

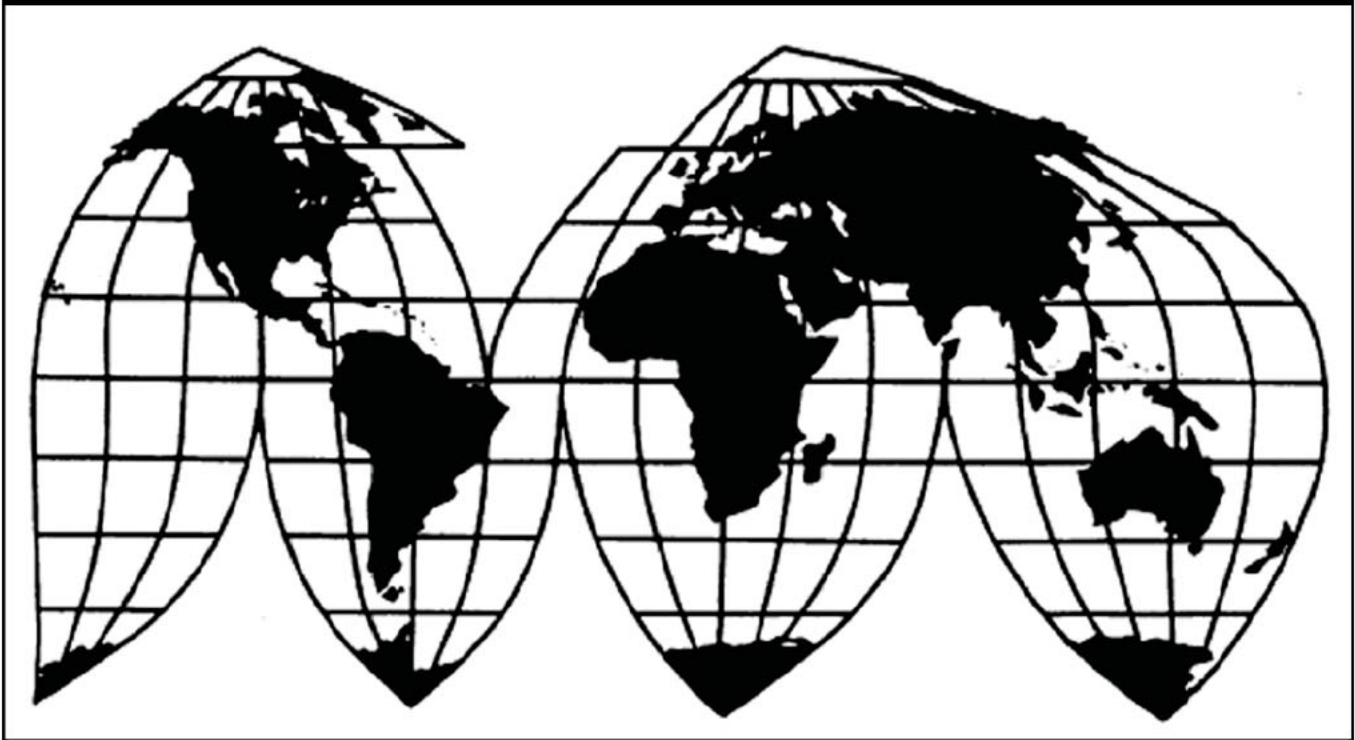
*In the Matter of*  
**Certain Foam Footwear**

Investigation No. 337-TA-567

**Publication 4260**

**October 2011**

**U.S. International Trade Commission**



Washington, DC 20436

# **U.S. International Trade Commission**

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United States International Trade Commission  
Washington, DC 20436**

# U.S. International Trade Commission

Washington, DC 20436  
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## *In the Matter of* **Certain Foam Footwear**

Investigation No. 337-TA-567







**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C. 20436**

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**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

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**FINAL COMMISSION DETERMINATION OF VIOLATION; ISSUANCE OF A  
GENERAL EXCLUSION ORDER AND CEASE AND DESIST ORDERS; AND  
TERMINATION OF THE INVESTIGATION**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has terminated the above-captioned investigation with a finding of violation of section 337, and has issued a general exclusion order directed against infringing foam footwear products, and cease and desist orders directed against respondents Double Diamond Distribution Ltd. ("Double Diamond") of Canada, Effervescent Inc. ("Effervescent") of Fitchburg, Massachusetts, and Holey Soles Holding Ltd. ("Holey Soles") of Canada.

**FOR FURTHER INFORMATION CONTACT:** Clint Gerdine, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-5468. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation on May 11, 2006, based on a complaint, as amended, filed by Crocs, Inc. ("Crocs") of Niwot, Colorado. 71 *Fed. Reg.* 27514-15 (May 11, 2006). The complaint alleged violations of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. §1337), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear, by reason of infringement of claims 1-2 of U.S. Patent No. 6,993,858 ("the '858

patent"); U.S. Patent No. D517,789 ("the '789 patent"); and the Crocs trade dress (the image and overall appearance of Crocs-brand footwear). The complaint further alleged that an industry in the United States exists as required by subsection (a)(2) of section 337, and requested that the Commission issue a permanent general exclusion order and permanent cease and desist orders. The complaint named eleven (11) respondents that included: (1) Collective Licensing International, LLC of Englewood, Colorado; (2) Double Diamond; (3) Effervescent; (4) Gen-X Sports, Inc. of Toronto, Ontario; (5) Holey Soles; (6) Australia Unlimited, Inc. of Seattle, Washington; (7) Cheng's Enterprises Inc. of Carlstadt, New Jersey; (8) D. Myers & Sons, Inc. of Baltimore, Maryland; (9) Inter-Pacific Trading Corp. of Los Angeles, California; (10) Pali Hawaii of Honolulu, Hawaii; and (11) Shaka Shoes of Kaliua-Kona, Hawaii. The Commission terminated the investigation as to the trade dress allegation on September 11, 2006. A twelfth respondent, Old Dominion Footwear, Inc. of Madison Heights, Virginia, was added to the investigation on October 10, 2006. All but three respondents have been terminated from the investigation on the basis of a consent order, settlement agreement, or undisputed Commission determination of non-infringement. The three remaining respondents are Double Diamond, Effervescent, and Holey Soles.

On April 11, 2008, the presiding administrative law judge ("ALJ") issued his final initial determination ("ID") finding no violation of section 337. The ALJ found non-infringement and non-satisfaction of the technical prong of the domestic industry requirement with respect to the '789 patent, and found that the '858 patent was proven invalid as obvious under 35 U.S.C. § 103. The ALJ's final ID made no finding on whether either asserted patent was unenforceable due to inequitable conduct. The ALJ's final ID also included his recommendation on remedy and bonding should the Commission find that there was a violation. On July 25, 2008, after review, the Commission affirmed the ALJ's final ID with certain modifications and clarifications, and terminated the investigation with a finding of no violation of section 337. The Commission took no position regarding the issue of enforceability of the '858 and '789 patents. On February 24, 2010, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") issued its judgment overturning the Commission's findings regarding invalidity of the '858 patent, and non-infringement/lack of domestic industry concerning the '789 patent. *See Crocs, Inc. v. United States Int'l Trade Comm'n*, 598 F.3d 1294, 1311 (Fed. Cir. 2010). The Federal Circuit also specifically "remand[ed] the investigation for a determination of infringement of the '858 patent and any appropriate remedies." *Id.* On July 6, 2010, the Commission remanded the investigation to the ALJ to decide the remaining issue of enforceability of the patents.

On February 9, 2011, the ALJ issued his remand ID finding that the asserted patents were not unenforceable. On February 25, 2011, respondents Effervescent and Double Diamond filed both a joint petition for review of the remand ID and a motion for leave to file the petition two (2) days late. On March 4, 2011, the Commission issued an order declining to grant the motion, but without prejudice to respondents refiling their motion stating good cause for the enlargement of time. On March 16, 2011, respondents Effervescent and Double Diamond filed a joint motion for an enlargement of the time for filing petitions for review of the remand ID. On March 18, 2011, the Commission issued an order granting the motion for an enlargement of time and

making responses due on March 28, 2011. On March 28, 2011, Crocs and the Commission investigative attorney ("IA") each filed a brief in response to respondents' petition for review.

On April 25, 2011, the Commission issued notice of its determination not to review the ALJ's remand ID and requested written submissions on the issues of remedy, the public interest, and bonding from the parties and interested non-parties. *See 76 Fed. Reg. 24052-53* (April 29, 2011). The Commission's notice also included its determination to reaffirm the ALJ's previous ruling that claims 1 and 2 of the '858 patent are infringed by Effervescent's accused products, and that claim 2 of the '858 patent is infringed by Double Diamond's accused products. *See 73 Fed. Reg. 35710-11* (June 24, 2008); Remand ID at 2 (February 9, 2011) (*citing* Final ID at 121 (April 11, 2008)); Comm'n Op. at 3-4, n. 1 (July 25, 2008). These actions, along with the Federal Circuit's decision, resulted in a finding of a violation of section 337 with respect to both asserted patents by Double Diamond and Effervescent. Holey Soles was found in violation with respect to the '789 patent based on the Federal Circuit's reversal of non-infringement and lack of domestic industry as to this patent. *See Crocs*, 598 F.3d at 1311.

On May 6 and 13, 2011, respectively, complainant Crocs and the IA filed briefs and reply briefs on remedy, the public interest, and bonding. Also, on May 6 and 13, 2011, respectively, respondent Effervescent filed a brief and reply brief on these issues. Respondent Double Diamond filed a reply brief on May 13, 2011.

The Commission has made its determination on the issues of remedy, the public interest, and bonding. The Commission has determined that the appropriate form of relief is both: (1) a general exclusion order prohibiting the unlicensed entry of foam footwear that infringe one or more of (i) claims 1-2 of the '858 patent, and (ii) the claimed design of the '789 patent; and (2) cease and desist orders prohibiting Double Diamond, Effervescent, and Holey Soles from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, foam footwear that infringe one or more of (i) claims 1 or 2 of the '858 patent, and (ii) the claimed design of the '789 patent.

The Commission further determined that the public interest factors enumerated in section 337(d)(1) (19 U.S.C. § 1337(d)(1)) do not preclude issuance of the general exclusion order or the cease and desist orders. Finally, the Commission determined to set a bond of \$0.00 for Double Diamond's covered products, a bond of \$0.01 per pair of shoes for Holey Soles' covered products, a bond of \$0.05 per pair of shoes for Effervescent's covered products, and a bond of 100% of the entered value (for all other covered products) to permit temporary importation during the period of Presidential review (19 U.S.C. § 1337(j)). The Commission's orders and opinion were delivered to the President and to the United States Trade Representative on the day of their issuance.

The Commission has terminated this investigation. The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and in section 210.50 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.50).

By order of the Commission.



James R. Holbein  
Secretary to the Commission

Issued: July 15, 2011

**UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C. 20436**

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**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

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**GENERAL EXCLUSION ORDER**

The Commission has determined that there is a violation of Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the unlawful importation and sale of certain foam footwear that infringe claims 1 and 2 of U.S. Patent No. 6,993,858 ("the '858 patent") and U.S. Design Patent No. D517,789 ("the '789 patent").

Having reviewed the record in this investigation, including the written submissions of the parties, the Commission has made its determinations on the issues of remedy, the public interest, and bonding. The Commission has determined that a general exclusion from entry for consumption is necessary to prevent circumvention of an exclusion order limited to products of named persons and because there is a pattern of violation of section 337 and it is difficult to identify the source of infringing products. Accordingly, the Commission has determined to issue a general exclusion order prohibiting the unlicensed importation of infringing foam footwear.

The Commission has also determined that the public interest factors enumerated in 19 U.S.C. § 1337(d) do not preclude issuance of the general exclusion order, and that there shall be no bond for respondent Double Diamond Distribution Ltd.'s (Double Diamond Distribution Ltd.

of 3715A Thatcher Ave., Saskatoon, Saskatchewan, Canada SR7 1B8) ("Double Diamond") covered products, a bond of \$0.01 per pair of shoes for respondent Holey Soles Holding Ltd.'s (Holey Soles Holding Ltd., 1628 West 75th Avenue, Vancouver, Canada V6P 6G2) ("Holey Soles") covered products, a bond of \$0.05 per pair of shoes for respondent Effervescent, Inc.'s (Effervescent, Inc., 24 Scott Road, Fitchburg, Massachusetts 01420) ("Effervescent") covered products, and a 100% bond (for all other covered products) during the period of Presidential review.

Accordingly, the Commission hereby **ORDERS** that:

1. Foam footwear covered by one or more of claims 1 and 2 of the '858 patent or by the '789 patent are excluded from entry into the United States for consumption, entry for consumption from a foreign-trade zone, or withdrawal from a warehouse for consumption, for the remaining terms of the patents, except under license of the patent owner or as provided by law.

2. Notwithstanding paragraph 1 of this Order, the aforesaid foam footwear are entitled to entry into the United States for consumption, entry for consumption from a foreign-trade zone, or withdrawal from a warehouse for consumption, under a bond in the amount of \$0.00 for Double Diamond's covered products, \$0.01 per pair of shoes for Holey Soles' covered products, \$0.05 per pair of shoes for Effervescent's covered products, and 100% of the entered value (for all other covered products) pursuant to subsection (j) of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337(j), and the Presidential Memorandum for the United States Trade Representative of July 21, 2005 (70 *Fed. Reg.* 43251), from the day after this Order

is received by the United States Trade Representative and until such time as the United States Trade Representative notifies the Commission that this Order is approved or disapproved but, in any event, not later than sixty (60) days after the date of receipt of this Order.

3. At the discretion of U.S. Customs and Border Protection ("CBP") and pursuant to procedures it establishes, persons seeking to import foam footwear that are potentially subject to this Order may be required to certify that they are familiar with the terms of this Order, that they have made appropriate inquiry, and thereupon state that, to the best of their knowledge and belief, the products being imported are not excluded from entry under paragraph 1 of this Order. At its discretion, CBP may require persons who have provided the certification described in this paragraph to furnish such records or analyses as are necessary to substantiate the certification.

