence. *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310 (Fed. Cir. 2005).

"Whoever actively induces infringement of a patent shall be liable as an infringer." *See* 35 U.S.C. § 271(b). Liability for induced infringement arises "if, but only if, [there is] . . . direct infringement." *Limelight Networks*, 134 S. Ct. at 2117 (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961)). Induced infringement may be established by circumstantial evidence. *See Golden Blount, Inc. v. Robert M. Peterson Co.*, 438 F.3d 1354,

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Parties' Responses to Commission's Request for Written Submissions on Civil Penalty for Violation of the Consent Order ("IA's Reply").

<sup>4</sup> The determinations made in the EID that were not reviewed became final determinations of the Commission by operation of rule. *See* 19 C.F.R. § 210.75(b)(3).

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1362-63 (Fed. Cir. 2006) (citing *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1030 (1987)) (holding that circumstantial evidence of extensive sales and dissemination of an instruction sheet can support a finding of direct infringement by the customer); *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 850-52 (Fed. Cir. 2010) (software manufacturer found liable for induced infringement of computer system method claim by end user based on provision of instructional materials, where software is incorporated into third-party end-user computer), *aff'd*, *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011); *Alco Standard Corp. v. Tenn. Valley Auth.*, 808 F.2d 1490, 1502-03 (Fed. Cir. 1986) (“Although the evidence of infringement is circumstantial, that does not make it any less credible or persuasive.”). A high level of specific intent and action to induce infringement must be proven, as mere knowledge of possible infringement by others does not amount to inducement. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006) (en banc); *see also Cross Med. Prods.*, 424 F.3d at 1312; *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011) (“induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.”).

The Commission has the authority to terminate a section 337 investigation based on a consent order and then to enforce that consent order. *See* 19 U.S.C. § 1337(c); 19 C.F.R. §§ 210.21(c), 210.75(b); *San Huan New Materials High Tech, Inc. v. Int'l Trade Comm'n*, 161 F.3d 1347, 1354-56 (Fed. Cir. 1998). A respondent that unilaterally enters into a consent order to avoid further litigation has an affirmative duty to take “energetic steps” to do “everything in [their] power” to assure compliance with that order. *See Certain Neodymium-Iron-Boron Magnets*,

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*Magnet Alloys, and Articles Containing Same* (“*Certain Magnets*”), Inv. No. 337-TA-372, Comm’n Determination on Violation, Comm’n Op. at 23-24, 1997 WL 857227, at \*10 (Nov. 1997); *San Huan*, 161 F.3d 1347 (the Court affirming the Commission’s authority to issue a civil penalty in *Certain Magnets*). Such a respondent is under a duty not only not to cross the line of infringement, “but to stay several healthy steps away.” *Id.*

**B. ALJ’s Discussion of *Akamai***

*1. ALJ’s EID*

BriarTek asserted that DeLorme induced direct infringement of claims 1, 2, and 10 of the ’380 patent by encouraging end users to pair InReach 1.5 and InReach SE devices with a mobile device for use in the accused system. *See* EID at 6, 41-47, 53, 69-75, 83. The ALJ found that the accused InReach 1.5 devices met every limitation of claims 1 and 2 of the ’380 patent when used in the accused system, and therefore the direct infringement prong of induced infringement had been satisfied. *Id.* at 53-61, 83-86. The ALJ found that the facts here support a direct infringement finding under *Centillion Data Systems, LLC v. Qwest Communications Int’l, Inc.*, 631 F.3d 1279 (Fed. Cir. 2011), because the end user of DeLorme’s InReach 1.5 devices “uses” the entire claimed system by placing the system as a whole into service. *Id.*

The ALJ also discussed the Federal Circuit’s decision regarding inducement of direct infringement in *Akamai*. *Id.* The ALJ found that although *Akamai* addressed inducement to directly infringe method claims, the reasoning of *Akamai* applies equally to “use” of the system claims at issue here. *Id.* at 86. The ALJ found that the Court in *Akamai* stated without limitation that the direct infringement required to find inducement “refer[s] most naturally to the acts



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necessary to infringe a patent, not to whether those acts are performed by one entity or several.” *Id.* (citing *Akamai* at 1309). Based on this reference, the ALJ found that the mere fact that multiple entities are alleged to be involved in the “use” of the patented system is not a defense to induced infringement. *Id.*

Based on the foregoing, the ALJ found that the record establishes direct infringement of the claimed system, with respect to either the accused InReach 1.5 or SE devices, through “use” of the DeLorme system by an end user. *Id.* at 83-85. This finding supported the ALJ’s determination of a violation with respect to the InReach 1.5 devices.

*2. Analysis*

The Commission has adopted the ALJ’s finding that direct infringement based on “use” of the accused system by an end user has been established under *Centillion*, which supports the ALJ’s unreviewed determination of violation of the Consent Order with respect to the InReach 1.5 devices. *See* EID at 83-84 (citing *Centillion*, 631 F.3d 1279, 1281-85), 99-100; Comm’n Notice (April 23, 2014). However, the Supreme Court has reversed the Federal Circuit’s decision in *Akamai*. *See Limelight Networks*, 134 S. Ct. at 2120. Accordingly, the Commission has determined to vacate the portions of the ALJ’s analysis relying on *Akamai*. Specifically, the Commission has determined to vacate the following portions of the EID: (1) two consecutive paragraphs in the direct infringement analysis starting with the paragraph beginning with “Second” on page 85; and (2) in the inducement analysis relating to the ALJ’s finding of specific intent, the last three sentences of the paragraph beginning with “Respondents also” on page 92.

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**C. Violation of the Consent Order with Respect to Accused InReach SE devices<sup>5</sup>**

*1. ALJ's EID*

Although the Commission has determined to review the ALJ's violation determination with respect to only the InReach SE devices, some background concerning the ALJ's reasoning with respect to the InReach 1.5 devices is required as the ALJ linked her analysis of the devices together in portions of the EID. *See* EID at 53-62, 83-90. As noted above, the ALJ found that DeLorme induced infringement of claims 1 and 2 of the '380 patent based on its sale of InReach 1.5 devices, which were assembled almost entirely from imported parts. *Id.* at 53-61, 82-93. The ALJ found that both the specific intent and direct infringement prongs of induced infringement had been satisfied by a preponderance of the evidence with respect to the InReach 1.5 devices. *Id.* Regarding the direct infringement prong, the ALJ found that DeLorme's technical support documents for the InReach devices explained how a user can practice the asserted claims by initiating two-way messaging over the Iridium satellite system using a mobile device running DeLorme's Earthmate software paired with an InReach device over a Bluetooth connection. *Id.* at 57 (citing CX-0033C at 72-74, 109, 112, CX-0058, CX-0059). Regarding the intent prong of inducement, the ALJ found that: the evidence shows that DeLorme's sale of the imported components contained within the accused InReach 1.5 devices to end users via distributors causes the end users to infringe claims 1 and 2 of the '380 patent; and that such sales are made with the

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<sup>5</sup> As noted above, the Commission did not review the ALJ's finding of a violation of the Consent Order with respect to the InReach 1.5 devices. *See* EID at 82-93, 99-100; Comm'n Notice (April 23, 2014). Further, as noted above, we adopt the ALJ's findings in the EID on the issues that are not inconsistent with this opinion.

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specific intent to cause the end users to infringe. *Id.* at 86-93 (noting, *inter alia*, that BriarTek's complaint in the underlying investigation put DeLorme on notice of its infringing activities).

These findings supported the ALJ's unreviewed determination of a violation of the Consent Order with respect to the InReach 1.5 devices. *Id.* at 53-61, 82-93, 99-100; *see also* Comm'n Notice (April 23, 2014).

However, the ALJ found that BriarTek had not similarly proven, by a preponderance of the evidence, that DeLorme induced infringement of claims 1 and 2 of the '380 patent with respect to the accused InReach SE devices. *Id.* at 93-98. The ALJ found that the plastic housing was the only "imported component" of the domestically-assembled InReach SE devices. *Id.* at 95. The ALJ did not find the Iridium 9603 modems and Avnet chips of the InReach SE devices to be "imported components," although they are made outside of the United States, because the record demonstrated that they were imported by Avnet Inc. and Iridium Communications Inc. and DeLorme did not have a significant role in importing these components.