4. In accordance with 19 U.S.C. § 1337(l), the provisions of this Order shall not apply to foam footwear that are imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government.

5. The Commission may modify this Order in accordance with the procedures described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

6. The Commission Secretary shall serve copies of this Order upon each party of record in this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and U.S. Customs and Border Protection.

7. Notice of this Order shall be published in the *Federal Register*.

By order of the Commission.

A handwritten signature in black ink, appearing to read "J R Holbein", written in a cursive style.

James R. Holbein  
Secretary to the Commission

Issued: July 15, 2011



**UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C. 20436**

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**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

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**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED THAT Double Diamond Distribution Ltd. of 3715A Thatcher Ave., Saskatoon, Saskatchewan, Canada SR7 1B8 cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, foam footwear that infringe one or more of claim 2 of U.S. Patent No. 6,993,858 ("the '858 patent") and U.S. Design Patent No. D517,789 ("the '789 patent") in violation of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

**I.**

**Definitions**

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "Complainant" shall mean Crocs, Inc., 6273 Monarch Park Place, Niwot, Colorado

80503.

(C) "Respondent" shall mean Double Diamond Distribution Ltd. of 3715A Thatcher Ave., Saskatoon, Saskatchewan, Canada SR7 1B8.

(D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority owned or controlled subsidiaries, successors, or assigns.

(F) "United States" shall mean the fifty States, the District of Columbia, and Puerto Rico.

(G) The terms "import" and "importation" refer to importation for entry for consumption under the Customs laws of the United States.

(H) The term "covered products" shall mean foam footwear that infringe one or more of claim 2 of the '858 patent and the '789 patent.

## II.

### **Applicability**

The provisions of this Cease and Desist Order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

## III.

### **Conduct Prohibited**

The following conduct of the Respondent in the United States is prohibited by the Order.

For the remaining term of the relevant '858 or '789 patent, Respondent shall not:

(A) import or sell for importation into the United States covered products;

(B) market, distribute, offer for sale, sell, or otherwise transfer (except for exportation), in the United States imported covered products;

(C) advertise imported covered products;

(D) solicit U.S. agents or distributors for imported covered products; or

(E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered products.

#### **IV.**

##### **Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, the owner of the '858 and '789 patents licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered products by or for the United States.

#### **V.**

##### **Reporting**

For purposes of this reporting requirement, the reporting periods shall commence on July 1 of each year and shall end on the subsequent June 30. However, the first report required under this section shall cover the period from the date of issuance of this Order through June 30, 2012.

This reporting requirement shall continue in force until such time as Respondent will have truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that Respondent has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period. Respondents filing written submissions must file the original document and two copies with the Office of the Secretary. Any Respondent desiring to submit a document to the Commission in confidence must file the original and a public version of the original with the Office of the Secretary and serve a copy of the confidential version on Complainant's counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this Order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

## **VI.**

### **Record-keeping and Inspection**

(A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.

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<sup>1</sup> Complainant must file a letter with the Secretary identifying the attorney to receive the reports or bond information. The designated attorney must be on the protective order entered in the investigation.

(B) For the purposes of determining or securing compliance with this Order and for no other purpose, and subject to any privilege recognized by the federal courts of the United States, duly authorized representatives of the Commission, upon reasonable written notice by the Commission or its staff, shall be permitted access and the right to inspect and copy in Respondent's principal office during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, both in detail and in summary form as are required to be retained by subparagraph VI(A) of this Order.

## **VII.**

### **Service of Cease and Desist Order**

Respondent is ordered and directed to:

(A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;

(B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII (A) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the dates of expiration of the '858 and '789 patents.

## **VIII.**

### **Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Sections V and VI of the Order should be in accordance with Commission Rule 210.6, 19 C.F.R. § 201.6. For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

## **IX.**

### **Enforcement**

Violation of this Order may result in any of the actions specified in section 210.75 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.75, including an action for civil penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S.C. § 1337(f), and any other action as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

## **X.**

### **Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.

## **XI.**

### **Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative as delegated by the President, 70 *Fed Reg* 43251 (July 21, 2005), subject to Respondent posting a bond of \$0.00. This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered products imported on or after the date of issuance of this order are subject to the entry bond as set forth in the general exclusion order issued by the Commission, and are not subject to this bond provision.


The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. *See* Commission Rule 210.68, 19 C.F.R. § 210.68. The bond and any accompanying documentation is to be provided to and approved by the Commission prior to the commencement of conduct which is otherwise prohibited by Section III of this Order. Upon acceptance of the bond by the Secretary, (a) the Secretary will serve an acceptance letter on all parties and (b) the Respondent must serve a copy of the bond and any accompanying documentation on Complainant's counsel.

The bond is to be forfeited in the event that the United States Trade Representative approves, or does not disapprove within the review period, this Order, unless the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or unless Respondent exports the products

subject to this bond or destroys them and provides certification to that effect satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved, or not disapproved, by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By Order of the Commission.



James R. Holbein  
Secretary to the Commission

Issued: July 15, 2011



**UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C. 20436**

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**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

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**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED THAT Effervescent, Inc., 24 Scott Road, Fitchburg, Massachusetts 01420, cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, foam footwear that infringe one or more of claims 1 and 2 of U.S. Patent No. 6,993,858 ("the '858 patent") and U.S. Design Patent No. D517,789 ("the '789 patent") in violation of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

**I.**

**Definitions**

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "Complainant" shall mean Crocs, Inc., 6273 Monarch Park Place, Niwot, Colorado

80503.

(B) market, distribute, offer for sale, sell, or otherwise transfer (except for exportation), in the United States imported covered products;

(C) advertise imported covered products;

(D) solicit U.S. agents or distributors for imported covered products; or

(E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered products.

#### **IV.**

##### **Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, the owner of the '858 and '789 patents licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered products by or for the United States.

#### **V.**

##### **Reporting**

For purposes of this reporting requirement, the reporting periods shall commence on July 1 of each year and shall end on the subsequent June 30. However, the first report required under this section shall cover the period from the date of issuance of this Order through June 30, 2012. This reporting requirement shall continue in force until such time as Respondent will have truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that Respondent has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period. Respondents filing written submissions must file the original document and two copies with the Office of the Secretary. Any Respondent desiring to submit a document to the Commission in confidence must file the original and a public version of the original with the Office of the Secretary and serve a copy of the confidential version on Complainant's counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this Order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

## **VI.**

### **Record-keeping and Inspection**

(A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.

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<sup>1</sup> Complainant must file a letter with the Secretary identifying the attorney to receive the reports or bond information. The designated attorney must be on the protective order entered in

(B) For the purposes of determining or securing compliance with this Order and for no other purpose, and subject to any privilege recognized by the federal courts of the United States, duly authorized representatives of the Commission, upon reasonable written notice by the Commission or its staff, shall be permitted access and the right to inspect and copy in Respondent's principal office during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, both in detail and in summary form as are required to be retained by subparagraph VI(A) of this Order.

## VII.

### Service of Cease and Desist Order

Respondent is ordered and directed to:

(A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;

(B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII (A) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

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the investigation.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the dates of expiration of the '858 and '789 patents.

## **VIII.**

### **Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Sections V and VI of the Order should be in accordance with Commission Rule 210.6, 19 C.F.R. § 201.6. For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

## **IX.**

### **Enforcement**

Violation of this Order may result in any of the actions specified in section 210.75 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.75, including an action for civil penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S.C. § 1337(f), and any other action as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

## **X.**

### **Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.

## XI.

### **Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative as delegated by the President, 70 *Fed Reg* 43251 (July 21, 2005), subject to Respondent posting a bond in the amount of \$0.05 per pair of shoes for Effervescent's covered products. This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order.

Covered products imported on or after the date of issuance of this order are subject to the entry bond as set forth in the general exclusion order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. *See* Commission Rule 210.68, 19 C.F.R. § 210.68. The bond and any accompanying documentation is to be provided to and approved by the Commission prior to the commencement of conduct which is otherwise prohibited by Section III of this Order. Upon acceptance of the bond by the Secretary, (a) the Secretary will serve an acceptance letter on all parties and (b) the Respondent must serve a copy of the bond and any accompanying documentation on Complainant's counsel.

The bond is to be forfeited in the event that the United States Trade Representative approves, or does not disapprove within the review period, this Order, unless the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final

determination and order as to Respondent on appeal, or unless Respondent exports the products subject to this bond or destroys them and provides certification to that effect satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved, or not disapproved, by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By Order of the Commission.



James R. Holbein  
Secretary to the Commission

Issued: July 15, 2011

**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C. 20436**

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**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

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**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED THAT Holey Soles Holding Ltd., 1628 West 75th Avenue, Vancouver, Canada V6P 6G2, cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, foam footwear that infringe U.S. Design Patent No. D517,789 ("the '789 patent") in violation of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

**I.**

**Definitions**

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "Complainant" shall mean Crocs, Inc., 6273 Monarch Park Place, Niwot, Colorado 80503.

(C) "Respondent" shall mean Holey Soles Holding Ltd., 1628 West 75th Avenue, Vancouver, Canada V6P 6G2.



(D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority owned or controlled subsidiaries, successors, or assigns.

(F) "United States" shall mean the fifty States, the District of Columbia, and Puerto Rico.

(G) The terms "import" and "importation" refer to importation for entry for consumption under the Customs laws of the United States.

(H) The term "covered products" shall mean foam footwear that infringe the claimed design of the '789 patent.

## **II.**

### **Applicability**

The provisions of this Cease and Desist Order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

## **III.**

### **Conduct Prohibited**

The following conduct of the Respondent in the United States is prohibited by the Order. For the remaining term of the relevant '789 patent, Respondent shall not:

(A) import or sell for importation into the United States covered products;

(B) market, distribute, offer for sale, sell, or otherwise transfer (except for exportation), in the United States imported covered products;

(C) advertise imported covered products;

(D) solicit U.S. agents or distributors for imported covered products; or

(E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered products.

#### **IV.**

#### **Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, the owner of the '789 patent licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered products by or for the United States.

#### **V.**

#### **Reporting**

For purposes of this reporting requirement, the reporting periods shall commence on July 1 of each year and shall end on the subsequent June 30. However, the first report required under this section shall cover the period from the date of issuance of this Order through June 30, 2012. This reporting requirement shall continue in force until such time as Respondent will have truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that Respondent has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period. Respondents filing written submissions must file the original document and two copies with the Office of the Secretary. Any Respondent desiring to submit a document to the Commission in confidence must file the original and a public version of the original with the Office of the Secretary and serve a copy of the confidential version on Complainant's counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this Order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

## VI.

### **Record-keeping and Inspection**

(A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.

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<sup>1</sup> Complainant must file a letter with the Secretary identifying the attorney to receive the reports or bond information. The designated attorney must be on the protective order entered in

(B) For the purposes of determining or securing compliance with this Order and for no other purpose, and subject to any privilege recognized by the federal courts of the United States, duly authorized representatives of the Commission, upon reasonable written notice by the Commission or its staff, shall be permitted access and the right to inspect and copy in Respondent's principal office during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, both in detail and in summary form as are required to be retained by subparagraph VI(A) of this Order.

## VII.

### **Service of Cease and Desist Order**

Respondent is ordered and directed to:

(A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;

(B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII (A) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

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the investigation.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the dates of expiration of the '789 patent.

### **VIII.**

#### **Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Sections V and VI of the Order should be in accordance with Commission Rule 210.6, 19 C.F.R. § 201.6. For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

### **IX.**

#### **Enforcement**

Violation of this Order may result in any of the actions specified in section 210.75 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.75, including an action for civil penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S.C. § 1337(f), and any other action as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

### **X.**

#### **Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.

## XI.

### **Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative as delegated by the President, 70 *Fed Reg* 43251 (July 21, 2005), subject to Respondent posting a bond in the amount of \$0.01 per pair of shoes for Holey Soles' covered products. This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order.

Covered products imported on or after the date of issuance of this order are subject to the entry bond as set forth in the general exclusion order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. *See* Commission Rule 210.68, 19 C.F.R. § 210.68. The bond and any accompanying documentation is to be provided to and approved by the Commission prior to the commencement of conduct which is otherwise prohibited by Section III of this Order. Upon acceptance of the bond by the Secretary, (a) the Secretary will serve an acceptance letter on all parties and (b) the Respondent must serve a copy of the bond and any accompanying documentation on Complainant's counsel.

The bond is to be forfeited in the event that the United States Trade Representative approves, or does not disapprove within the review period, this Order, unless the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final

determination and order as to Respondent on appeal, or unless Respondent exports the products subject to this bond or destroys them and provides certification to that effect satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved, or not disapproved, by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By Order of the Commission.



James R. Holbein  
Secretary to the Commission


Issued: July 15, 2011

**CERTAIN FOAM FOOTWEAR**

**337-TA-567  
(Remand)**

**CERTIFICATE OF SERVICE**

I, James R. Holbein, hereby certify that the attached **NOTICE OF FINAL COMMISSION DETERMINATION ON VIOLATION** has been served by hand upon the Commission Investigative Attorney, **David O. Lloyd, Esq.**, and the following parties as indicated, on **July 15, 2011**.