The ALJ then compared the plastic housing used in the InReach SE devices to the multiple imported components found in the InReach 1.5 devices, *i.e.*, the Iridium modem and antenna, the keypad, and battery terminals. The ALJ found that DeLorme imported these components as InReach 1.0 and 1.5 devices and then converted them to InReach 1.5 devices. *Id.* at 98. Based on this comparison, the ALJ found that DeLorme's conduct was less culpable with regard to the InReach SE devices because DeLorme imported only an \$0.18 per unit plastic housing. The ALJ therefore found no induced infringement with respect to DeLorme's sales of InReach SE devices.

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*2. Parties' Arguments*

BriarTek argued that the ALJ erred in finding no induced infringement of claims 1 and 2 of the '380 patent with respect to the accused InReach SE devices. BriarTek's Pet. at 2, 4.

Complainant contended that the ALJ's comparative culpability analysis between the InReach 1.5 and SE devices based on a proportion of imported components was not based on any legally recognized precedent. *Id.*

BriarTek submitted that the imported plastic housing for the InReach SE devices is only used within the accused DeLorme system and that all elements of claims 1 and 2 are met by the accused system utilizing the activated InReach SE devices. *Id.* at 2 (citing EID at 61, 94).

Complainant contended that the importation and sale after importation of the plastic housing incorporated into the domestically-assembled InReach SE devices is sufficient to find inducement and a violation of the Consent Order. *Id.* at 2-3 (citing EID at 94).

DeLorme agreed with the ALJ's finding of no induced infringement, submitting that no induced infringement can exist when it is undisputed that none of the imported components of the domestically-assembled InReach SE devices directly infringe at the time of importation.

DeLorme's Resp. to IA's Pet. at 6. DeLorme also submitted where the only imported component (the plastic housing) is such a miniscule part of the entire claimed satellite communication system, there is no induced infringement or violation of the Consent Order. DeLorme's Resp. to BriarTek's Pet. at 17.

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3. *Analysis*

The ALJ erred in finding no induced infringement, and therefore no violation of the Consent Order, with respect to the accused InReach SE devices. While the ALJ correctly found that the language of the Consent Order applies to “*any* imported two-way global satellite communication devices, system, and *components thereof* that infringe[,]” *see* Consent Order at ¶1, we do not adopt the ALJ’s component comparison test for determining induced infringement culpability.

Regarding violation of the Consent Order, the language of the Consent Order prohibits sale after importation of “*any* imported two-way global satellite communication devices, system, and *components thereof* that infringe” the ’380 patent. *See* Consent Order at ¶ 1. Consistent with 35 U.S.C. § 271, “infringement” includes “induced infringement.” *See* 35 U.S.C. § 271(b); *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724, Comm’n Op. at 13 (Dec. 21, 2011). Accordingly, the issue here is whether DeLorme violated the Consent Order when it sold after importation components, incorporated into the InReach SE devices, that infringe the ’380 patent under 35 U.S.C. § 271(b). Under the terms of the Consent Order, DeLorme could not import components, incorporate them into domestically-assembled InReach SE devices, and then sell the devices to end users via distributors with instructions to “use” the devices in an infringing manner.

Specifically, we find both the specific intent and the direct infringement prongs of induced infringement established here with respect to the InReach SE devices. The record evidence establishes that DeLorme’s technical support documents for the InReach devices explain how a

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user can practice claims 1 and 2 of the '380 patent by initiating two-way messaging using a mobile device running Earthmate software paired with an InReach SE device over a Bluetooth connection. *See* CX-0033C at 72-74, 109, 112, CX-0058, CX-0059. The record also establishes that each InReach SE device is sold with a clip on its plastic housing, which specifically satisfies claim 2 of the '380 patent. *See* CX-44 at 3; CX-40C at 27; Tr. at 170-71. The record also establishes direct infringement of these asserted claims, with respect to the InReach SE devices, through “use” of the accused system by an end user under *Centillion*. *See* EID at 83-85. We find that the ALJ’s analysis and finding of direct infringement under *Centillion* with respect to the InReach 1.5 devices is equally applicable to the InReach SE devices because these devices operate similarly with respect to enabling two-way messaging by an end user via pairing with a mobile device. *Id.*; *see also* CX-41C at 28-33; CX-2C at Q. 117.

Regarding the specific intent prong, the record evidence shows that DeLorme’s sale of the imported components contained within the accused InReach SE devices to end users via distributors causes the end users to infringe; and that such sales are made with the specific intent to cause the end users to infringe. Specifically, DeLorme entered into an agreement with foreign partner KenMold Co., LTD to manufacture and import the plastic housing for the InReach SE devices; and then incorporated the imported housing into these devices and sold them within the United States to end users via distributors, after the effective date of the Consent Order, with instructions to directly infringe the '380 patent. *See* CX-305C; Tr. at 189-94; CX-33C at 56-58, 72-73, 109, 112; CX-44 at 17, 25; CX-58; CX-59; RX-161C at Q. 158.

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Further regarding intent, we find that the record evidence demonstrates that DeLorme intends for the end user to carry out all of the acts to “use” the accused system. Specifically, we find that DeLorme (1) sells personal subscription plans to end users which activate InReach SE devices that all include two-way messaging and SOS messaging, which are the features at the heart of the asserted claims; and that (2) DeLorme relies on these subscription plans, which encourage the end users’ use of the InReach SE devices, [[ ]]. *See* CX-0002C at Q. 194, JX-0033; CX-0040C at 72. Accordingly, we find that DeLorme’s business model is predicated on the activation and use of the InReach SE devices by the end users.

We also find that DeLorme was aware, or at least willfully blind to the fact, that it was inducing the end-user to infringe claims 1 and 2 with respect to the InReach SE devices. *Id.*; *see also Global-Tech*, 131 S.Ct. at 2070-71 (“a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.”). Based on the record evidence, we find that DeLorme has known about the ’380 patent and BriarTek’s infringement allegations since as early as Aug. 23, 2012, when the Commission issued and served the complaint in the underlying investigation. *See* 77 *Fed. Reg.* 51045-46. BriarTek’s infringement allegations included allegations of induced infringement under 35 U.S.C. § 271(b) based on the combination of an InReach device and an end-user mobile device enabled with DeLorme’s Earthmate software to initiate two-way global messaging within DeLorme’s system. *See* Inv. No. 337-TA-854, Complaint at ¶ 43-44 (August 17, 2012). BriarTek asserted that this combination satisfied each element of the asserted claims of the ’380 patent. *Id.* Accordingly, we find that DeLorme had specific intent to induce

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infringement based on the fact that DeLorme knew that using the InReach devices in the intended manner would infringe the '380 patent. Additionally, DeLorme provided instruction manuals on how to use the InReach SE devices in an infringing manner, has a financial interest in that use, and was aware of actual use by end users. Based on the foregoing, we find that DeLorme induced infringement of claims 1 and 2 of the '380 patent with respect to the InReach SE devices.

DeLorme was required to take “energetic steps” to do “everything in [its] power” to assure compliance with the Consent Order, and to “stay several healthy steps away” from infringement. *See Certain Magnets* at \*10. However, DeLorme circumvented the order by harvesting nearly all of the components from imported older InReach 1.0 models to assemble new InReach 1.5 devices domestically. As part of this circumvention, DeLorme designed and imported plastic housings for the domestically-assembled InReach SE devices. *See CX-305C*; Tr. at 189-91. The record evidence establishes that the plastic housing is only used within the accused system and specifically meets the claim 2 limitation of “a user unit adapted to be coupled to a user.” *See CX-0040C* at 27-28; Tr. at 170-71, 189-91; *CX-305C*. The completed InReach SE devices, including the imported plastic housing, were then sold to end users via distributors with complete instructions on how to “use” the entire system in an infringing manner, including a description of the clip on the housing with respect to claim 2. *See CX-0002C* at Q. 194; *JX-0033*; *CX-0040C* at 72-73; *CX-0044* at 3, 17, 25; *CX-0033C* at 72-74, 109, 112; *CX-0058*; *CX-0059*.

DeLorme also deliberately went ahead and engaged in activity prohibited under the Consent Order by: selecting foreign contractor KenMold to manufacture overseas and import the plastic housing for assembly into the InReach SE devices with clips; and incorporating the



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imported housing into these devices and selling them to end users via distributors with instructions to directly infringe the '380 patent. *See* CX-305C; Tr. at 189-94; CX-33C at 56-58, 72-73, 109, 112; CX-44 at 17, 25; CX-58; CX-59; RX-161C at Q. 158. Thus, despite the language of the unilaterally-entered Consent Order, DeLorme further engaged in inducing activity such as activating sold InReach SE devices with purchased user subscription plans, in addition to the inducing acts described above, with the specific intent to cause infringement. *See Golden Blount, Inc.*, 438 F.3d at 1362-63 (induced infringement established by sales and dissemination of instruction sheets); *i4i Ltd.*, 598 F.3d at 850-52 (Fed. Cir. 2010) (induced infringement based on provision of instruction materials established for software manufacturer who supplied component of third-party computer system with direct infringement by an end user). Accordingly, DeLorme's conduct establishes, by a preponderance of the evidence, induced infringement and constitutes a violation of the Consent Order for InReach SE devices sold after the effective date of the Consent Order.<sup>6</sup>

DeLorme argues that a violation of the Consent Order cannot be predicated upon induced infringement in connection with the imported plastic housing for two reasons: (1) the imported plastic housing costs only \$0.18 amounting to a miniscule portion of the complete device; and (2) the housing does not, by itself, infringe the system claims asserted by BriarTek. However, regardless of the cost of the plastic housing, it constitutes an imported "component" within the

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<sup>6</sup> Although we ultimately reverse the ALJ and determine that DeLorme violated the Consent Order with respect to the InReach SE devices, we do agree with the ALJ's finding that DeLorme does not play a significant role in the importation of the Iridium modems and Avnet chips for the SE devices. *See* EID at 95 (citing CX-1C at Q. 37; CX-2C at Q. 160; CX-67; RX-24C-26C; RX-125C at DLM-2042096; RX-23C at 9, 26-27; RX-161C at Q. 110).

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terms of the Consent Order. *See* Consent Order at ¶ 1. This imported plastic housing “component” is then incorporated into the InReach SE device and sold within the United States. DeLorme’s instruction manuals and activation of the device induces direct infringement of claims 1 and 2 of the ’380 patent by an end user of the device.

Based on the above, the Commission has determined to reverse the EID’s finding of no induced infringement with respect to accused InReach SE devices, and accordingly has found a violation of the Consent Order with respect to these devices.

**D. Violation of the Consent Order with Respect to Accused InReach 1.5 and SE Devices Sold Before, and Activated After, the Effective Date of the Consent Order**

*1. ALJ’s EID*

The ALJ found that BriarTek failed to show that post-Consent Order activation of InReach 1.5 devices sold prior to the effective date of the Consent Order constitutes a sale after importation in violation of the Consent Order. EID at 82. The ALJ found that the activation process for the InReach devices involves purchasing a user subscription plan, downloading the Earthmate software, and pairing the InReach device with a mobile device. The ALJ found that the activation process did not include any sale of an imported component that infringes the asserted claims of the ’380 patent. *Id.* at 82-83. The ALJ found that, although the activation process does include the provision of software and hardware, *i.e.*, the back-end of the two-way global communication system, to the user which includes claimed elements, these provided components are not a sale of “imported” components constituting a violation of the Consent Order. *Id.*

The ALJ then stated the following:

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Because the question of *infringement* must be based on imported components, and Complainant has failed to prove that the mere activation of InReach devices that were sold before the effective date of the consent order involves the sale of imported components, Complainant's allegations based on activations fail.

*Id.* at 83 (emphasis added).

Based on the above, the ALJ concluded that BriarTek failed to establish, by a preponderance of the evidence, that the activation of InReach devices (after the effective date of the Consent Order) that were sold before the effective date of the Consent Order induces the infringement of claims 1 and 2. *Id.* at 82. Accordingly, the ALJ found no violation of the Consent Order with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order.

*2. Parties' Arguments*

The IA petitioned for review of the ALJ's holding that: "Complainant has not proven by a preponderance of the evidence that the activation of InReach devices (after the effective date of the consent order) that were sold before the effective date of the consent order . . . *induces the infringement of claims 1 and 2.*" IA's Pet. 6 (citing EID at 82) (emphasis added). The IA noted that induced infringement is defined by 35 U.S.C. § 271 and that the ALJ found induced infringement of claims 1 and 2 of the '380 patent with respect to InReach 1.5 devices that were sold and activated after the effective date of the Consent Order. *Id.* at 8-9 (citing EID at 53-61, 83-88). The IA submitted that this inducement finding is independent of when the InReach 1.5 devices were sold since that is not part of the induced infringement analysis. *Id.* at 9. Accordingly, the IA submitted that, in order to be consistent with this induced infringement

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finding, the Commission should also find that DeLorme induced infringement of claims 1 and 2 with respect to InReach devices, sold before, but activated after, the effective date of the Consent Order because the time of the sale does not matter. *Id.* at 9-10. However, the IA agreed with the ALJ's ultimate finding that activation of InReach devices sold before the effective date of the Consent Order does not violate the Consent Order because there is no post-Consent Order sale of imported components. *Id.*

BriarTek agreed with the IA's position that the ALJ's finding should be reviewed and reversed to find that DeLorme induced infringement of claims 1 and 2 with respect to InReach devices activated after, but sold before, the effective date of the Consent Order. BriarTek's Resp. to IA's Pet. at 4.

DeLorme agreed with the ALJ's finding of no induced infringement as respondents contended that no induced infringement can exist when none of the imported components of the InReach devices directly infringe at the time of importation. DeLorme's Resp. to IA's Pet. at 6, 9.

*3. Analysis*

The ALJ erred in finding no induced infringement with respect to the accused InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. The ALJ correctly analyzed the issue of the timing of the sale of imported components to properly determine no violation of the Consent Order had occurred with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. However, the ALJ did not distinguish between infringement and violation of the Consent Order. Infringement is determined with respect to 35 U.S.C. § 271 and therefore does not equate to a violation of the Consent Order

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which requires, *inter alia*, the sale within the United States after importation of any “components thereof, that infringe” after the effective date of the Order. Consequently, the evidence concerning activation of the accused 1.5 or SE devices demonstrated induced infringement by DeLorme, but not a violation of the Consent Order because the activation activity does not involve a sale of imported components after the effective date of the Consent Order.

Here, DeLorme activated InReach 1.5 and SE devices sold prior to the effective date of the Consent Order. This activation activity, combined with the end user’s direct infringement as discussed *supra*, establishes induced infringement by DeLorme. See CX-0002C at Q. 194; JX-0033; CX-0040C at 72-73; CX-0044 at 17, 25; CX-0033C at 72-74, 109, 112; CX-0058; CX-0059. However, this activation activity does not involve any post-Consent Order sale of “imported” components and therefore is not a violation of the Consent Order as the ALJ correctly determined.

We have therefore determined to reverse the ALJ’s finding of no induced infringement by DeLorme with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. This determination did not affect, and therefore we have adopted, the ALJ’s ultimate determination of no violation of the Consent Order by DeLorme with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. We also find induced infringement by DeLorme with respect to InReach SE devices sold before, but activated after, the effective date of the Consent Order because these devices operate similarly with respect to enabling two-way messaging by an end user via pairing with a mobile device. See CX-41C at 28-33; CX-2C at Q. 117. We further find no violation of the Consent Order by DeLorme with

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respect to InReach SE devices sold before, but activated after, the effective date of the Consent Order.

**E. Conclusion on Violation of April 5, 2013 Consent Order**

Based on the conclusions above (and those of the ALJ which we adopted or did not review), we have found that DeLorme violated the Consent Order with respect to both the InReach 1.5 devices and the InReach SE devices that were sold after the effective date of the Consent Order.

**IV. ENFORCEMENT MEASURES**

For the reasons set forth below, the Commission has determined to modify the ALJ's recommended enforcement measures for DeLorme's violation of the Consent Order and impose a civil penalty of \$6,242,500 based on 227 days of violation. *See* EID at 116-19.

**A. Relevant Law Governing Civil Penalty for Violation of Consent Order**

Civil penalties are mandatory for violations of the Commission's cease and desist orders and consent orders issued under section 337. Subsection (f)(2) of section 337 provides that any person who violates a cease and desist order issued by the Commission after it has become final:

shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,000 or twice the domestic value of the articles or sold on such day in violation of the order.