  
James R. Holbein, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW  
Washington, DC 20436

**On Behalf of Complainant Crocs, Inc.:**

Michael A. Berta, Esq.  
**Arnold & Porter**  
1 Embarcadero  
22<sup>nd</sup> Floor  
San Francisco, CA 94111

- Via Hand Delivery
- Via Overnight Mail
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents Effervescent, Inc. and Holey Soles Holding, Ltd.:**

Smith R. Brittingham, IV, Esq.  
**FINNEGAN, HENDERSON, FARABOW, GARRETT  
& DUNNER, LLP**  
901 New York Ave., NW  
Washington, DC 20001

- Via Hand Delivery
- Via Overnight Mail
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondent Double Diamond Distribution:**

Rachael Stafford, Esq.  
4120 W. Windmill Lane. Suite 106  
Las Vegas, NV 89139

- Via Hand Delivery
- Via Overnight Mail
- Via First Class Mail
- Other: \_\_\_\_\_



**PUBLIC VERSION**

**UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C. 20436**

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**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

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**Investigation No. 337-TA-567  
(Remand)**

**COMMISSION OPINION**

**I. INTRODUCTION**

On February 9, 2011, the presiding administrative law judge (“ALJ”) issued his remand initial determination (“ID”) in the above-captioned investigation, finding that the asserted patents, U.S. Patent No. 6,993,858 (“the ’858 patent”) and U.S. Patent No. D517,789 (“the ’789 patent”), were not unenforceable. The Commission determined not to review the remand ID and found a violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, as amended (“section 337”). *See 76 Fed. Reg.* 24052-53 (April 29, 2011). The investigation is now before the Commission to consider the issues of remedy, the public interest, and bonding.

**II. BACKGROUND**

The Commission instituted this investigation on May 11, 2006, based on a complaint, as amended, filed by Crocs, Inc. (“Crocs”) of Niwot, Colorado. *71 Fed. Reg.* 27514-15 (May 11, 2006). The complaint alleged violations of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. §1337), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear, by reason of infringement of

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claims 1-2 of the '858 patent; the design claim of the '789 patent; and the Crocs trade dress (the image and overall appearance of Crocs-brand footwear). The complaint further alleged that an industry in the United States exists as required by subsection (a)(2) of section 337, and requested that the Commission issue a permanent general exclusion order and permanent cease and desist orders. The complaint named the following eleven (11) respondents: (1) Collective Licensing International, LLC of Englewood, Colorado; (2) Double Diamond Distribution Ltd. ("Double Diamond") of Canada; (3) Effervescent Inc. ("Effervescent") of Fitchburg, Massachusetts; (4) Gen-X Sports, Inc. of Toronto, Ontario; (5) Holey Soles Holding Ltd. ("Holey Soles") of Canada; (6) Australia Unlimited, Inc. of Seattle, Washington; (7) Cheng's Enterprises Inc. of Carlstadt, New Jersey; (8) D. Myers & Sons, Inc. of Baltimore, Maryland; (9) Inter-Pacific Trading Corp. of Los Angeles, California; (10) Pali Hawaii of Honolulu, Hawaii; and (11) Shaka Shoes of Kaliua-Kona, Hawaii. The Commission terminated the investigation as to the trade dress allegation on September 11, 2006. A twelfth respondent, Old Dominion Footwear, Inc. ("Old Dominion") of Madison Heights, Virginia, was added to the investigation on October 10, 2006. All but three respondents have been terminated from the investigation on the basis of a consent order, settlement agreement, or undisputed Commission determination of non-infringement. The three remaining respondents are Double Diamond, Effervescent, and Holey Soles ("Active Respondents").

On April 11, 2008, the ALJ issued his final ID finding no violation of section 337. The ALJ found non-infringement and non-satisfaction of the technical prong of the domestic industry requirement with respect to the '789 patent, and found the '858 patent invalid as obvious under 35

## PUBLIC VERSION

U.S.C. § 103. Although the issue was raised, the final ID made no finding on whether either asserted patent was unenforceable due to inequitable conduct. The ALJ's final ID also included his recommended determination ("RD") on remedy and bonding should the Commission find that there was a violation.

On July 25, 2008, the Commission affirmed the final ID with certain modifications and clarifications, and terminated the investigation with a finding of no violation of section 337. The Commission took no position regarding the issue of enforceability of the '858 and '789 patents.

On February 24, 2010, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") issued its judgment overturning the Commission's findings regarding invalidity of the '858 patent, and non-infringement and lack of domestic industry concerning the '789 patent. *Crocs, Inc. v. United States Int'l Trade Comm'n*, 598 F.3d 1294, 1311 (Fed. Cir. 2010). The Federal Circuit "remand[ed] the investigation for a determination of infringement of the '858 patent and any appropriate remedies." *Id.* On July 6, 2010, the Commission remanded the investigation to the ALJ to decide the remaining issue of enforceability of the patents.

On February 9, 2011, the ALJ issued his remand ID finding that the asserted patents were not unenforceable. On March 18, 2011, after receiving an enlargement of time, respondents Effervescent and Double Diamond filed a joint petition for review of the remand ID. On March 28, 2011, Crocs and the Commission investigative attorney ("IA") each filed a brief in response to respondents' petition for review.

On April 25, 2011, the Commission issued notice of its determination not to review the remand ID and requested written submissions on the issues of remedy, the public interest, and

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bonding from the parties and interested non-parties. *See 76 Fed. Reg.* 24052-53 (April 29, 2011).

The Commission's notice reaffirmed the ruling in the final ID that claims 1 and 2 of the '858 patent are infringed by Effervescent's accused products, and that claim 2 of the '858 patent is infringed by Double Diamond's accused products. *76 Fed. Reg.* at 24053. These actions, along with the Federal Circuit's decision, resulted in a finding of a violation of section 337 by Double Diamond and Effervescent. Holey Soles was found in violation of section 337 with respect to the '789 patent based on the Federal Circuit's reversal of the Commission's findings of non-infringement and lack of domestic industry as to this patent. *See Crocs*, 598 F.3d at 1311.

On May 6 and 13, 2011, respectively, complainant Crocs, the IA, and respondent Effervescent filed briefs and reply briefs on remedy, the public interest, and bonding. Respondent Double Diamond filed a reply brief on May 13, 2011. Holey Soles did not file any submissions.

### III. REMEDY, PUBLIC INTEREST, AND BONDING

For the reasons set forth below, the Commission has determined to adopt the RD. *See RD* at 124-36. We have determined further that the public interest does not preclude the ALJ's recommended remedy. We focus our discussion on the remedy and bonding issues in dispute.

The Commission is authorized to issue a general exclusion order when the Commission determines that there is a violation of section 337 of the Tariff Act of 1930, and where: (a) general exclusion is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (b) there is a pattern of violation of section 337 and it is difficult to identify the source of the infringing products. *See 19 U.S.C. § 1337(d)(2)*. The ALJ recommended that, if

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the Commission were to determine that there has been a violation of section 337, a general exclusion order should issue. RD at 124-32. The ALJ found that the record evidence established a widespread pattern of unauthorized use, as demonstrated by the infringing foam footwear manufactured by various third parties. *Id.* (table of non-respondents' accused shoes at 126-129). The ALJ also found sufficient evidence of the existence of business conditions from which one might reasonably infer that foreign manufacturers other than respondents to the investigation may attempt to enter the U.S. market with infringing articles. *Id.*

In addition, the ALJ found that cease and desist orders directed against the three remaining respondents were warranted. *Id.* at 132-33; *see* 19 U.S.C. § 1337(f). The ALJ found that the record evidence shows that respondents maintain significant inventories of accused products in the United States.

Section 337(j) provides for entry of infringing articles during the sixty (60) day period of Presidential review upon posting of a bond and states that the bond is to be set at a level "sufficient to protect the complainant from any injury." 19 U.S.C. § 1337(j)(3); *see also* 19 C.F.R. § 210.50(a)(3). Based on the record evidence, the ALJ calculated the price difference between Crocs' (\$30) and each respondents' accused footwear to establish the recommended bond amount for each individual respondent should the Commission find a violation. *Id.* at 136. The ALJ found no price difference for Double Diamond, a \$0.01 price difference for Holey Soles, and a \$0.05 price difference for Effervescent. Accordingly, the ALJ recommended that the Commission set these amounts as the individual bond amounts for each Active Respondent. The ALJ did not set a bond for non-party importers under the recommended general exclusion order.

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### A. Remedy

The Commission agrees with the ALJ, the IA, and Crocs that the appropriate relief includes a general exclusion order directed to infringing foam footwear.<sup>1</sup> The record evidence here firmly establishes the statutory criteria that “there is a pattern of violation of [section 337] and it is difficult to identify the source of infringing goods” in accordance with section 337(d)(2)(B) and *Kyocera v. U.S. Int'l Trade Comm'n*, 545 F.3d 1340, 1358 (Fed. Cir. 2008). See also *Certain Hydraulic Excavators and Components Thereof*, Inv. No. 337-TA-582, Comm'n Op. at 15-19 (January 21, 2009) (the Commission considering *Kyocera* when issuing a general exclusion order); *Certain Hair Irons and Packing Thereof*, Inv. No. 337-TA-637, Comm'n Op. at 3-5 (June 29, 2009) (the Commission considering *Kyocera* when issuing a general exclusion order based on internet sales).

Specifically, Crocs has identified over 60 non-respondents that practice the asserted patents and use established chains for distribution of infringing footwear in the United States. See RD at 126-32; CX-657C (Qs. 182-244, Qs. 254-451, Qs. 600-964, Qs. 1501-2457); CX-667C (Qs. 220-21); CX-658C (Qs. 167-68, 161-62); CX-335-43; CX-347; CX-371-72; CX-376-77; Hearn, Tr. at 1036-39; Nutt, Tr. at 1243-47; Walter, Tr. at 912-14. The record evidence also establishes that many non-respondents' sales are made over the internet and that there is widespread copying of molds. Both of these practices make it difficult to identify the exact

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<sup>1</sup> We note that the ALJ's analysis was at least partially based on the general exclusion factors provided in *Certain Airless Paint Spray Pumps and Components Thereof* (“*Airless Spray Pumps*”), Inv. No. 337-TA-90, 216 U.S.P.Q. 465, 473 (U.S.I.T.C. 1981). However, we do not view *Airless Spray Pumps* as imposing additional requirements beyond those identified in section

## PUBLIC VERSION

source of the infringing products. *See* RD at 126-32; CX-657C (Qs. 182-244, Qs. 254-451, Qs. 600-964, Qs. 1501-2457); CX-667C (Qs. 220-21); CX-658C (Qs. 167-68, 161-62); CX-335-43; CX-347; CX-371-72; CX-376-77; Hearn, Tr. at 1036-39; Nutt, Tr. at 1243-47; Walter, Tr. at 912-14; 19 U.S.C. § 1337(d)(2)(B).

Therefore, we agree with the ALJ that the statutory requirements for the issuance of a general exclusion order under section 337(d)(2)(B) have been met and determine to issue a general exclusion order that excludes certain foam footwear that infringes the '789 or '858 patents. The inclusion of a certification in the Commission's exclusion order, as well as Customs' access to the ID and other previous Commission orders, will permit importation of non-infringing products (*e.g.*, former respondent Old Dominion's accused products were determined not to infringe the asserted patents) and address respondents' concerns that a general exclusion order may disrupt legitimate trade. *See* Commission Notice (December 21, 2006). As for Double Diamond's argument that the RD does not reflect current economic conditions, we note that Double Diamond does not present any proof that the record evidence presented to the ALJ is now substantially inaccurate.

We also agree with the ALJ, the IA, and Crocs that cease and desist orders are warranted here. The record evidence shows a significant number of infringing foam shoes in U.S. inventory in absolute terms (*i.e.*, Effervescent - 10,000 pairs; Double Diamond - 25,000 pairs; and Holey Soles - 125,000 pairs) which have a significant value. These factors warrant issuance of cease and desist orders directed against each of the Active Respondents. *See* RD at 133; *Certain Flash*

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337(d)(2).

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*Memory Circuits and Products Containing Same*, Inv. No. 337-TA-382, Comm'n Op. at 25, USITC Pub. 3046 (July 1997).

### **B. Public Interest**

When issuing an exclusion order under section 337(d) or cease and desist orders under section 337(f), the Commission must weigh the remedy sought against the effect such a remedy would have on the following public interest factors: (1) the public health and welfare; (2) the competitive conditions in the United States economy; (3) the production of articles in the United States that are like or directly competitive with those subject to the investigation; and (4) United States consumers. *See* 19 U.S.C. §§1337(d)(1), (f)(1).

The Commission agrees with the IA, complainant, and respondent Effervescent that any issued remedial orders would not be contrary to the public interest since U.S. demand for foam footwear can be met by other entities, including Crocs, as well as by non-infringing alternatives. *See* Comm'n Notice at 2 (noting respondents that have settled or do not infringe the asserted patents). Consequently, we find that the public interest factors set out in sections 337(d)(1) and (f)(1) do not preclude issuance of a general exclusion order or cease and desist orders in this investigation.

### **C. Bonding**

The Commission is tasked with determining the amount of the bond under which articles excluded from entry under section 337(d) may be permitted to enter the United States during the period of Presidential review. Such a bond amount must be sufficient to protect complainant from any injury. *See* 19 U.S.C. § 1337(j). The Active Respondents have submitted evidence



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that there is no price difference between Crocs' \$30 sales price and Double Diamond's sale price, a \$0.01 price difference from Holey Soles' sales price, and a \$0.05 price difference from Effervescent's sales price.

Crocs and the IA argued that the appropriate bond amount during the period of Presidential review is 100% of the entered value for any imported infringing products. The Commission agrees, however, with the ALJ and the Active respondents that, based on the record evidence, separate, lower bond amounts for each Active Respondent is appropriate combined with a 100% bond amount for all non-respondents. The Commission has determined that such bond amounts will be sufficient to protect complainant from any injury. *See* § 1337(j)(3).

The record evidence submitted here establishes the exact price difference between Crocs' footwear and each of the Active Respondents' infringing footwear. *See* RD at 135-36. Further, the record evidence here establishes that a large number of non-respondents import infringing footwear at unknown sales prices, as well as at sales prices well below Crocs' sales price of \$30. *See* Cohen, Tr. at 1389; Hearn, Tr. at 1075; Nutt, Tr. at 1247; Mann, Tr. at 1344-45; Crocs' Sub. at 11 (Appendix 1). Accordingly, due to this particular combination of certainty and uncertainty regarding the price difference between complainant's shoes and infringing shoes, we set the bond at \$0.00 for Double Diamond's covered products, \$0.01 per pair of shoes for Holey Soles' covered products, \$0.05 per pair of shoes for Effervescent's covered products, and at 100% of the entered value for all other covered products during the period of Presidential review. *See Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same*, Inv. No. 337-TA-372, USITC Pub. 2964, Comm'n Op. at 15 (May 1996) (setting the bond at 100% of

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entered value when the available pricing information is inadequate).<sup>2</sup>

### IV. CONCLUSION

The Commission has determined that there is a violation of section 337, and has further determined that the appropriate form of relief is : (1) a general exclusion order prohibiting the unlicensed entry of foam footwear that infringe one or more of (i) claims 1-2 of the '858 patent, or (ii) the claimed design of the '789 patent; and (2) cease and desist orders prohibiting Double Diamond, Holey Soles, and Effervescent from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, foam footwear that infringe one or more of (i) claims 1 or 2 of the '858 patent, or (ii) the claimed design of the '789 patent.