19 U.S.C. § 1337(f)(2). *San Huan*, 161 F.3d at 1357, extended the civil penalty provision to consent order violations.

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The Commission has the discretion to impose a civil penalty that is appropriate to the circumstances. *Certain Erasable Programmable Read Only Memories (EPROMs)*, Inv. No. 337-TA-276 (Enforcement), Comm'n Op. at 29 (July 19, 1991). When calculating a proportionate penalty, the Commission considers a number of factors including: (1) the good or bad faith of the respondent; (2) any injury due to the violation; (3) the respondent's ability to pay the assessed penalty; (4) the extent to which the respondent benefitted from its violations; (5) the need to vindicate the authority of the Commission; and (6) the public interest. *EPROMs*, Comm'n Op. at 23-24, 26. The six-factor *EPROMs* test takes into account the three overarching considerations enumerated by Congress in the legislative history of section 337(f)(2), viz., the desire to deter violations, the intentional or unintentional nature of any violations, and the public interest. *San Huan*, 161 F.3d at 1362. Furthermore, "[t]he degree to which a respondent takes steps on its own initiative to assure compliance affects the judgment as to what penalty is necessary to induce a sufficiently vigilant posture." *San Huan*, 161 F.3d at 1362 (quoting *EPROMs* Enforcement Op. at 28-29).

### **B. ALJ's Remedy Recommendation**

The ALJ recommended a civil penalty in the amount of \$12,500 per violation day for DeLorme's violation of the Consent Order. EID at 116-19. Based on her analysis of the facts under the six-factor *EPROMs* test and the 51 days on which sales after importation of DeLorme's infringing InReach 1.5 devices within the United States occurred in violation of the Consent

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Order, the ALJ recommended a civil penalty of \$637,500 (\$12,500 times 51 days of violation).<sup>7</sup>

*Id.*

**C. Parties' Submissions**

**Value of Infringing Devices Sold in Relation to Penalty**

In its submission, DeLorme supplements the sales information provided at the enforcement proceeding hearing by providing its domestic sales information for its domestically-assembled InReach 1.5 devices sold from November 14, 2013 to April 3, 2014, and its domestically-assembled InReach SE devices sold from April 25, 2013 to April 24, 2014. DeLorme's Sub. at 4; Exhibit C, Schedules A & B to Kramlich Declaration. From this additional sales information, DeLorme admits that it sold InReach 1.5 and/or SE devices on 229 different days after the effective date of the Consent Order. *Id.* DeLorme's supplement discloses significantly higher post-Consent Order sales of InReach SE devices, *i.e.*, 15,302 units, on the dates in question. *Id.* DeLorme also clarifies that a total of 1,636 domestic InReach 1.5 device orders, *i.e.*, slightly increased from the 1,632 total that was provided at the enforcement hearing, were fulfilled from April 1, 2013 to November 13, 2013, on 47 different days. *Id.* at 3. DeLorme further submits that it fulfilled an additional 318 InReach 1.5 unit orders on 45 days from November 14, 2013, to April 3, 2014. Kramlich Decl. at ¶ 8. However, DeLorme contends that

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<sup>7</sup> In addition, the ALJ did not recommend issuance of a limited exclusion order or a cease and desist order for her finding of a violation of the Consent Order with respect to the infringing InReach 1.5 devices. EID at 104-05. In the event that the Commission determined to find a violation by DeLorme with respect to the accused InReach SE devices, the ALJ recommended issuance of a limited exclusion order directed to the plastic housing that respondents import or play a significant role in importing. *Id.* at 105.



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none of the 1.5 InReach device sales after November 13, 2013, included any imported components and therefore are not sales in violation of the Consent Order. DeLorme's Sub. at 3-4 (citing Sch. B); *see also* DeLorme's Response to BriarTek Pet., Declaration of Michael Heffron at ¶¶ 7-8 (Mar. 26, 2014). DeLorme further submits that approximately 25% of sold InReach devices are not activated and therefore are not infringing. *Id.* at 4 (citing CX-255C (Heffron Deposition) at 39; CX-40C (Heffron Deposition) at 55-56).

DeLorme submits that the proper measure of any civil penalty to be imposed here is either a nominal penalty of one dollar per day for any violative sales, or not more than twice the domestic value of the item(s) deemed to: (a) have infringed the asserted patent; and (b) have been imported or sold by DeLorme within the United States after importation in violation of the Consent Order. *Id.* at 17-18 (citing section 337(f)(2)). Accordingly, with respect to infringing InReach SE devices, DeLorme submits that the proper measure of damages should not be more than twice the domestic value of the plastic housing – the only imported component. DeLorme submits that the plastic housing for the InReach SE devices – an alleged minor part of the accused system – is purchased overseas at \$0.18 per unit. *Id.* (citing RX-161C at QQ. 128-29). DeLorme thus contends that ordering respondents to pay a penalty based on twice the sales price of all domestically-assembled InReach devices is significantly disproportionate to any wrong-doing by DeLorme [[ ]]. *Id.*; *see* Ex. C. DeLorme therefore submits that any penalty should be much lower than twice the domestic value of the infringing InReach devices.

Both BriarTek and the IA submit that the Commission should impose a substantial penalty

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for DeLorme's violation of the Consent Order. When considering the value of the goods sold, or the benefit DeLorme received from these sales, both BriarTek and the IA contend that the analysis should include the revenue received not only for the device, but also for the use of the device in the form of subscription fees. BriarTek's Sub. at 8-12; IA's Sub. at 10-13. BriarTek notes that DeLorme admitted that it [[

]]. BriarTek's Sub. at 8 (citing CX-40C at 72-73; CX-35C at 38).

DeLorme offers a variety of end-user subscription plans that allow an end user to perform two-way messaging upon activation of the InReach device. See CX-124C; JX-33. DeLorme also offers rebates to customers, such as two months' free air time, to encourage the sale of subscriptions. See CX-40C at 56-58. BriarTek therefore contends that the Commission should consider three different values with respect to the infringing devices: (1) the cost to manufacture the InReach devices; (2) the price at which the InReach devices are sold to distributors; and (3) the revenue DeLorme receives from end-user subscriptions. BriarTek's Sub. at 8.

With respect to (1), based on the record evidence, BriarTek submits that the average cost to manufacture the InReach 1.5 devices is approximately \$[[ ]] per unit and the cost to manufacture the InReach SE devices is approximately \$[[ ]] per unit. BriarTek's Reply at 3-4 (citing CX-253C). Based on the updated financial information that DeLorme provides, BriarTek submits that the total one-year cost of manufacturing both devices is approximately \$[[ ]] (\$[[ ]] per InReach 1.5 unit times [[ ]] InReach 1.5 units + \$[[ ]] per InReach SE

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unit times [[ ]] InReach SE units).<sup>8</sup> *Id.* (citing Kramlich Decl. at ¶¶ 4-8).

Regarding the revenue received by DeLorme from these violative sales, *i.e.*, value factors (2) and (3), BriarTek submits that solely looking at the sales price is deceptive [[ ]]. BriarTek's Sub. at 9 (citing CX-40C at 73; CX-35C at 38-42).

Accordingly, complainant contends that the Commission must look at the revenue generated from the end-user subscriptions which enable two-way messaging usage of the devices in addition to revenue generated from device sales. *Id.* (citing CX-39C at 24-25; CX-36C at 32-36). As to the latter, based on the updated Delorme sales information, BriarTek submits that the one-year revenue generated from the 1,950 InReach 1.5 devices sold in violation was \$[[ ]] and the one-year revenue generated from the 15,302 InReach SE devices sold in violation was \$[[ ]], which amounts to a total of \$[[ ]] for both devices (\$[[ ]] plus \$[[ ]]). BriarTek's Reply at 3 (citing Kramlich Decl. at ¶¶ 4-8; Schs. A & B).

BriarTek further submits that the value of the activations of these devices sold in violation of the Consent Order must be taken into consideration because complainant contends that the 1.5 and SE devices have no value unless activated. BriarTek's Sub. at 10 (citing CX-40C at 55). BriarTek contends that [[ ]]

]]. *Id.* (citing CX-36C at 33-34). BriarTek notes that DeLorme provided

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<sup>8</sup> Although DeLorme submits, as discussed *supra*, that the 1,636 unit total is the correct number of InReach 1.5 devices sold until November 13, 2013, rather than the 1,632 unit total submitted before the ALJ, BriarTek continues to use the lower number in its calculations regarding the value DeLorme derived from its violative sales. *See* BriarTek's Reply at 3-4; Kramlich Decl. at ¶¶ 6-7.

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activation information for [[ ]] end-user accounts that were activated after April 1, 2013, which included a variety of subscription plans: [[ ]] expedition plans, [[ ]] recreation plans, [[ ]] safety plans, [[ ]] seasonal expedition plans, [[ ]] seasonal recreation plans, and [[ ]] others. *Id.* (citing CX-124C). BriarTek submits that the expedition, recreation, and safety plans are 12-month plans and the seasonal plans are 4-month plans. *Id.* (citing CX-124C); *see also* JX-33.

From the updated sales information, BriarTek submits that DeLorme generated a total revenue of \$[[ ]] from InReach hardware and subscriptions from May 2013 to December 2013. BriarTek's Reply at 5 (citing Ex. C to DeLorme's Sub.). BriarTek further contends that after subtracting out the InReach hardware revenue from this period of \$[[ ]], the total subscription revenue for this period is \$[[ ]], which is approximately [[ ]]% of the revenue received by DeLorme. *Id.* Applying this [[ ]]% ratio to the devices sold in violation of the Consent Order based on DeLorme's updated sales information, BriarTek submits that the total one-year revenue generated by sales of InReach hardware and subscriptions from April 2013 through April 2014 was \$[[ ]] (the previously calculated \$[[ ]] from InReach hardware sales divided by [[ ]]%), of which approximately \$[[ ]] is the one-year subscription revenue (\$[[ ]] minus \$[[ ]]).<sup>9</sup> *Id.* (citing Kramlich Decl. at ¶¶ 4-8; Schs. A & B). And applying a [[ ]]% profit margin on the subscription revenue, BriarTek contends that DeLorme will make a profit of approximately \$[[ ]] from its violative sales of InReach devices, which rises to \$[[ ]] for the expected at least three-year life of each device. *Id.* at 6 (citing

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<sup>9</sup> Our annual subscription revenue and total annual revenue figures here for BriarTek have been corrected from BriarTek's reply due to a discovered error in applying the [[ ]]% ratio. *See* BriarTek's Reply at 5.

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CX-39C at 24-25; CX-36C at 32-36).

Based on the above and the *EPRoMs* factors as discussed *infra*, BriarTek proposes a penalty of at least \$50,000 per day. *Id.* at 8. Accordingly, BriarTek contends that a civil penalty of \$11.45 million (\$50,000 times 229 separate days of violation) is not disproportionate to the total benefit DeLorme would receive from the infringing devices over only one year, which is approximately \$[[ ]], and is accelerating. *Id.* at 6-9; *see also* RX-45C at 9; CX-122C; CX-245C; CX-246C; CX-254C; Tr. at 267; JX-30C at Admission Nos. 15-18.

BriarTek also submits that the additional financial evidence provided by DeLorme shows that after six months of violations the entire product line has a [[ ]] gross margin of [[ ]].

*Id.* at 14-15 (citing Ex. C to DeLorme's Sub). BriarTek further submits that DeLorme cannot complain that complying with the Consent Order will shut down the InReach product line. *Id.* at 12 (citing *Windsurfing Int'l Inc. v. AMF, Inc.*, 782 F.3d 995, 1033 n.12) (holding that "one who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continued infringement destroys the business so elected."). BriarTek therefore submits that any fine set at less than the expected profit from selling the infringing devices, and associated end-user subscriptions, in violation of the Consent Order will only encourage more violations. *Id.* at 9.

The IA notes that the total number of end-user subscriptions he calculated is nearly identical to that cited by BriarTek in its initial post-hearing brief ([[ ]] versus [[ ]]). IA's Sub. at 11 (citing CX-124C; BriarTek's Initial Post-Hearing Br. at 94); *see also* JX-33. Accordingly, the IA submits that the expected annualized revenue for DeLorme from subscriptions is \$[[ ]] for each

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InReach 1.5 device (annualized revenue of \$[[ ]] divided by [[ ]] units) and \$[[ ]] for each InReach SE device (annualized revenue of \$[[ ]] divided by [[ ]] units), when revenue from the “other” category is excluded. IA’s Sub. at 12; IA’s Reply at 14. Assuming the InReach devices have an expected life of at least two years, the IA submits that the approximate revenues earned by DeLorme will be \$[[ ]] (\$[[ ]] per year times 2 years) from subscription services for each InReach 1.5 device and \$[[ ]] (\$[[ ]] per year times 2 years) for each InReach SE device. IA’s Reply at 14. The IA thus contends, when adding in the \$19.85 one-time activation fee per subscription, the approximate two-year subscription revenue from the 1,636 InReach 1.5 devices sold in violation of the Consent Order will be between \$[[ ]] and \$[[ ]], and from the 15,302 InReach SE devices sold in violation will be between \$[[ ]] and \$[[ ]]. *Id.* at 14; *see also* EID at 99-100; Kramlich Decl. at ¶¶ 4-8.

From the IA’s analysis of the *EPRoMs* factors as discussed *infra* and the updated sales information provided by DeLorme in its submission, the IA submits that DeLorme should be assessed a civil penalty of no less than \$40,000 per day for each of the 47 days of sales of the InReach 1.5 devices. The IA also submits that DeLorme should be assessed a penalty of no less than \$20,000 per day for each of the 220 days of sales of the InReach SE devices in violation of the Consent Order. IA’s Reply at 1, 11-17 (citing Kramlich Decl. at ¶¶ 4-7; Schs. A & B). The IA proposes a lower amount with respect to the SE devices because he took the position that these devices did not violate the Consent Order before the ALJ and Commission, and therefore submits that it was not unreasonable for DeLorme to believe that the SE devices were not within the scope of the Order. *See* IA’s Sub. at 15. Accordingly, the IA proposes a total penalty of no less than

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\$6,280,000 ((\$40,000 times 47 days) + (\$20,000 times 220 days)), which he submits is not disproportional, as discussed *supra*, to the value of device sales plus the expected two-year [[ ]] dollar subscription revenue that the InReach devices sold in violation will generate. IA's Reply at 14-17.

**The Parties' Arguments with Respect to the EPROMs Factors**

**Good or Bad Faith**

Regarding good or bad faith, BriarTek and the IA submit that this factor weighs in favor of a higher penalty because DeLorme did not seek the written opinion of counsel or an advisory opinion from the Commission before engaging in its violative conduct of domestically "rebuilding" and selling InReach devices, which incorporate imported components, that infringe the '380 patent under an inducement theory. BriarTek's Sub. at 15-16 (citing CX-40C at 10, 14-16); IA's Sub. at 16. Both parties submit that this failure to request such an opinion is indicative of DeLorme's bad faith in violating the Consent Order.

DeLorme submits that the language of the Consent Order supports its good-faith belief that it was not violating the order when importing components that did not directly infringe the '380 patent. DeLorme's Sub. at 7. DeLorme argues that no prior Commission precedent found a violation of a consent order based on articles that infringe under 35 U.S.C. § 271(b). *Id.* at 7-8. DeLorme also argues that it relied on the oral advice of counsel who informed respondents that "[imported] [c]omponents that infringe on the patent could not be included in the [InReach] device . . . [t]hey were covered under the Consent Order." *Id.* at 9 (citing CX-40C at 15). DeLorme interpreted this advice to mean that the Consent Order only prohibits imported components that

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directly infringe the '380 patent, and therefore submits it had a justified good-faith belief that its post-Consent Order conduct did not violate the Order.

**Injury to Complainant**

Regarding the injury to BriarTek, complainant submits that it has suffered harm from DeLorme's violative sales because respondents sell their units for less than half the price of BriarTek's competing product (the CerberLink device) [[

]]. BriarTek's Sub. at 17 (citing CX-1C at QQ. 57-58; JX-4C). Specifically, BriarTek's CEO, Mr. Landa, testified that:

[Respondents] are continuing to flood the market with cheap devices that undercut competing products. By taking the intellectual property without having to pay for it they are undercutting other companies such as YellowBrick and BriarTek Inc. that pay for those license[s]. This reduces the market share that those paying customers can get thus reducing what we get paid.

*Id.* (citing CX-1C at QQ. 58). BriarTek also contends that the Commission "has consistently held that the benefit of lower prices to consumers does not outweigh the benefit of providing complainants with an effective remedy for an intellectual property-based section 337 violation."