The Commission further has determined that the public interest factors enumerated in sections 337(d)(1) and (f)(1) (19 U.S.C. §§ 1337(d)(1), (f)(1)) do not preclude issuance of the general exclusion order or the cease and desist orders. Finally, the Commission has determined to set the bond at \$0.00 for Double Diamond's covered products, \$0.01 per pair of shoes for Holey Soles' covered products, \$0.05 per pair of shoes for Effervescent's covered products, and at 100% of the entered value for all other covered products during the period of Presidential review.

By order of the Commission.

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<sup>2</sup> We note that, in at least one circumstance, the Commission has set the bond amount for a general exclusion order as the difference between the average sales price of complainant's and respondents' products. *See Certain Ink Cartridges and Components Thereof*, Inv. No. 337-TA-565, Comm'n Op. at 63-64 (October 19, 2007). In that case the RD did not indicate the presence of infringing imports by a large number of non-respondents at unknown sales prices.

**PUBLIC VERSION**

A handwritten signature in black ink, appearing to read "J. R. Holbein". The signature is written in a cursive style with a large initial "J" and "R".

James R. Holbein  
Secretary to the Commission

Issued: August 2, 2011

**CERTAIN FOAM FOOTWEAR**

**337-TA-567  
(Remand)**

**CERTIFICATE OF SERVICE**

I, James R. Holbein, hereby certify that the attached **COMMISSION OPINION** has been served by hand upon the Commission Investigative Attorney, **David O. Lloyd, Esq.**, and the following parties as indicated, on **August 2, 2011**.



James R. Holbein, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW  
Washington, DC 20436

**On Behalf of Complainant Crocs, Inc.:**

Michael A. Berta, Esq.  
**Arnold & Porter**  
1 Embarcadero  
22<sup>nd</sup> Floor  
San Francisco, CA 94111

- Via Hand Delivery
- Via Overnight Mail
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents Effervescent, Inc. and Holey Soles Holding, Ltd.:**

Smith R. Brittingham, IV, Esq.  
**FINNEGAN, HENDERSON, FARABOW, GARRETT  
& DUNNER, LLP**  
901 New York Ave., NW  
Washington, DC 20001

- Via Hand Delivery
- Via Overnight Mail
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondent Double Diamond Distribution:**

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- Via Hand Delivery
- Via Overnight Mail
- Via First Class Mail
- Other: \_\_\_\_\_

**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C. 20436**

**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

**NOTICE OF COMMISSION DECISION NOT TO REVIEW A REMAND INITIAL DETERMINATION; FINDING OF A VIOLATION OF SECTION 337; REQUEST FOR WRITTEN SUBMISSIONS REGARDING REMEDY, BONDING, AND THE PUBLIC INTEREST**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has determined not to review the presiding administrative law judge's ("ALJ") remand initial determination ("ID") and has found a violation of section 337 in the above-captioned investigation. The Commission is requesting written submissions regarding remedy, bonding, and the public interest.

**FOR FURTHER INFORMATION CONTACT:** Clint Gerdine, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-5468. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation on May 11, 2006, based on a complaint, as amended, filed by Crocs, Inc. ("Crocs") of Niwot, Colorado. 71 *Fed. Reg.* 27514-15 (May 11, 2006). The complaint alleged violations of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear, by reason of infringement of claims 1-2 of U.S. Patent No. 6,993,858; U.S. Patent No. D517,789; and the Crocs trade dress (the image and overall appearance of Crocs-brand footwear). The complaint further alleged that an industry in the United States exists as required by subsection (a)(2) of section 337, and requested that the Commission issue a permanent general

exclusion order and permanent cease and desist orders. The complaint named eleven (11) respondents that included: (1) Collective Licensing International, LLC of Englewood, Colorado; (2) Double Diamond Distribution Ltd. (“Double Diamond”) of Canada; (3) Effervescent Inc. (“Effervescent”) of Fitchburg, Massachusetts; (4) Gen-X Sports, Inc. of Toronto, Ontario; (5) Holey Shoes Holding Ltd. of Canada; (6) Australia Unlimited, Inc. of Seattle, Washington; (7) Cheng’s Enterprises Inc. of Carlstadt, New Jersey; (8) D. Myers & Sons, Inc. of Baltimore, Maryland; (9) Inter-Pacific Trading Corp. of Los Angeles, California; (10) Pali Hawaii of Honolulu, Hawaii; and (11) Shaka Shoes of Kaliua-Kona, Hawaii. The Commission terminated the investigation as to the trade dress allegation on September 11, 2006. A twelfth respondent, Old Dominion Footwear, Inc. of Madison Heights, Virginia, was added to the investigation on October 10, 2006. All but two respondents have been terminated from the investigation on the basis of a consent order, settlement agreement, or undisputed Commission determination of non-infringement. The two remaining respondents are Double Diamond and Effervescent.

On April 11, 2008, the ALJ issued his final ID finding no violation of section 337. The ALJ’s final ID made no finding on whether either asserted patent was unenforceable due to inequitable conduct. The ALJ’s final ID also included his recommendation on remedy and bonding should the Commission find that there was a violation. On July 25, 2008, after review, the Commission affirmed the ALJ’s final ID with certain modifications and clarifications, and terminated the investigation with a finding of no violation of section 337. The Commission took no position regarding the issue of enforceability of the ‘858 and ‘789 patents. On February 24, 2010, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its judgment overturning the Commission’s findings regarding invalidity of the ‘858 patent, and non-infringement/lack of domestic industry concerning the ‘789 patent. The Federal Circuit also specifically “remand[ed] the investigation for a determination of infringement of the ‘858 patent and any appropriate remedies.” *See Crocs, Inc. v. United States Int’l Trade Comm’n*, 598 F.3d 1294, 1311 (Fed. Cir. 2010). On July 6, 2010, the Commission remanded the investigation to the ALJ to decide the remaining issue of enforceability of the patents.

On February 9, 2011, the ALJ issued his remand ID finding that the patents were not unenforceable. On February 25, 2011, respondents filed both a joint petition for review of the remand ID and a motion for leave to file the petition two (2) days late. On March 4, 2011, the Commission issued an order declining to grant respondents’ motion without prejudice to respondents refiling their motion stating good cause for the enlargement of time. On March 16, 2011, respondents filed a joint motion for an enlargement of the time for filing petitions for review of the remand ID. On March 18, 2011, the Commission issued an order granting respondents’ motion for an enlargement of time and making responses due on March 28, 2011. On March 28, 2011, Crocs and the Commission investigative attorney each filed a brief in response to respondents’ petition for review.

The Commission has determined not to review the subject remand ID. Also, the Commission has determined to reaffirm the ALJ’s previous ruling that claims 1 and 2 of the ‘858 patent are infringed by Effervescent’s accused products, and that claim 2 of the ‘858 patent is infringed by Double Diamond’s accused products. *See 73 Fed. Reg. 35710-11* (June 24, 2008);

Remand ID at 2 (February 9, 2011) (*citing* Final ID at 121 (April 11, 2008)); Comm'n Op. at 3-4, n. 1 (July 25, 2008). These actions, along with the Federal Circuit's decision, result in a finding of a violation of section 337 by Double Diamond and Effervescent.

In connection with the final disposition of this investigation, the Commission may issue an order that results in the exclusion of the subject articles from entry into the United States. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, *see In the Matter of Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843 (December 1994) (Commission Opinion).

When the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order and/or cease and desist orders would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

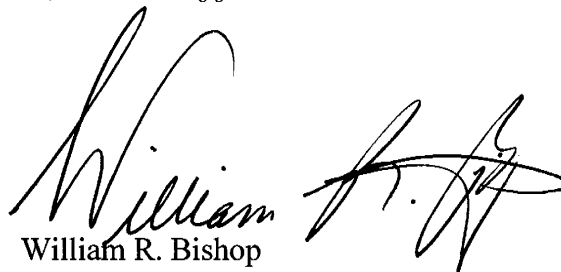
When the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission's action. *See* section 337(j), 19 U.S.C. § 1337(j) and the Presidential Memorandum of July 21, 2005, 70 *Fed. Reg.* 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

**WRITTEN SUBMISSIONS:** Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding, and such submissions should address the recommended determination by the ALJ on remedy and bonding issued on April 23, 2008 (public version). The complainant and the IA are also requested to submit proposed remedial orders for the Commission's consideration. Complainant is also requested to state the dates that the patents at issue expire and the HTSUS numbers under which the accused articles are imported. The written submissions and proposed remedial orders must be filed no later than close of business on May 6, 2011. Reply submissions must be filed no later than the close of business on May 13, 2011. No further submissions on these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document and 12 true copies thereof on or before the deadlines stated above with the Office of the Secretary. Any person desiring to submit a document to the Commission in confidence must request confidential treatment unless the information has already been granted such treatment during the proceedings. All such requests should be directed to the Secretary of the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 C.F.R. § 210.6. Documents for which confidential treatment by the Commission is sought will be treated accordingly. All nonconfidential written submissions will be available for public inspection at the Office of the Secretary.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, and in sections 210.42-46 of the Commission's Rules of Practice and Procedure, 19 C.F.R. §§ 210.42-46.

By order of the Commission.



William R. Bishop  
Acting Secretary to the Commission

Issued: April 25, 2011

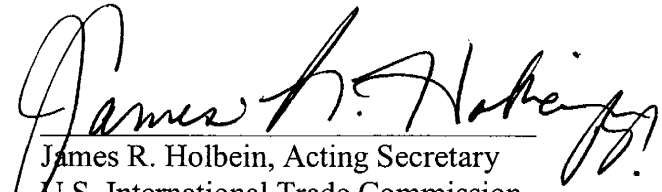


**CERTAIN FOAM FOOTWEAR**

**337-TA-567  
(Remand)**

**CERTIFICATE OF SERVICE**

I, James R. Holbein, hereby certify that the attached **NOTICE OF COMMISSION DECISION NOT TO REVIEW AN INITIAL DETERMINATION** has been served by hand upon the Commission Investigative Attorney, **David O. Lloyd, Esq.**, and the following parties as indicated, on **April 25, 2011**.

  
James R. Holbein, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW  
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**On Behalf of Respondents Effervescent, Inc. and Holey Soles Holding, Ltd.:**

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**PUBLIC VERSION**

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**Washington, D.C.**

**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Inv. No. 337-TA-567  
(Remand Proceeding)**

**INITIAL DETERMINATION ON REMAND ON UNENFORCEABILITY**

**Administrative Law Judge Charles E. Bullock**

**(February 9, 2011)**

Pursuant to the Commission's July 6, 2010 Order remanding the Investigation, this is the undersigned's Initial Determination on Unenforceability.

For the reasons stated herein, the undersigned has determined that Respondents have failed to establish by clear and convincing evidence that U.S. Patent Nos. 6,993,858 and D517,789 are unenforceable due to inequitable conduct before the U.S. Patent and Trademark Office.

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## LIST OF ABBREVIATIONS

The following abbreviations may be used in this Initial Determination:

<b>CDX</b>	Complainant's demonstrative exhibit
<b>CFF</b>	Complainant's proposed findings of fact
<b>CIB</b>	Complainant's initial post-hearing brief
<b>CORFF</b>	Complainant's objections to Respondents' proposed findings of fact
<b>COSFF</b>	Complainant's objections to Staff's proposed findings of fact
<b>CPX</b>	Complainant's physical exhibit
<b>CRB</b>	Complainant's reply post-hearing brief
<b>CX</b>	Complainant's exhibit
<b>Dep</b>	Deposition
<b>JX</b>	Joint Exhibit
<b>PHB</b>	Pre-hearing brief
<b>RDX</b>	Respondents' demonstrative exhibit
<b>RFF</b>	Respondents' proposed findings of fact
<b>RIB</b>	Respondents' initial post-hearing brief
<b>ROCF</b>	Respondents' objections to Complainant's proposed findings of fact
<b>ROSFF</b>	Respondents' objections to Staff's proposed findings of fact
<b>RPX</b>	Respondents' physical exhibit
<b>RRB</b>	Respondents' reply post-hearing brief
<b>RX</b>	Respondents' exhibit
<b>SFF</b>	Staff's proposed findings of fact
<b>SIB</b>	Staff's initial post-hearing brief
<b>SOCFF</b>	Staff's objections to Complainant's proposed findings of fact
<b>SORFF</b>	Staff's objections to Respondents' proposed findings of fact
<b>SRB</b>	Staff's reply post-hearing brief
<b>Tr.</b>	Transcript

## I. BACKGROUND

On April 11, 2008, the undersigned issued an Initial Determination (“ID”) in this Investigation finding no violation of Section 337. The Commission, after review, affirmed the final ID with certain modifications and clarifications, and terminated the Investigation with a finding of no violation of Section 337. *See* 73 Fed. Reg. 45,073-74 (Aug. 1, 2008.) Complainant Crocs, Inc. (“Crocs”) appealed the Commission’s final determination to the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”), and on February 24, 2010, the Federal Circuit issued its judgment reversing the Commission’s determination that U.S. Patent No. D517,789 (“the ’789 patent”) was not infringed, that Crocs did not satisfy the technical prong of the domestic industry requirement relating to the ’789 patent, and that U.S. Patent No. 6,993,858 (“the ’858 patent) would have been obvious. *See Crocs, Inc. v. U.S. Int’l Trade Comm’n*, 598 F.3d 1294 (Fed. Cir. 2010). The Federal Circuit remanded the Investigation for a determination of infringement of the ’858 patent and any appropriate remedies. *Id.*

On July 6, 2010, the Commission remanded the Investigation to the undersigned for further “proceedings consistent with the February 24, 2010 judgment of the U.S. Court of Appeals for the Federal Circuit in *Crocs, Inc. v. U.S. Int’l Trade Comm’n*, 598 F.3d 1294 (Fed. Cir. 2010), including a determination regarding the outstanding issue of enforceability of the ’858 and ’789 patents.” Comm’n Order at 2 (July 6, 2010.) No target date for the issuance of the final ID was set in the Commission’s order. *Id.* (citing 19 C.F.R. §§ 210.42(d) and 210.43-46).

As discussed *supra*, the Federal Circuit overturned the Commission’s findings of non-infringement/non-satisfaction of the technical prong of the ’789 patent. These issues, however, were not remanded to the Commission for further determination. *See Crocs, Inc.*, 598 F.3d at 25.

Although the Federal Circuit did not address the issue of enforceability of the '789 patent, the Commission nonetheless directed the undersigned to make a determination regarding the issue on remand. *See* Comm'n Order at 2.

With respect to the '858 patent, the ID issued by the undersigned on April 11, 2008, as modified and made final by the Commission, made specific findings regarding infringement, namely that: [1] Effervescent, Inc.'s shoes with small washers infringe claims 1 and 2 of the '858 patent; and [2] that Double Diamond Distribution's shoes with metal connectors infringe claim 2 of the '858 patent. *See* Initial Determination at 121 (Apr. 11, 2008). The undersigned has therefore determined that there are no further issues for decision and accordingly, will not revisit the issue of infringement with respect to the '858 patent. As a result, the only issue on remand is the enforceability of the '858 and '789 patents.<sup>1</sup>

## II. APPLICABLE LAW

"Applicants for patents have a duty to prosecute patent applications in the Patent Office with candor, good faith, and honesty. A breach of this duty ... coupled with an intent to deceive, constitutes inequitable conduct." *Honeywell Int'l Inc. v. Universal Avionics Sys. Corp.*, 488 F.3d 982, 999 (Fed. Cir. 2007) (citations omitted). To prove inequitable conduct, the accused infringer must establish by clear and convincing evidence that "the applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information, and (2) intended to deceive the U.S. Patent and Trademark Office." *Cargill, Inc. v. Cambra Foods, Ltd.*, 476 F.3d 1359, 1363 (Fed. Cir. 2007); *see also* *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1048 (Fed. Cir. 1995).

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<sup>1</sup> The issue of enforceability was tried before the undersigned and fully briefed by the parties in their post-trial submissions. The undersigned therefore determined that the record need not be reopened and that the remand proceedings would proceed on the evidence already of record. (*See* Notice Regarding Remand Proceeding (Aug. 26, 2010).)

With respect to the deceptive intent prong, the Federal Circuit explained in *Molins PLC v. Textron, Inc.* that:

the alleged conduct must not amount merely to the improper performance of, or omission of, an act one ought to have performed. Rather, clear and convincing evidence must prove that an applicant had the specific intent to ... mislead [] or deceiv[e] the PTO. In a case involving nondisclosure of information, clear and convincing evidence must show that the applicant made a deliberate decision to withhold a known material reference.

48 F.3d 1172, 1181 (Fed. Cir. 1995); *see also Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008). Intent need not be proven by direct evidence; rather, intent can be inferred from indirect and circumstantial evidence. *Cargill*, 476 F.3d at 1364; *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1354 (Fed. Cir. 2005).

As to the materiality prong, “[i]nformation is material when a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.” *Symantec Corp. v. Computer Assocs. Int’l, Inc.*, 522 F.3d 1279, 1297 (Fed. Cir. 2008) (quoting *eSpeed, Inc. v. BrokerTec USA, L.L.C.*, 480 F.3d 1129, 1139 (Fed. Cir. 2007)); *see also Molins*, 48 F.3d at 1179. A patent applicant, however, has no obligation to disclose a reference that is cumulative or less pertinent than those already before the examiner. *Star Scientific*, 537 F.3d 1367; *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1439-40 (Fed. Cir. 1991).

Once thresholds levels of materiality and intent are met, a court must weigh these factors to determine “whether the equities warrant a conclusion that inequitable conduct occurred.” *Honeywell*, 488 F.3d at 999 (citation omitted). “The more material the information misrepresented or withheld by the applicant, the less evidence of intent will be required in order to find inequitable conduct.” *Id.*



### III. DISCUSSION

#### A. '858 PATENT

Respondents assert that the '858 patent is unenforceable because Crocs engaged in inequitable conduct by failing to disclose "material, and indeed critical," information from the PTO. (RIB at 48-65; RRB at 36-48.) Both Staff and Crocs disagree, arguing that there is no evidence to support such a finding. (CIB at 52; SIB at 55.)

##### 1. Materiality

###### a. The Aqua Clog Reference

Respondents contend that the Aqua Clog is the closest prior art to the claimed invention. (RIB at 49 (stating, "Save the strap, the Aqua Clog is identical to the shoe claimed in the '858 patent.")) Materiality, Respondents argue, is judged based upon the overall degree of similarity between the omitted reference and the claimed invention in light of the other references before the PTO. (RIB at 61.) Respondents assert that under this standard, there can be no dispute that the Aqua Clog was highly material. (RIB at 61-62 (arguing that the Aqua Clog is identical to the base of the shoe claimed in the '858 and '789 patents and thus, "it is difficult to conceive of any item of prior art that could be more material ..."); RRB at 43-44.)

Mr. Seamans, the named inventor of the '858 patent, Crocs' executives, as well as Crocs' attorneys, Respondents allege, all knew about the Aqua Clog and its materiality, yet "they did nothing to disclose that information accurately or completely to the PTO during prosecution." (*Id.* at 49.) In particular, Respondents argue that neither Mr. Seamans nor his attorneys informed the PTO about the Aqua Clog or its on-sale date, provided the PTO with a sample, or informed the PTO who invented the Aqua Clog.<sup>2</sup> (*Id.* (citing Seamans, Tr. at 602:10-604:9.) Respondents

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<sup>2</sup> In addition, Respondents contend that Crocs concealed its acquisition of the design of the Aqua Clog from the PTO. (RIB at 50-51.) Despite purchasing Finproject (and all intellectual property owned by Finproject) in June

claim that the only thing disclosed to the PTO was a blurry photograph of a pair of Waldies clogs taken from the Waldenstore.com webpage. (*Id.* at 50 (citing JX-084).) Contrary to Complainant's representation, this blurred photograph, Respondents maintain, did not satisfy Crocs' duty of disclosure with respect to the Aqua Clog. The Waldenstore.com reference, Respondents assert, did not disclose the following "critical" facts:

- The shoes pictured on the webpage printout are identical to the base of the shoe claimed in the '789 and '858 patents;
- Ettore Battiston of L'Artigiana Stampi, not Mr. Seamans, invented the shoes pictured on the webpage;
- Finproject had been selling the shoes pictured on the webpage in the U.S. for more than a year prior to the filing of the application; and
- Crocs was still attempting to acquire certain rights in the Aqua Clog in September 2004.

(RIB at 51.) Moreover, Mr. Seamans and Crocs, through their counsel, chose to submit the Waldenstore.com reference with a date of August 4, 2003, which is well after the June 23, 2003 filing date of the '126 application.<sup>3</sup> This, Respondents contend, was done to ensure that said reference would not be considered as prior art. (*Id.* at 52.)

---

2004 and subsequently entering into a copyright assignment with L'Artigiana Stampi in September 2004, wherein L'Artigiana Stampi assigned its rights in the Aqua Clog and other designs to Finproject (and, in essence, Crocs), Crocs allegedly failed to disclose this information to the PTO. (*Id.* at 50 (internal citations omitted).) Even more troubling, Respondents argue, is the fact that the copyright assignment, which was executed in September 2004 – after the filing of the patent application and before the issuance of the '858 patent – was "inexplicably" backdated to October 2000. (*Id.*) Respondents argue that these facts demonstrate that Crocs knew it did not own the rights to the design of the base of the shoe it was trying to patent. (*Id.* at 51.) Crocs disputes Respondents' assertions, arguing that neither Crocs nor Mr. Seamans has ever claimed credit for inventing the base of the shoe. (CIB at 58; *see also* CFF 1485-1486.) Crocs further asserts that the copyright assignment was not "inexplicably backdated;" rather, it was only after Crocs acquired Finproject that it requested the oral agreement, which had been in place between Finproject, N.A. and L'Artigiana Stampi for four years, be memorialized in order to protect Crocs (as well as to allow Crocs to continue to make footwear). (*Id.* (citing CFF 135-137).)

<sup>3</sup> The '858 patent issued from the '126 application.

While Crocs may argue that use of the August 4, 2003 date was proper “because that was the date the Waldenstore.com screenshot was retrieved and printed from the Internet,” such an argument, Respondents contend, “does not even withstand the ‘straight-face test.’” (*Id.*; *see also* RRB at 37-38.) Respondents argue that counsel for Crocs is “presumed to know” that MPEP § 707.05(e)(IV)(B) requires that a date of publication be provided in addition to the date of retrieval and that the retrieval date should be signified by being enclosed in square brackets. (*Id.*) By submitting the Waldenstore.com reference with the unbracketed date of August 4, 2003, Crocs’ disclosure was, Respondents assert, anything but “consistent with Patent Office regulations.” (RRB at 38; *see also* RIB at (arguing that Crocs affirmatively misrepresented the on-sale date by by submitting the Waldenstore.com reference with the unbracketed date of August 4, 2003 to the PTO).)

Respondents also object to Crocs’ argument that because the Examiner initialed the Waldenstore.com reference on the IDS, the Examiner must have considered the reference as prior art. (RRB at 38.) Respondents insist that this argument “while perhaps more creative, is not more availing.” (*Id.*) Respondents assert that under the MPEP, an examiner’s initials do not mean that the examiner considered the reference as prior art; rather, an examiner’s initials “means nothing more than considering the documents in the same manner as other documents in Office search files are considered by the examiner while conducting a search of the prior art in a proper field of search.” (*Id.* at 39 (quoting MPEP § 609).) Respondents maintain that this is exactly what happened here – the Examiner considered the information and “dismiss[ed] it from further relevance the same way she would dismiss all other non-prior art references encountered in Office search files.” (*Id.*)

Respondents similarly disagree with Crocs' contention that the on-sale date of the Aqua Clog was inherent in the Waldenstore.com reference, arguing that "[s]tatements like 'Waldies sell out fast!!!' simply are too vague to support even an inference as to the actual 2001 on-sale date of the shoes, especially when the only date on the reference is August 4, 2003." (*Id.* at 41.) Respondents dispute Crocs' expert's (Mr. Whatley) testimony that "the missing on-sale date ... was inherent because the Examiner could have used the web archive tool to obtain the date the webpage went online," stating "even if the Examiner had utilized the tool, she would have been unable to confirm or determine which shoes were one depicted in the now-archived webpage" since "the links to pictures are quite often dead." (*Id.* (citing Whatley, Tr. at 1563:12-1564:3); *see also* 42-43.) Respondents also object to Mr. Whatley's testimony that the disclosure of the Waldenstore.com reference was adequate in light of the interviews between Crocs' attorney, Mr. Gibby, and the Examiner regarding "breathable footwear." (RIB at 53 (citing Whatley, Tr. at 1496:20-1497:13; JX-001 at CROCS000779.) According to Respondents, Mr. Whatley never called Mr. Gibby to ascertain the nature of his conversations with the Examiner and thus, his testimony that the interview must have covered the Waldenstore.com reference and the Aqua Clog is nothing more than speculation. (*Id.* at 54 (citing Whatley, Tr. at 1499:17-1500:1).) Respondents claim that the prosecution history further undercuts Mr. Whatley's credibility on this topic "as it plainly suggests that the Examiner never discussed the Aqua Clog with Crocs' attorneys at all." (*Id.*) In support thereof, Respondents cite to Crocs' response to an Office Action rejecting certain claims in the '126 application, wherein Crocs distinguished its invention from the prior art by arguing that neither prior art references include "a base section that is constructed of a moldable form material." (*Id.* at 54-55 (citing JX-001 at CROCS000827).) Respondents assert that "[i]f Mr. Gibby had discussed the Aqua Clog ... as prior art [with the

Examiner], Crocs could not have distinguished its claims from the prior art on this basis.” (*Id.* at 55.)

Crocs objects to Respondents’ allegations, arguing that:

Respondents claims are all premised on the contention that the Aqua Clog was not disclosed as prior art in the prosecution for the ‘858 Patent. But Respondents make this contention in the face of the record evidence that unequivocally proves not only that the Aqua Clog was disclosed to the Patent Office in the ‘858 Patent prosecution, but also that the Examiner for the ‘858 Patent expressly indicated that she considered the Aqua Clog reference as prior art.

(CRB at 29; *see also* CIB at 54.) Specifically, Crocs states:

Mr. Seamans met with attorneys from Townsend & Townsend & Crew in late 2002 or early 2003 to discuss patenting his inventions. At the time, Mr. Seamans informed patent counsel – Leslie Craig and Doug Hamilton of Townsend – about the prior art of which he was aware – the Aqua Clog that had been sold by Walden Sports. After this conversation, the ‘126 Application (from which the ‘858 Patent issued) was filed on June 23, 2003. Then Mr. Hamilton – in his first filing after the patent application was accepted – submitted an IDS containing a website print-out depicting the Aqua Clog, which was received by the Patent Office on October 3, 2003. In December 2004, the Examiner for the ‘126 Application – Jila Mohandesi – initialed the IDS entries for all of the pieces of prior art submitted by Mr. Hamilton, including the Aqua Clog disclosure. Ms. Mohandesi also signed the IDS itself, stating that she had considered all of the references as of December 14, 2004.