*Id.* at 18 (citing *Certain Ink Cartridges*, Inv. No. 337-TA-565, Comm'n Op. at 27 (Dec. 2010)). BriarTek therefore submits that this factor weighs in favor of an increased penalty to DeLorme.

The IA submits that there is no evidence that consumers who purchase the InReach devices would not have been able to afford BriarTek's competing CerberLink devices or a third-party's devices. IA's Reply at 7-8. BriarTek submits that it is the sole supplier of man overboard alarms (a "safety alarm" for sailors and rivermen) to the U.S. Navy and U.S. Army, the sole supplier of escape beacons to the UK submarine fleet, and its products are used commercially all over the



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world. BriarTek's Reply at 14 (citing CX-1C at Q. 19). Based on established goodwill with the government, both the IA and BriarTek submit that without DeLorme's violative product in the U.S. marketplace, DeLorme's customers would have gravitated to BriarTek's competing CerberLink device to meet the consumer market demand for two-way global satellite communication device. IA's Reply at 7 (citing CX-1C at ¶ 19); BriarTek's Reply at 14.

DeLorme submits that there is no evidence that a sale of an InReach device directly translates to a lost sale of BriarTek's CerberLink device. DeLorme's Sub. at 12. Rather, respondents argue that BriarTek has sold only a handful of CerberLinks throughout the lifetime of the product, has minimal inventory on hand, and has no prior history of selling into the consumer marketplace. *Id.* (citing RX-161C at Q. 202; Tr. at 115; RX-144C at ¶ 10; RX-137C at 62-63). DeLorme also notes that BriarTek's CerberLink devices retails for approximately twice the cost of the InReach devices (\$499 vs. \$200+). *Id.* DeLorme therefore submits that the InReach customers, in the absence of the InReach devices, would not purchase the BriarTek device because it is unaffordable or unavailable due to limited supply. *Id.* Respondents thus submit that there is no evidence of injury to BriarTek.

**Ability to Pay**

Regarding the ability to pay factor, BriarTek, as discussed *supra*, contends that the Commission should take into consideration the future projected revenue associated with the InReach devices sold in violation of the Consent Order (see Table 1 above). BriarTek's Sub. at 19-20. BriarTek submits that DeLorme sells the InReach devices [[

]]. *Id.* at

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19 (citing CX-47C; CX-35C at 43-45; CX-30C at Admission Nos. 19-20; CX-39C at 24-25; CX-36C at 32-36). Accordingly, BriarTek contends that the [[

]]. *Id.* For this

reason, BriarTek argues that DeLorme has had no problem paying litigation costs or paying over [[

]]. *Id.* (citing Tr. at 199). Complainant also

notes that the Commission has found that “[t]he wrongdoer’s income and revenue is an appropriate measure of the ability to pay.” *Id.* at 20 (citing *Certain Ink Cartridges*, Comm’n Op. at 30 n.12).

The IA also submits that DeLorme’s financial statement for 2012 lists current assets [[

]] as of December 31, 2012, with over \$[[ ]] being in cash and cash

equivalents. IA’s Sub. at 18 (citing RX-45C at 1). BriarTek and the IA therefore submit that this factor should weigh in favor of an increased penalty.

DeLorme argues that [[

]]. DeLorme’s Sub. at 12

(citing RX-161C at QQ. 203-07; RX-45C; RX-22C). DeLorme submits that its financial information for 2013 [[

]]. *Id.* at 12-13 (citing Kramlich Decl. at ¶ 11, Ex. C). DeLorme therefore

submits that it cannot afford to pay a substantial penalty.

**Benefit to DeLorme and Vindicating the Commission’s Authority**

BriarTek submits that the benefit to DeLorme and vindicating the Commission’s authority factors weigh in favor of an increased penalty. BriarTek’s Sub. at 21-22. BriarTek specifically argues that DeLorme’s CEO’s testimony that “this [potential ITC violation] would go away” once

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domestic assembly of the InReach devices was started shows that DeLorme did not take its obligations under the Consent Order seriously and therefore the Commission should have a strong interest in vindicating its authority. *Id.* (citing CX-255C at 102); *Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same* (“*Certain Magnets*”), Inv. No. 337-TA-372, Comm’n Determination on Violation, Comm’n Op. at 23-24, 1997 WL 857227, at \*13 (Nov. 1997) (“[The Commission’s interest in vindicating its authority] is particularly strong in the [bad faith] circumstances of this case.”).

The IA submits that the significant volume of sales of InReach 1.5 and SE devices, *i.e.*, 1,636 InReach 1.5 devices valued at \$[[ ]] and 15,302 InReach SE devices valued at \$[[ ]], evidences the benefit to DeLorme of its violation of the Consent Order. IA’s Reply at 9. The IA also submits that the approximate expected two-year revenue from the end-user subscriptions for these InReach device sales are a benefit to DeLorme, which are expected to be between \$[[ ]] and \$[[ ]] for the InReach 1.5 devices and between \$[[ ]] and \$[[ ]] for the InReach SE devices. IA’s Reply at 14.

DeLorme submits that the only benefit they received from their domestic rebuilding process was not needing to reorder Iridium 9602 modems, plastic housings, antennas, and battery terminals for the subset of the 1,636 InReach 1.5 devices that were domestically-assembled from imported InReach 1.0 devices. DeLorme’s Sub. at 13 (citing Tr. at 199; RX-8C); *see also* Kramlich Decl.; Sch. B. DeLorme further submits that any financial benefit it received from sales of domestically-assembled InReach devices has to be reduced by the more than one million-dollar cost respondents incurred in converting InReach 1.0 devices into domestically-assembled 1.5

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devices. *Id.* at 14 (citing EID at 118; RX-161C at Q. 48, 50-54, 63-67; RX-5C; RX-6C, RX-128). DeLorme also contends that the evidence is undisputed that it is selling the InReach devices at a loss, even if subscription revenue is considered, and that respondents to date have not made a profit on the product. *Id.* at 15 (citing Ex. C). DeLorme thus contends that this factor does not weigh in favor of a substantial penalty.

Regarding the need to vindicate the Commission's authority, DeLorme submits that this factor weighs against an increased penalty because it acted in good faith at all times in importing the InReach device components after the effective date of the Consent Order. *Id.* at 15.

**Public Interest including Public Health and Welfare**

BriarTek submits that "the public interest is not served if intellectual property rights are not respected, and the imposition of a penalty that is substantial enough to deter future violations is in the public interest." BriarTek's Sub. at 24 (citing *Certain Ink Cartridges*, Comm'n Op. at 38). BriarTek further submits that the Consent Order's non-detrimental impact on the public health and welfare was resolved as a condition for entry of the Consent Order, and cites the ALJ's initial determination which terminated the underlying investigation which states:

Therefore, I find that termination of this Investigation is in the public interest and does not impose any undue burdens on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.

*Id.* at 24-25 (citing Inv. 337-TA-854, Order No. 21 at 6 (Mar. 15, 2013)).

In addition, BriarTek contends that there is no evidence that its licensees cannot meet the customer demand for products. *Id.* at 25. BriarTek also submits that the U.S. government's use

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of DeLorme's InReach devices [[

]]. [[ ]], BriarTek submits that the government uses [[ ]]. *Id.* (citing Tr. at 117; RX-161C at QQ.

14-15; EID at 53; Inv. No. 337-TA-854, DeLorme's Answer at 20 (October 23, 2012)).

Accordingly, BriarTek submits that the public interest factor does not deter an increased penalty.

The IA submits that there is no evidence that imposing a civil penalty in proportion to the number of violations proven by substantial evidence would raise any public interest concerns.

IA's Sub. at 21. The IA further submits that there is no evidence that BriarTek or another third-party cannot fill the need in the marketplace for two-way global satellite communication devices since BriarTek has "made and sold well over 100,000 units [of man overboard alarms]." *Id.* at 18 (citing CX-1C at ¶ 19).

DeLorme submits that the protection of intellectual property rights cannot be said to be "the *only* interest of the public." DeLorme's Sub. at 16 (emphasis in original) (citing *Rosemount v. ITC*, 910 F.2d 819, 822 (Fed. Cir. 1990) ("[The Court] also agree[s] with the Commission's rejection of the view that the public interest inevitably lies on the side of the patent owner because of the public interest in protecting patent rights . . . other public interest factors are delineated [by the statute]")). DeLorme submits that when a product serves an important health or welfare purpose, the public interest weighs strongly against the imposition of any penalty that will negatively impact the availability of that product in the marketplace. *Id.* at 17 (citing *Certain Fluidized Supporting Apparatus and Components* ("Certain Fluidized Apparatus"), Inv. No.