By January 2005, Mr. Hamilton was no longer prosecuting the ‘126 Application, but had been replaced by Darrin Gibby, also of Townsend. Mr. Gibby and Ms. Mohandesi conducted an interview regarding the inventions claimed in the ‘126 Application, as well as the “admitted prior art of record” that Ms. Mohandesi had just reviewed and initialed. Ms. Mohandesi then sent Mr. Gibby an Office Action dated May 16, 2005 in which she rejected the then-pending claims in light of certain specified references, and also noted that “the prior art made of record and not relied upon is considered pertinent to applicant’s disclosure,” and specifically noted that the art not relied on depicted “breathable footwear analogous to applicant’s instant invention,” implicitly referring to the Aqua Clog.

After a second interview between Mr. Gibby and Ms. Mohandesi regarding the then-pending claims and the “admitted prior art of record,” Ms. Mohandesi issued a Notice of Allowance on September 2, 2005 declaring that “prosecution on the merits is closed.” She also allowed what became claims 1 and 2 of the ‘858 Patent. Mr. Gibby then paid the fees for issuance of the patent on September 12, 2005. The ‘858 Patent issued, and the disclosure of the Aqua Clog appeared on the face of the ‘858 Patent as a cited reference.

(CRB at 30-31 (internal citations omitted).) Respondents’ argument that the Aqua Clog was not properly or completely disclosed to the Examiner during prosecution has no factual basis and must therefore, Crocs argues, be rejected. (*Id.* at 29; *see also* CIB at 54-56.)

Crocs also disputes Respondents’ complaints about the alleged inadequacy of the Aqua Clog disclosure, arguing that each and every one is without merit. Starting with Respondents’ complaint that the website disclosure of the Aqua Clog was of such “poor quality” that the Examiner could not appreciate said disclosure, Crocs argues that Respondents ignore the clean copy of the IDS submission that was produced in this Investigation and instead rely on a copy of a copy of the original disclosure. (CRB at 32; *see also* CIB at 56.) Crocs asserts that if the Examiner had any concerns about the quality of the disclosure (which, Crocs contends, she did not), the Examiner had access to the website itself. (*Id.* at 31-32; *see also* CIB at 56 (stating: “the Examiner was provided with the website link.”); JX-85.)

Crocs next addressed Respondents’ contention that the Waldenstore.com reference did not disclose that [1] the Aqua Clog had been on sale in the United States as prior art; [2] that the Aqua Clog was originally designed by Ettore Battiston; and [3] that Crocs was attempting to acquire the rights in the Aqua Clog in 2004. Crocs asserts that contrary to Respondents’ claim, the Waldies website clearly indicated that the Aqua Clog had been on sale well before the date of submission. (*Id.* at 32; *see also* CIB at 55 (citing CX-1493).) Crocs further argues that because

the Aqua Clog reference was disclosed as part of an IDS, “there was no other purpose to the disclosure other than as a disclosure of prior art.” (*Id.*) As to Respondents’ other complaints (*i.e.*, the identity of Mr. Battison and the “rights” to the Aqua Clog), Crocs contends that both are “nothing more than a makeweight.” (*Id.* at 32-33.) Crocs contends that “Mr. Battison’s identity does not change anything about whether the Aqua Clog was prior art and does not add anything to the Examiner’s consideration of the Aqua Clog as prior art.” (*Id.*) Crocs proffers a similar argument with respect to the “rights” to the Aqua Clog, stating that “[w]hether Crocs did or did not own rights to the prior art Aqua Clog does not change any analysis of whether the ‘858 Patent is valid over the Aqua Clog as prior art, or add anything to the Examiner’s consideration of the Aqua Clog as prior art.” (*Id.* at 33.)

With respect to Respondents’ allegation that Crocs purposely submitted the Waldenstore.com reference with a date of August 2003 in order to ensure that said reference would not be considered as prior art, Crocs submits that Respondents’ argument is “frivolous” for at least two reasons. First, the MPEP regulations cited by Respondents applied to the Examiner, not the applicants, and thus, Crocs argues, “there is nothing incorrect or misleading about providing a reference from the Internet that shows the date of printing (especially since the Internet reference is equally available to the Examiner).” (CRB at 33; *see also* SIB at 53.) Second, Crocs asserts that Respondents’ argument is undermined by the fact that the Examiner did consider the Aqua Clog as prior art. (*Id.*) In support thereof, Crocs states:

There is simply no basis to conclude that the Examiner’s express acknowledgement of the Aqua Clog IDS submission was an error or that she did not understand its contents. Indeed, the Examiner’s subsequent actions in a related Crocs patent application confirm that the Examiner knew that the Aqua Clog submission was prior art. Specifically, the same Examiner – Ms. Mohandesi – was also the Examiner reviewing the ‘416 Application submitted by Crocs in June 2003. In that application, Crocs’s patent counsel had also

submitted an IDS disclosing the same Waldies Aqua Clog reference. In that co-pending application, Ms. Mohandesi rejected seven references on one page of an IDS submission, stating that she was not considering them because they were not prior art documents. Ms. Mohandesi did *not* reject the Waldies Aqua Clog submission – which was on *the same page* as the references she rejected.

(CRB at 34 (internal citations omitted; emphasis original); *see also* CIB at 55 (citing CFF 1487, 1494).) Respondents' argument is nothing more than speculation and thus, Crocs argues, fails to provide any basis to contradict the evidence of record, which establishes that the Examiner did indeed consider the Aqua Clog as a prior art reference prior to allowing the '858 patent. (*Id.* at 34-35.)

In Staff's view, Respondents have not clearly and convincingly demonstrated that Crocs withheld any material prior art, including but not limited to the Aqua Clog. (SIB at 51-54; SRB at 10-11.) First, Staff believes Respondents' argument that the '858 patent is unenforceable due to an alleged failure to disclose to the PTO a physical sample of the original strapless Finproject/Waldies (*i.e.*, the Aqua Clog) should be rejected. Staff argues that the evidence shows that Crocs did submit a document to the PTO, that the document submitted depicted the Aqua Clog, and that the Examiner considered said document prior to allowing the '858 patent (as well as the '789 patent.) (SIB at 51 (citing CX-1 at 003; JX-1 at 764; CX-3 at 023; JX-2 at 964).) This submission, Staff asserts, discharged any duty of disclosure that Crocs had with regard to the Aqua Clog. (*Id.*) Staff further notes that at the time Crocs was prosecuting the '858 patent, there was no requirement in place that a patentee submit a physical specimen to the PTO. (*Id.* at 51-52 (citing 37 C.F.R. § 1.91 ad MPEP 608.03).)

Second, Staff disputes Respondents' assertion that the Waldenstore.com screenshot submitted to the PTO was of such poor quality that the Examiner could not have appreciated its



disclosure and as a result, the Waldenstore.com screenshot was effectively withheld as a reference. (*Id.* at 52.) Staff asserts that Respondents offered little to no evidence at trial that supports such an argument. In particular, Staff argues:

[Respondents] offered no testimony or other evidence that the examiner thought the disclosure was of poor quality. Nor were Respondents able to point to any evidence in the prosecution history that the examiner complained that the quality of the disclosure was poor, or that the examiner asked Crocs for a better copy. In fact, the prosecution history is absent of any complaints by the examiner about the quality of Crocs's disclosure of the original strapless Finproject/Waldies shoe (or any other prior art) . . . . If the examiner thought the quality of the disclosure precluded its consideration, then logic dictates that the examiner would not have initialed the form that indicates she considered the disclosure. But the examiner did initial that form, which is the best evidence that she actually thought the disclosure was of sufficient quality to consider it.

(*Id.* at 52 (internal citations omitted).)

Third, Staff submits that Respondents' reliance on MPEP § 707.05(e) to argue that Crocs failed to comply with its duty of disclosure is misplaced. (*Id.* at 53.) The version of the MPEP in effect at the relevant time, Staff contends, applied to the patent examiner, not the applicant.

(*Id.*)

**b. The Holey Soles Statement of Claim**

Respondents assert that Crocs knowingly withheld the Holey Soles Statement of Claim from the PTO during prosecution of the '858 patent. (RIB at 55-59.) By doing so, Crocs, Respondents argue, violated the duty of disclosure under MPEP § 2001.06(c). (*Id.* at 55 (arguing that "the duty of disclosure applies directly and unmistakably to information regarding litigation that concerns the subject of the patent application.")) Respondents claim Crocs has conceded that it never submitted the Holey Soles Canadian Statement of Claim to the PTO and that this concession, by itself, is enough to render the '858 patent unenforceable. (*Id.* (citing RX-021C).)

Respondents dispute Crocs' assertion that it need not have disclosed the Statement of Claim since it was cumulative of other references before the Examiner, namely the Waldenstore.com reference. (*Id.* at 56.) Respondents insist that the Statement of Claim is not cumulative. In support thereof, Respondents point to the following facts, which allegedly are contained in the Statement of Claim, but not in the Waldenstore.com reference:

- Battison invented the Aqua Clog;
- Finproject found the Aqua Clog in Italy in 2000;
- Finproject sold the Aqua Clog beginning in April 2001; and
- Crocs added a strap to the existing Aqua Clog.

(*Id.* at 56 (citing RX-021 at ¶¶ 7, 8, 11, and 13; RRB at 44-45).)

In Respondents' view, Douglas Hamilton, the attorney who filed the '858 patent, is "particularly culpable" for failing to disclose the on-sale activity. (*Id.* at 57.) While Crocs allegedly maintains that there was no intent to deceive because the Statement of Claim was submitted by its patent prosecution counsel in two co-pending applications, Respondents disagree and assert that "the nonuniform citation of references among a related family of applications is a hallmark of inequitable conduct." (*Id.*) At the very least, the disclosure in the co-pending applications establishes the materiality of the Statement of Claim and, Respondents argue, Crocs' knowledge of said materiality. (*Id.*)

Respondents also take issue with Crocs' argument that "there is no evidence that its attorneys had possession of the Statement of Claim prior to December 2005 and that, by that time, it was too late to disclose this critical information because the Examiner had already issued a Notice of Allowance of the '858 Patent." (*Id.*) According to Respondents, Crocs' argument fails for four reasons. First, Respondents contend that the only reason no evidence exists that

Crocs' attorneys possessed the Statement of Claim is because Crocs allegedly "invoked the privilege to muzzle its patent attorneys from saying when they received this document." (*Id.* at 57-58.) Second, Crocs could have, Respondents argue, provided its attorneys with a copy of the Statement of Claim when it was filed, "which was nearly a year prior to December 2005." (*Id.* at 58.) Third, Respondents assert that Mr. Seamans, the other Crocs executives, and Crocs' patent attorneys all knew the underlying facts set forth in the Statement of Claim, yet none of them saw fit to disclose these facts to the PTO. (*Id.*) Lastly, Respondents insist that it was not too late to disclose this information in December 2005 for "Crocs could have requested the Examiner to withdraw the Notice of Allowance." (*Id.*)

Crocs argues that Respondents have failed to establish that the Statement of Claim was material to the prosecution of the '858 patent. (CIB at 56-58; CRB at 39-42.) There is, Crocs alleges, no dispute that the Statement of Claim relates to a Canadian copyright and trademark action (*i.e.*, "brought in Canada under Canadian law"). (CRB at 39.) Respondents nevertheless cite to MPEP §2001.06(c) to argue that the Statement of Claim was material, yet Respondents do not, Crocs contends, provide any authority for this argument. (*Id.*) In fact, "Crocs has been unable to locate any authority suggesting, much less holding, that § 2001.06(c) applies to foreign copyright and trademark litigation." (CRB at 39-40.) Crocs also disputes Respondents' assertion that because the Statement of Claim discloses information relating to the Aqua Clog (and allegedly not disclosed by any other reference before the Examiner), the Statement of Claim is material. (CRB at 40; CIB at 57.) Crocs asserts that, at most, the Statement of Claim confirmed the Aqua Clog as prior art. Contrary to Respondents' contention, it did not, Crocs argues, change or add anything to the Examiner's analysis of the Aqua Clog as prior art and thus, the Statement of Claim was "cumulative to the Examiner's acknowledgement of the Aqua Clog

as prior art.” (CRB at 40; *see also id.* at 42 (arguing that in a different application, the same Examiner informed patent counsel she was not going to consider the Statement of Claim at all, thereby evidencing that Respondents’ contention that said document was material is incorrect).)

Crocs also asserts that Respondents have failed to provide any evidence that any person involved in the prosecution of the ’858 patent knowingly withheld the Statement of Claim from the PTO. (*Id.* at 41.) Crocs takes particular issue with Respondents’ proclamation that Mr. Hamilton is “particularly culpable” for allegedly withholding the Statement of Claim, noting that “Respondents fail to mention that by February 2005, when the Statement of Claim was first filed by Canadian counsel in Canada, Mr. Hamilton was no longer even involved in the prosecution of the ’858 Patent ... .” (*Id.* (citing, *e.g.*, CROCS 000778).) Crocs further contends that even if certain Crocs attorneys were in possession of the Statement of Claim by December 2005, Crocs could not have asked the Examiner to withdraw the Notice of Allowance for “[a]n application will only be withdrawn from issuance based on a prior art reference if the reference **unequivocally** renders one or more of the claims unpatentable.” (*Id.* (citation omitted; emphasis original); *see also* CIB at 56-67.) Respondents cannot, Crocs argues, establish that the Statement of Claim falls within this exception. (*Id.* at 41.)

Like Crocs, Staff asserts that Respondents have mischaracterized the “the inherent nature” of the Canadian Statement of Claim. (SRB at 10.) The Statement of Claim, Staff states, involved copyrights and trademarks under Canadian law, not U.S. patent law. (*Id.* at 10.) Staff contends that “[b]ecause that action pertained to different areas of law under the laws of a different country, it is not necessarily material to Crocs’s U.S. patent application.” (*Id.*) Furthermore, Respondents have not, Staff argues, proffered any evidence proving that the information in the Statement of Claim was not already disclosed to the PTO or was otherwise

material to the prosecution of the applications and thus, the '858 patent should not be held unenforceable for Complainant's non-disclosure of the Holey Soles Canadian Statement of Claim. (*Id.* at 10-11.)

**c. Duty of Disclosure**

Respondents contend that [i]n an effort to absolve many of the executives involved in the prosecution of the patents of any responsibility, Crocs has argued that the duty of disclosure applies solely to Mr. Seamans and Crocs' attorneys." (RIB at 58.) Such an argument, Respondents assert, is contrary to both the facts and the law.

The duty of disclosure, Respondents argue, is applicable to all involved in the prosecution of patents. (*Id.* (citing 37 C.F.R. § 1.56(c) in support of their argument that the duty of disclosure extends well beyond Mr. Seamans to all individuals at Crocs who were substantively involved in the prosecution of the '858 and '789 patents).) Respondents assert that:

Here, the evidence clearly shows that several Crocs executives in addition to Mr. Seamans were actively involved in these patent applications. For instance, provisional applications '360 and '371 filed on May 23, 2001, to which the '858 patent claims priority, list Scott Seamans, George Boedecker, Lyndon Hanson, and Don Lococo as co-inventors, although Mr. Seamans flatly refuted any assertion that these three men had any role in inventing anything.

(*Id.* at 59 (internal citations omitted); RRB at 45-57.) Respondents believe "the Crocs executives' main role in the patent applications appeared to be to coerce Finproject into assigning Crocs the rights to the design of the Aqua Clog." (*Id.* at 59-60 (citing RX-026C; RX-014C; RX-015C; Reddyhoff, Tr. at 725:6-15).) Respondents further claim that entries on Crocs' patent attorneys' privilege log further confirm that Messrs. Boedecker, Hanson, and Lococo were

actively involved in the prosecution of the patents and as such, “all had a duty of disclosure before the PTO that was not satisfied.” (*Id.* at 60-61 (citing Snyder, Tr. at 510:1-512:5).)

Crocs asserts “[t]here is no evidence that anyone at Crocs other than Mr. Seamans was substantively involved in the patent application process.” (CIB at 53; *see also* CRB at 35-37.) Messrs. Boedecker and Hanson, Crocs argues, both testified that they did not substantively participate in the patent application process, thereby confirming that Mr. Seamans was the only person at Crocs who was substantively involved in the prosecution of the patents at issue. (*Id.* (citing CFF 1483).) Crocs states that despite this undisputed testimony, Respondents insist Messrs. Boedecker, Hanson and Lococo were involved in the patent prosecution process because they were named as co-inventors (along with Mr. Seamans) on the ’371 application.<sup>4</sup> (*Id.* at 54; *see also* CRB at 36 (“Respondents cite no authority (and there is none) for the proposition that mistakenly naming a person on a *provisional* application means that the person is thus deemed to be substantively involved in the prosecution of any *downstream* patent applications before the Patent Office (emphasis original).) Both Messrs. Hanson and Boedecker, however, testified that their inclusion was made in error, which, Crocs contends, “confirms their lack of involvement with the patent applications.” (*Id.* (citing CFF 1467-1470); *see also* CRB at 37 (“With respect to the prosecution of the actual ’126 Application (from which the ’858 Patent issued), the evidence is uncontroverted that the only person involved other than the patent attorneys was Mr. Seamans himself, and no one else from Crocs.”).)

## 2. Intent

Respondents assert that the evidence adduced at trial clearly and convincingly establishes that Crocs intending to mislead the PTO. (RIB at 62-65.) In support thereof, Respondents state

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<sup>4</sup> The ’858 patent claims priority from the ’371 application.

that “the best evidence of intent is Mr. Seamans’ admission at the hearing that the Aqua Clog is something that the PTO would want to know about in assessing the claimed inventions of the ‘858 and ‘789 patents.” (*Id.* at 62 (citing Seamans, Tr. at 598:17-599:5); RRB at 47.) In fact, Respondents believe that this testimony alone establishes a threshold level of intent. (*Id.*) Respondents also point to Crocs’ “conscious decision to obtain patent protection at any cost,” as well as the fact that “Crocs’ patent attorneys were still seeking to create leverage with respect to Finproject, the maker of the Aqua Clog, *after* they completed final drafts of the patent applications” and that Crocs’ acquisition of Finproject and the copyright assignment agreement between Finproject and L’Artigiana Stampi were completed “*after* the filing of the patent applications,” as additional evidence of Crocs’ deceptive intent. (RIB at 63-64 (emphasis original); RRB at 47-48.) Moreover, Crocs has, Respondents argue, offered no explanation (via affidavit or deposition testimony) for its pattern of nondisclosure and thus, “an inference of deceptive intent may be fairly drawn.” (RIB at 64-65 (“Crocs’ witnesses at a trial similarly were unable to explain the lack of candor evident in this case.”).)

Crocs argues that in order to maintain their claim of inequitable conduct, Respondents must not only prove by clear and convincing evidence that material information was withheld from the PTO, but they must also prove by clear and convincing evidence that a particular person knowingly withheld that material information with an intent to deceive. (CRB at 38.) Respondents have, Crocs asserts, failed on both counts. Respondents have proffered no evidence of an intent to deceive. (CIB at 59; CRB at 38, 39, 42.) Instead, Respondents “merely assert that an intent to deceive should be presumed because ... Crocs has not ‘come forward’ with an explanation for why the Aqua Clog was not disclosed to the Patent Office.” This argument, Crocs contends, “strains credulity” since “the Aqua Clog was disclosed and acknowledged by the

Patent Office.” (CRB at 38.) “Respondents cannot convert a *disclosure* – especially a disclosure that was received and acknowledged by the Examiner – into a *nondisclosure*.” (*Id.* at 39.) Crocs further argues that Respondents have failed to recognize that there can be no intent with respect to the Statement of Claim since it discloses nothing relevant to patentability other than the Aqua Clog’s prior art status. (*Id.* at 42 (questioning how intent to deceive could arise from a reference that merely confirms the prior art status of a reference, which the Examiner has already acknowledged).) Crocs therefore submits that neither fact nor law supports Respondents’ requested inference of an intent to deceive. (*Id.*)

Staff asserts that even if one were to assume for the sake of argument that the evidence demonstrated Crocs withheld any material prior art from the PTO, “[t]he evidence adduced at trial does not support the ‘intent’ prong of the inquiry.” (SIB at 54; SRB at 11.) Staff notes that Respondents cite to RX-26C, a letter from a Mr. Hamilton of the Townsend law firm to Mr. Boedecker, wherein Mr. Hamilton states: “I had a good conversation with Scott [Seamans] when he was here the other day, and based on my conversations with him, and the information we have learned about FINPROJECT, I believe there are some things that we can be doing to create additional leverage with FINPROJECT.” (SIB at 54 (quoting RX-26C).) Staff disputes Respondents’ contention that the “additional leverage” language is evidence that Crocs intended to deceive the PTO, arguing that “[b]ut apart from the pernicious glow Respondents attempt to cast over this language, the testimony from Messrs. Seamans and Boedecker does not support Respondents’ reading of that letter.” (SIB at 51 (citing Seamans, Tr. at 948:22-949:12; RX-001C at 53:19-54:15).) Staff also disputes Respondents’ suggestion that Mr. Boedecker’s statement about needing to secure ownership and title to all patent rights made the day after Crocs filed its patent applications is yet another example of Crocs’ deceptive behavior. (SRB at



11 (citing RIB at 63).) Staff contends that, “[b]y emphasizing the timing of Mr. Boedecker’s statement regarding ‘ownership,’ Respondents seek to create the aura of a knowing falsehood perpetrated upon the PTO.” (*Id.* (arguing that Respondents’ argument conflates “owner” with “inventor”).) In Staff’s opinion, “there was nothing necessarily suspicious about Crocs filing the patent application when it did because ‘federal law requires that the true inventorship entity be named in the patent application *regardless of who owns the patent rights.*” (*Id.* at 11 (internal citations omitted) (emphasis original).)

Having reviewed the pleadings and the evidence cited therein, the undersigned concludes that Respondents’ allegation that Crocs committed inequitable conduct during prosecution of the ’858 patent is not supported by clear and convincing evidence. The crux of Respondents’ argument is predicated on Crocs’ alleged non-disclosure of the Aqua Clog, yet the evidence clearly demonstrates that Crocs *did*, in fact, disclose this reference to the PTO. (*See* JX-001 at CROCS000764; JX-85.) By doing so, Crocs discharged its duty of disclosure with respect to the Aqua Clog.<sup>5</sup> Furthermore, there is no evidence to suggest that the Examiner was unable to appreciate Crocs’ affirmative disclosure. To the contrary, the evidence indicates that the Examiner did indeed consider the disclosure prior to allowing the ’858 patent (as well as the ’789 patent). (*See* CX-001 at 003; JX-001 at CROCS000764; *see also* CX-003 at 023; JX-002 at CROCS000964.)

The evidence similarly does not, as Respondents contend, establish that the Holey Soles Statement of Claim is material. Respondents rely on MPEP § 2001.06(c), which pertains to the disclosure of information from “related litigation,” to support its argument. (*See* MPEP § 2001.06(c).) Specifically, MPEP § 2001.06(c) states that “[w]here the subject matter for which a

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<sup>5</sup> Moreover, despite Respondents’ arguments to the contrary, Crocs’ disclosure was in compliance with MPEP regulations. The version of MPEP § 707.05(e) in effect at the relevant time makes explicit that this provision

patent is being sought is or has been involved in litigation, the existence of such litigation and any other material information arising therefrom must be brought to the attention of the U.S. Patent and Trademark Office.” (*Id.*) The Holey Soles Statement of Claim, however, relates to a litigation involving *copyrights and trademarks*, not patents, and involves Canadian, not U.S., law. Respondents have proffered no evidence or authority, let alone any explanation, as to how a foreign copyright and trademark litigation qualifies as “related litigation” under § 2001.06(c) beyond attorney argument.

As to the intent prong, while it is true that a court may infer facts supporting an intent to deceive from indirect evidence, no inference can be drawn if there is no evidence of record that can support such an inference. Such is the case here. Quite simply, there is no evidence to suggest that any person involved in the prosecution of the ’858 patent intended to deceive the PTO. Respondents cannot carry their burden based on speculation, conjecture, and attorney argument alone.

Accordingly, the undersigned hereby determines that Respondents have met neither the materiality nor the intent requirements and thus, have failed to demonstrate by clear and convincing evidence that the ’858 patent is unenforceable due to inequitable conduct.

#### **B. ’789 PATENT**

Respondents assert that the Crocs’ inequitable conduct in prosecuting the ’858 patent renders the ’789 patent unenforceable “by way of infectious unenforceability.” (RIB at 104-105 (citing ; *see also* RRB at 63.) Respondents allege that the claims of the ’858 patent recite a number of elements that are also common to the claims of the ’789 patent. (*Id.* at 105 (stating: “For instance, the strap, ventilator holes in the sidewall, holes in the upper, and flat section in the middle of the outsole are common to the shoes of both the ’858 and ’789 patents.”).) Because

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applied to the patent examiner, not the applicant. (*See, e.g.*, Exs. A and B to SIB.)

the claims of '858 and '789 patents are related, the unenforceability of the '858 patent, Respondents argue, carries over to the '789 patent as well. (*Id.*)

Crocs contends that Respondents have waived their “infectious unenforceability” argument by failing to raise it in their respective pre-trial briefs. (CRB at 66 (citing G.R. 8.2); *see also* CIB at 103.) Even assuming that Respondents have not waived this argument, Crocs asserts that the evidence does not support a finding of inequitable conduct with respect to the '858 patent and as a result, Respondents’ “infectious unenforceability” argument fails. (*Id.* at 66-67 (arguing, *inter alia*, that “[t]here is no authority to support Respondents’ argument that the alleged inequitable conduct during the prosecution of a utility patent gives rise to a finding of unenforceability of a related design patent.”).)

Staff submits that just as Respondents failed to carry their burden to show that the '858 patent is unenforceable, Respondents have likewise failed to show that the '789 patent is unenforceable. (SIB at 70 (referring the undersigned to its discussion regarding the '858 patent).)

As discussed *supra*, the undersigned has determined that Respondents have failed to establish by clear and convincing evidence that the '858 patent is unenforceable due to inequitable conduct. In light of the undersigned’s finding, Respondents’ “infectious unenforceability” argument fails. Respondents therefore have not and cannot show by clear and convincing evidence that the '789 patent is unenforceable. Accordingly, the undersigned hereby finds that the '789 patent is not unenforceable due to inequitable conduct.

#### **IV. CONCLUSIONS OF LAW**

1. U.S. Patent No. 6,993,858 is enforceable.
2. U.S. Pat. No. D517,789 is enforceable.

**V. REMAND INITIAL DETERMINATION**

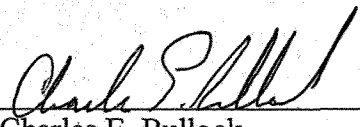
Based on the foregoing, it is the Initial Determination of the undersigned that U.S. Patents No. 6,993,858 and D517,789 are enforceable. This Initial Determination is hereby certified to the Commission.

Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall become the determination of the Commission unless a party files a petition for review of the Initial Determination pursuant to 19 C.F.R. § 210.43(a), or the Commission, pursuant to 19 C.F.R. § 210.44, orders, on its own motion, a review of the Remand Initial Determination or certain issues herein.

Within seven days of the date of this document, each party shall submit to the Office of the Administrative Law Judges a statement as to whether or not it seeks to have any portion of this document deleted from the public version. The parties' submission may be made by facsimile and/or hard copy by the aforementioned date.

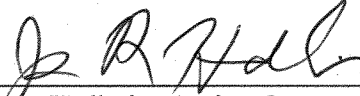
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**SO ORDERED.**

  
\_\_\_\_\_  
Charles E. Bullock  
Administrative Law Judge

CERTIFICATE OF SERVICE

I, James R. Holbein, hereby certify that the attached **PUBLIC INITIAL DETERMINATION** has been served upon, **David O. Lloyd, Esq.**, Commission Investigative Attorney, and the following parties via overnight delivery where necessary on March 29, 2011.