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337-TA-182/188, Comm'n Opinion, 1984 WL 63741, \*11 (Oct. 1984) (hospital beds)). Here, DeLorme submits that its domestically-assembled InReach devices serve an important public safety purpose for both the general public and the U.S. government – it is “a *life-saving* device.” *Id.* (emphasis in original).

DeLorme further submits that BriarTek does not have the production facilities to fulfill DeLorme's market share and that the competing CerberLink device retails at approximately twice the price of the InReach device. *Id.* at 18 (citing RX-161C at Q. 201). DeLorme thus contends that imposition of a substantial civil penalty that hampers its ability to provide this device will have a significant negative impact on public safety and welfare. Accordingly, respondents submit that this factor weighs against a significant penalty.

**D. Analysis**

*1. Enforcement Measures and EPROMs Factors*

The Commission has determined not to issue a limited exclusion order for DeLorme's violation of the Consent Order with respect to the infringing InReach 1.5 and SE devices. *See* EID at 105. We find that the existing Consent Order and the civil penalty, as discussed *infra*, will be enough of a deterrent to discourage DeLorme from continuing to sell imported devices or components to be incorporated into devices within the United States in violation of the Order. We also find that the value of DeLorme's end-user subscriptions that enable use of the infringing articles should be taken into account in the *EPROMs* analysis. It is the combination of the InReach device and a subscription to use the accused system that underlies the finding of induced infringement of the '380 patent and violation of the Consent Order. *See* EID at 83-93, 99-100.

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Upon consideration of the record evidence including the parties' submissions, the Commission agrees with a majority of the ALJ's recommendations on the *EPROMs* factors. First, we agree with the ALJ that the record evidence supports a finding of bad faith in DeLorme's violation of the Consent Order. DeLorme continued to use imported components to make and sell articles that were used to infringe the '380 patent after the issuance of the Consent Order. DeLorme harvested imported batteries, plastic housing, antennas, and Iridium modems from imported InReach 1.0 devices to assemble InReach 1.5 devices sold in the United States after issuance of the Consent Order. *See* Tr. at 194-96, 202-06; CX-41C at 14-16; CX-40C at 48. DeLorme continued to sell converted InReach 1.5 devices at least until November 2013, several months after the enforcement proceeding was instituted in May 2013. *See* Heffron Decl. at ¶¶ 5-8; Kramlich Decl. at ¶ 6. Moreover, after issuance of the Consent Order, DeLorme also commenced sales of its InReach SE devices which are made using imported plastic housing that it designed. DeLorme also denied the fact that the InReach SE devices do indeed incorporate the imported plastic housing whose design and importation is controlled by DeLorme. *See* EID at 94-95; Kramlich Decl. at ¶ 4; Sch. A; CX-305C; Tr. at 189-91.

Moreover, DeLorme's argument of good faith compliance with the terms of the order is unsupported by any indication in the record that DeLorme relied upon a written opinion of counsel or that it requested an advisory opinion or sought a modification of the order from the Commission. As mentioned above, the Consent Order was proposed by and unilaterally entered into by DeLorme, and its language prohibits sale after importation of "*any* imported two-way global satellite communication devices, system, and *components thereof* that infringe" the '380

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patent. See Consent Order at ¶ 1; Inv. No. 337-TA-854, Order No. 21. Consistent with 35 U.S.C. § 271, “infringement” includes “induced infringement,” and DeLorme knew that BriarTek had alleged induced infringement in its complaint in the underlying investigation. See 35 U.S.C. § 271(b); Inv. No. 337-TA-854, Complaint at ¶ 43-44. Accordingly, we do not find DeLorme’s arguments that it somehow narrowly interpreted “infringe” in the Consent Order as “directly infringe” as persuasive.

In addition, after unilaterally entering into the Consent Order, DeLorme had an affirmative duty to take “energetic steps” to do “everything in [its] power” to assure compliance with that order. *Certain Magnets*, at \*10. Further, by promising to refrain from importing and selling any infringing devices, system, and components thereof, DeLorme was under a duty “to stay several healthy steps away” from violating the Consent Order. *Id.* There is a need to vindicate the Commission’s authority under these circumstances.

Regarding the benefit to DeLorme, the record evidence shows the clear financial benefit to respondents from the sales in violation of the Consent Order. Specifically, DeLorme generated a revenue of approximately \$[[     ]] from violative post-Consent Order sales of 1,600 InReach 1.5 devices until Nov. 13, 2014,<sup>10</sup> and also generated a revenue of \$[[     ]] from post-Consent Order

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<sup>10</sup> The ALJ found that the total number of InReach 1.5 devices sold in violation of the Consent Order had to be reduced by 36 units because DeLorme submitted that 36 of the total 1.5 devices sold through November 13, 2013, did not reuse the plastic housing from the imported InReach 1.0 devices and instead incorporated new plastic. EID at 99-100 (citing Tr. at 268-69). Therefore, we reduce the 1,636 InReach 1.5 devices that DeLorme reports as sold through this date to 1,600 devices sold in violation of the Consent Order. See Kramlich Decl. at ¶ 6.



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violative sales of 15,302 InReach SE devices.<sup>11</sup> See Kramlich Decl.; Schs. A & B. Using an estimate of at least \$[[ ]] of revenue from a one-year subscription for each of the 1.5 devices and \$[[ ]] of revenue from a one-year subscription for each of the SE devices, DeLorme will generate a total one-year subscription revenue of \$[[ ]] for the 1.5 devices (\$[[ ]] times 1,600 devices) and a total one-year subscription revenue of \$[[ ]] for the SE devices (\$[[ ]] times 15,302 units) sold in violation. These estimates of subscription revenue are reasonable in view of the record evidence. See Kramlich Decl.; Schs. A & B; CX-124C; JX-33; Tr. at 73. The expected life of the InReach device subscriptions is at least two years. See CX-36C at 33-34. DeLorme has also gained a reputation as a reliable resource for two-way global satellite messaging systems by selling the infringing devices. See CX-2C at Q. 194; JX-33; CX-33C at 56-58; RX-161C at Q. 158; CX-0085C; CX-0002C at QQ. 195-96.

Further, we find that the ability to pay factor does not dissuade the Commission from imposing a significant penalty here for DeLorme's bad-faith violation of the Consent Order. Although DeLorme submits that it [[ ]], the record evidence here shows that DeLorme still has the ability to pay the recommended civil penalty because DeLorme generates an annual net sales revenue of over \$[[ ]], including over \$[[ ]] from InReach devices and subscriptions, and has an annual gross margin still over \$[[ ]] after subtracting the

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<sup>11</sup> We have used the updated sales figures for the InReach 1.5 and SE devices reported in the Kramlich declaration submitted by DeLorme. See Kramlich Decl. at ¶¶ 4-6, 9. We disagree with DeLorme's argument that these sales figures should be reduced by the number of returns/replacements because the Consent Order includes "offer for sale" within its scope. See DeLorme's Sub. at 4-5; Consent Order at ¶ 1. Moreover, any replacement device would be activated.

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cost of goods sold. *See* DeLorme's Sub. at Ex. C. The facts here are similar to those in *Certain Lens-Fitted Film Packages*, 337-TA-406, Enforcement Initial Determination (May 2, 2002). In that investigation, the Commission affirmed the ALJ's civil penalty of \$1.6 million directed to respondent Photoworks Inc. ("Photoworks"), which asserted it operated at loss, for violation of a cease and desist order. *See* ALJ's EID at 117-21; Comm'n Op. at 17-18, 21-22 (May 22, 2003). In that case, Photoworks never sought an advisory opinion from the Commission and continued to sell violative products even after exclusion notification from Customs. *Id.* at 117-18. The Commission also noted that Photoworks had a two-year sales revenue of over \$3 million. *Id.*

Similarly, here, DeLorme did not seek a written opinion of counsel or a Commission advisory opinion. DeLorme also continued to sell violative devices after institution of the enforcement proceeding and even after issuance of the ALJ's EID finding a violation.

DeLorme's annual net sales revenue over \$[[ ]], including over \$[[ ]] from InReach devices and subscriptions, supports a substantial penalty. Accordingly, we do not find that the total civil penalty amount should be greatly reduced in view of DeLorme's claims of [[ ]] given DeLorme's bad-faith, violative conduct that generates [[ ]] dollar revenue.

We also note DeLorme's argument that not all sales of InReach devices result in activations and subsequent infringement. *See* CX-40C at 55-56; CX-255C at 39. However, DeLorme has not shown any evidence that a failure to activate some devices should reduce the total days in violation. DeLorme has provided no evidence that any day of sale of infringing InReach devices was exclusively of non-activated InReach devices. *See* CX-40C at 55-56;

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CX-255C at 39. Moreover, DeLorme's CEO and President stated that in order to receive a rebate such as two months' free air time, the customer must activate the InReach device. *See* CX-40C at 56-58. The customer must also activate the InReach device to enable two-way messaging, which is acknowledged by DeLorme as a critical selling feature of the device. *See* CX-2C at Q. 194; JX-33; CX-33C at 56-58; RX-161C at Q. 158; CX-0085C; CX-0002C at QQ. 195-96.

Accordingly, we find that there is no incentive for a customer to purchase an accused InReach device and not activate it. We therefore find the evidence does not support reducing the total number of days of violation of the Consent Order based on DeLorme's claim that some InReach devices are never activated.

Regarding public interest, DeLorme mistakenly equates the circumstances here with those in *Rosemount* and *Certain Fluidized Apparatus*. Those cases analyzed factors relating to the imposition of exclusion orders. Here, unlike in those cases, a Consent Order has issued. The Commission already considered the public interest when entering that Order. *See* 78 *Fed. Reg.* 21629 (Apr. 11, 2013). The Consent Order here, as unilaterally proposed by and entered into by DeLorme, prohibits the violative imports and sales after importation conducted by DeLorme. *See* Consent Order at ¶ 1. No matter the amount of the civil penalty, DeLorme is prohibited from selling InReach devices within the United States that include imported infringing components. Further, we find that the "the public interest is not served if intellectual property rights are not respected, and the imposition of a penalty that is substantial enough to deter future violations is in the public interest." *See Certain Ink Cartridges*, Comm'n Op. at 38. Moreover, it is consistent with Commission policy to enforce intellectual property rights here, where the record evidence

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does not demonstrate that any benefit of lower prices to consumers for respondents' devices should outweigh that enforcement. *See Certain Ink Cartridges*, Comm'n Op. at 27. We therefore do not find DeLorme's public interest arguments as persuasive, and determine that the public interest weighs in favor of a substantial penalty.

Finally, we agree with the ALJ that there is little evidence of actual harm to BriarTek given that the record evidence shows minimal sales of BriarTek's competing product over the last few years. *See* RX-144C at 10; RX-137C at 62-63. However, we find that the other five *EPRoMs* factors, as discussed *supra*, weigh significantly in favor of a substantial civil penalty for DeLorme's violation of the Consent Order.

*2. Days of Sale in Violation and Civil Penalty Amount*

From DeLorme's supplemental sales information submitted to the Commission, there is sufficient record evidence that DeLorme sold InReach 1.5 and SE devices on 227 separate days in violation of the Consent Order. *See* Kramlich Decl.; Schs. A & B. The Commission arrives at the 227 days in violation as follows. First, DeLorme admits to 229 separate days of post-Consent Order sales of the InReach 1.5 and/or SE devices.<sup>12</sup> *Id.* Second, given DeLorme's contention, as supported by the record evidence, that all InReach 1.5 device sales after Nov. 13, 2013, did not include any imported components, there is a need to determine if removal of those InReach 1.5 device sales reduces the total number of 229 separate days on which 1.5 and/or SE devices were

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<sup>12</sup> Broken down by specific device, DeLorme admits to post-Consent Order sales of InReach 1.5 devices on 47 days until Nov. 13, 2013, another 45 days of InReach 1.5 device sales after Nov. 13, 2013, and post-Consent Order sales of InReach SE devices on 220 days. *See* Kramlich Decl.; Schs. A & B. When the overlap in sales days is taken into account for the InReach 1.5 and SE devices, the total separate days of post-Consent Order sales comes to 229 days. *Id.*

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sold after the effective date of the Consent Order. *See* Michael Heffron Decl. at ¶ 7; Kramlich Decl.; Schs. A & B. Comparing the sales information for the InReach 1.5 and SE devices after Nov. 13, 2013, we find that there are only two days, *i.e.*, Feb. 18, 2014 and Mar. 27, 2014, where there was a sale of InReach 1.5 devices and no corresponding sale of InReach SE devices. *See* Schs. A & B. Therefore, we find that the total number of separate days of InReach 1.5 and SE device sales in violation of the Consent Order is reduced to 227 days.

Based on the *EPRoMs* factors, the Commission has determined to impose a \$27,500 per day penalty. We impose a higher per day penalty than that recommended by the ALJ due to the 15,302 InReach SE devices sold on 220 days in violation of the Consent Order which the ALJ did not take into account since she found no violation with respect to the SE devices. This penalty is also consistent, as described *infra*, with BriarTek's proposal of a penalty that is proportionate to the expected revenue from DeLorme's violative sales. In addition, our imposed penalty is approximately an average of the two separate amounts (\$40,000 per day and \$20,000 per day) that the IA proposed for DeLorme's violation regarding the infringing InReach 1.5 and SE devices, respectively. We disagree with the IA's rationale for a lower per day penalty for DeLorme's violation with respect to the SE devices because the Commission has found bad faith by respondents with respect to post-Consent Order sales of both the InReach 1.5 and SE devices.

Accordingly, our imposition of a \$27,500 per day penalty results in a total civil penalty for DeLorme of \$6,242,500 (\$27,500 times 227 days). This per day penalty is slightly more than a quarter of the maximum per day penalty of \$100,000 allowed by statute. *See* 19 U.S.C. § 1337(f)(2). This total civil penalty amount is also less than the total gross margin of \$[[ ]]

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generated by DeLorme in 2013 from overall sales including sales and subscriptions for violative products. Further, based on the supplemental financial information through April 24, 2014, submitted by DeLorme, the total approximate value (device sales plus one-year subscription revenue) DeLorme receives from its violative sales of 1,600 InReach 1.5 devices and 15,302 InReach SE devices is \$[[ ]] (\$[[ ]] total revenue from 1.5 devices plus \$[[ ]] total revenue from SE devices) with an expected annual profit of \$[[ ]] ([[ ]]% times (\$[[ ]])) assuming a [[ ]]% profit margin on the subscription revenue which is reasonable based on the record evidence. *See* CX-39C at 24-25.

Accordingly, our \$6,242,500 civil penalty, which takes into account the minimal harm to BriarTek and DeLorme's operating budget [[ ]], is approximately [[ ]] of the revenue DeLorme will generate and [[ ]] the expected profit DeLorme will make from its violative sales. *See* Ex. C. Moreover, the record evidence indicates that [[ ]] approximately [[ ]]% of DeLorme's one-year subscriptions are renewed, so therefore the subscription revenue generated from DeLorme's violation of the Consent Order will continue for multiple years. *See* CX-36C at 33-34. We therefore find that this civil penalty amount is appropriately proportionate to the value that the violative InReach devices bring to DeLorme. *See San Huan*, 161 F.3d at 1364 (the Court finding that the Commission's penalty of "about three times the value [of the illegal imports] is well within constitutional limits."). We also find that this penalty amount is consistent with Commission policy of deterring future violations while not driving DeLorme out of business. *See Certain Ink Cartridges*, Comm'n Op. at 27.

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**V. CONCLUSION**

The Commission has determined the following: adopted the ALJ's conclusion that DeLorme violated the Consent Order with respect to the infringing InReach 1.5 devices; found that DeLorme violated the Consent Order with respect to the infringing InReach SE devices; and has increased the number of violative days to 227 days. The Commission has also determined to impose a civil penalty in the amount of \$27,500 per day of violation resulting in a total of \$6,242,500 for the 227 days of violation.

By order of the Commission.



Lisa R. Barton  
Secretary to the Commission

Issued: July 1, 2014

**CERTAIN TWO-WAY GLOBAL SATELLITE  
COMMUNICATION DEVICES, SYSTEMS AND  
COMPONENTS THEREOF**

**337-TA-854  
(Enforcement  
Proceedings)**

**CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **Commission Opinion** has been served by hand upon the Commission Investigative Attorney, Brian Koo, Esq. and the following parties as indicated, on **July 2, 2014**.



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