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U.S. International Trade Commission  
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**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C. 20436**

**In the Matter of**  
**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

**COMMISSION OPINION**

**I. INTRODUCTION**

On April 11, 2008, the presiding administrative law judge (“ALJ”) issued a final initial determination (“ID”) in the above-captioned investigation, finding no violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), by respondents’ accused products. The Commission determined to review the ID with respect to the issues of infringement and the technical prong of the domestic industry requirement for U.S. Patent No. D517,789 (“the ‘789 patent”), and the issue of validity of U.S. Patent No. 6,993,858 (“the ‘858 patent”). On review, the Commission has determined to modify the ALJ’s determination, as set forth below, but to affirm his finding of no violation of section 337.

**II. BACKGROUND**

The Commission instituted this investigation on May 11, 2006, based on a complaint, as amended, filed by Crocs, Inc. (“Crocs”) of Niwot, Colorado. 71 *Fed. Reg.* 27514 (May 11, 2006). Crocs’ amended complaint alleged violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear by reason of infringement of claims 1-2 of the ‘858 patent, the design in the ‘789 patent, and Crocs’ trade dress (the image and overall appearance of Crocs-brand

footwear). Crocs' trade dress assertion was subsequently withdrawn from the investigation. The complaint further alleged that an industry in the United States exists, as required by section 337(a)(2).

The complaint named eleven respondents, including: (1) Collective Licensing International, LLC ("Collective") of Englewood, Colorado; (2) Double Diamond Distribution Ltd. ("Double Diamond") of Saskatoon, Saskatchewan; (3) Effervescent Inc. ("Effervescent") of Fitchburg, Massachusetts; (4) Gen-X Sports, Inc. ("Gen-X Sports") of Toronto, Ontario; (5) Holey Soles Holding Ltd. ("Holey Soles") of Vancouver, British Columbia; (6) Australia Unlimited, Inc. of Seattle, Washington; (7) Cheng's Enterprises Inc. of Carlstadt, New Jersey; (8) D. Myers & Sons, Inc. of Baltimore, Maryland; (9) Inter-Pacific Trading Corp. of Los Angeles, California; (10) Pali Hawaii of Honolulu, Hawaii; and (11) Shaka Shoes of Kailua-Kona, Hawaii. A twelfth respondent, Old Dominion Footwear, Inc. of Madison Heights, Virginia, was added to the investigation on October 10, 2006. All but five respondents have been terminated from the investigation on the basis of a consent order, settlement agreement, or undisputed Commission determination of non-infringement. The five remaining respondents are: (1) Collective; (2) Double Diamond; (3) Effervescent; (4) Gen-X Sports; and (5) Holey Soles. Collective, Effervescent and Holey Soles filed joint submissions to the Commission and are collectively referred to as "CLI respondents" or "CLI."

This investigation concerns foam footwear allegedly covered by the claims of the '858 utility patent and/or the '789 design patent. The asserted claims of the '858 patent cover foam footwear having a foam base section, including an upper portion ("upper") and a sole formed as a part, and a foam strap formed as a second part. The foam strap is in direct contact with the base



section at a pair of connectors and the direct contact creates frictional forces sufficient to maintain the strap in a position between the opening formed by the upper and the rear sole of the base section. *See* ‘858 patent, col. 9, ll. 36-53. The ‘789 patent, on the other hand, is directed to an ornamental design for footwear as depicted in the patent drawings.

On November 7, 2006, the ALJ issued an ID (Order No. 32) granting respondents’ motions for summary determination of non-infringement of the ‘789 patent and denying Crocs’ motion for summary determination of infringement of the ‘789 patent. On February 15, 2007, the Commission issued an Order of Vacatur and Remand of Initial Determination, in which it vacated the ALJ’s summary determination of non-infringement for all accused footwear under the “ordinary observer test.”

On April 11, 2008, the ALJ issued the final ID that is before us, concluding that there is no violation of section 337 because: a) the ‘789 patent is not infringed by respondents’ shoes and Crocs’ shoes do not satisfy the technical prong of the domestic industry requirement relating to the ‘789 patent, and b) the ‘858 patent is invalid due to obviousness as proven by clear and convincing evidence. On April 24 and May 1, 2008, respectively, complainant Crocs, CLI respondents, and the Commission investigative attorney (“IA”) filed petitions for review of the final ID and responses to the other parties’ petitions. On April 29, 2008, respondent Gen-X Sports filed a joinder in the petition of CLI respondents, and on April 30, 2008, respondent Double Diamond filed a joinder in the CLI petition and filed a response to Crocs’ and the IA’s petitions.

On June 18, 2008, the Commission determined to review-in-part the final ID. Particularly, the Commission determined to review: 1) the ALJ’s findings concerning non-

infringement of the ‘789 patent by the respondents’ products and the lack of satisfaction of the technical prong of the domestic industry requirement of section 337 by Crocs’ footwear; and 2) the ALJ’s finding of invalidity with respect to the ‘858 patent. The Commission determined not to review any other issues.

### **III. DISCUSSION**

For the reasons set forth below, we have determined to modify and clarify certain aspects of the final ID and to affirm the ALJ’s finding of no violation of section 337 by respondents’ products.<sup>1</sup>

#### **A. The ‘789 Patent: Infringement and the Technical Prong of the Domestic Industry Requirement**

We modify and clarify the ALJ’s finding of non-infringement and his finding that complainant failed to satisfy the technical prong of the domestic industry requirement of section 337 relating to the ‘789 patent.

First, we clarify the ALJ’s discussion of the similarities between the accused products and the design of the ‘789 patent. In his infringement analysis under the “ordinary observer test,” the ALJ stated that “while there are many similarities [between the ‘789 patent design and the accused products], the majority of those similarities were in the prior art Aqua Clog, with the exception of the strap and connectors.” ID at 85 (fn. 362). Crocs argues that this statement indicates that the ALJ did not adequately consider the similarities between respondents’ accused footwear and the ‘789 patent design. However, we find that the ALJ’s statement relating to the prior art does not indicate that, in conducting his “ordinary observer” analysis to determine

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<sup>1</sup> The Commission adopts all of the ALJ’s findings in the final ID to the extent his findings are not inconsistent with this opinion.

infringement, he gave less weight to the similarities between the accused products and the ‘789 patent on the basis that some of those similarities were contained in the prior art. Rather, we find that the ALJ did consider all of the similarities between the accused footwear and the ‘789 patent as evidenced by the rest of footnote 362 and his overall infringement analysis. *See* ID at 81-110 (including fn. 362).

Second, we augment the ALJ’s discussion of differences between the accused devices and Crocs’ footwear on the one hand and the ‘789 patent design on the other. The ALJ repeatedly found that at least two key differences existed between the patented design and respondents’ accused shoes, and between the patented design and Crocs’ footwear. In contrast to the patented design, he found that the accused footwear and the Crocs’ footwear: (1) lack a strap extending to the heel of the shoe, and (2) lack a strap of uniform width - *i.e.*, all the accused shoes and Crocs’ shoes include a strap that does not extend to the heel of the shoes and that widens at the back.<sup>2</sup> ID at 92-113. The ALJ also construed the ‘789 design claim to include “trapezoid-shaped holes [ventilator holes] evenly spaced around the sidewall of the upper including the front portion,” ID at 80, but he did not make any infringement findings concerning this construction. We find that each of respondents’ accused shoes and each of Crocs’ shoes are materially different from the ‘789 patent design in this way. Specifically, we find that none of the accused shoes nor Crocs’ shoes contains even spacing of ventilator holes around the front (toe) portion of the sidewall of the upper as called for by the ‘789 patent design. *See* ‘789 patent, FIG. 4; CPX-4-5, 7-15, 34-35, 37-40; RPX-1-6, 9, 17-20, 29, 35.

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<sup>2</sup> The ALJ found other differences with respect to specific accused shoes, and we affirm those findings. ID at 96-110.

We affirm the ALJ's conclusion that, considering all the features of the accused and Crocs' footwear, an ordinary observer would not be confused into purchasing the accused or Crocs' footwear supposing it to be the footwear depicted in the '789 patent.

Accordingly, we affirm with modification the ALJ's determination of non-infringement of the '789 patent and lack of satisfaction of the technical prong of the domestic industry requirement of section 337 relating to the '789 patent.

#### **B. The '858 Patent: Validity**

We agree with the ALJ's obviousness analysis, but clarify here several points from the ALJ's initial determination.

In finding the '858 utility patent invalid due to obviousness in view of the prior art, the ALJ concluded that the prior art Aqua Clog "is the shoe set forth in the '858 patent" except for the strap section recited by claim 1. ID at 59. The ALJ also relied on the prior art Aguerre patent (U.S. Patent No. 6,237,249) ("Aguerre" or "the '249 patent") to conclude that "the use of straps in shoes similar to the patented shoe was well know in the prior art," including straps which had direct contact with the base thereby creating friction so that the strap would stay in one place. ID at 59-60. The ALJ found unpersuasive Crocs' argument that direct contact between the strap and the base of the shoes was novel, and therefore patentable, and we agree. Indeed, Crocs' expert witness, Mr. Whatley, admitted in his testimony that Aguerre teaches attaching the strap to the vamp (part of the Aguerre shoe that covers the instep of the foot and bonded with the mid-portion of the sole) with direct contact, even though a disclosed embodiment contains a washer between the strap and the base to enhance freer rotation of the strap. *See* Aguerre at FIGs. 11, 13, col. 9, ll. 20-23. However, obviousness is assessed in light of all disclosures in the

relevant prior art, whether preferred or unpreferred embodiments, and the claims of the '858 patent only recite "pivoting," and not "free (smooth) rotation" of the strap. *See Merck & Co., Inc. v. Biocraft Labs., Inc.*, 874 F.2d 804, 807 (Fed. Cir. 1989). Thus, the ALJ properly concluded that the sole remaining difference between the prior art and the claimed invention is the use of foam for the strap.

The ALJ relied on the rebuttal testimony of complainant's expert, Mr. Whatley, to conclude that "[f]oam straps were discussed in and thus were known in the prior art, even though they were referred to as unsuitable." ID at 59-60. Crocs contends that the ALJ erroneously relied on this expert testimony to show that foam straps were known in the art because it teaches away from the use of foam straps. *See CX-667C (Q. 118)*. We disagree. In addressing the question of whether adding a foam strap to the Aqua Clog creates a patentable invention, the ALJ properly relied upon Mr. Whatley's statement simply as evidence that foam straps were known in the prior art by one of ordinary skill. ID at 59-60. The fact that the witness described foam straps as "unsuitable" does not mean that they are not known by persons of ordinary skill in the art. Obviousness is assessed in light of all prior art disclosures, including unpreferred embodiments. *See Merck & Co.*, 874 F.2d at 807. As the Federal Circuit held in *In re Gurley*, "[a] known or obvious composition does not become patentable simply because it has been described as somewhat inferior to some other product for the same use." 27 F.3d 551, 553 (Fed. Cir. 1994). Accordingly, the ALJ properly relied on Mr. Whatley's testimony to show that foam straps were known in the prior art.

Moreover, because we find that inelastic, non-stretchable straps, including foam straps, were known in the prior art, in addition to straps which had direct contact to the base thereby

creating friction to hold the strap in place, we conclude that one of ordinary skill in the art (one with “two to five years of hands-on experience in designing and developing products made of molded foams, especially footwear” (ID at 57)) would not be deterred, based on Mr. Whatley’s testimony, from adding a foam strap to the Aqua Clog (a foam shoe) in a manner recited by the ‘858 patent. *See* ID at 59-60; Reddyhoff, Tr. at 691-92; *see also Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1165 (2006) (recognizing that “a given course of action often has simultaneous advantages and disadvantages, and this does not necessarily obviate motivation to combine”); *In re Icon Health & Fitness, Inc.*, 496 F.3d 1374, 1382 (2007) (recognizing that a proper obviousness analysis “[does] not ignore the modifications that one skilled in the art would make to a device borrowed from the prior art”); *see also In re Fulton*, 391 F.3d 1195, 1200 (Fed. Cir. 2004).

In addition, in our view, the mere substitution of foam for other materials in the strap does not render the claimed invention non-obvious to a person of ordinary skill in the art. In *Lyle/Carlstrom Assoc., Inc. v. Manhattan Store Interiors, Inc.*, the Court held that:

Substitution of materials will not, in and of itself, create novelty if the same purpose or function could be achieved through the old materials. This rule applies even if the substituted material is more satisfactory, cheaper, or more durable. The substitution must bring about a new mode of construction, or new properties or uses of the article that were not obvious and, in effect, make the old material obsolete.

635 F. Supp. 1371, 1385 (E.D.N.Y. 1986), *aff’d*, 824 F.2d 977 (Fed. Cir. 1987); *see also KSR Int’l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1739-40 (2007) (“The Court [recognizes] that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield predictable

results.”); citing *United States v. Adams*, 383 U.S. 39, 50-51 (1966).

Further, we find that the mere choice of foam as the strap material for a shoe that is otherwise made of foam is a logical, advantageous modification because it produces a shoe of uniform composition. It would have been an obvious design choice for a person of ordinary skill in the art who has two to five years of hands-on experience working with products made of molded foam, especially footwear. *See* ID at 57. Thus, the mere substitution of foam for prior materials in back straps is not patentable.

Finally, the record does not indicate that use of foam as the material for the back strap yields unpredictable results. For example, Crocs’ arguments relating to unpredictable results are mainly directed to the so-called “passive restraint system” whereby the strap is held in place by virtue of contact with the base of the shoe and is not in constant contact with the wearer’s foot. As discussed above, however, Aguerre teaches a strap that exhibits the same direct contact with the base. Therefore, we agree with the ALJ that Crocs’ invention is merely a combination of familiar elements according to known methods that yields predictable results.

Turning to secondary considerations of non-obviousness, the ALJ discounted Crocs’ argument that its commercial success demonstrated non-obviousness, finding that Crocs had not shown a sufficient nexus between the novelty of its shoes and their commercial success. ID at 64. He further noted that Crocs’ argument mixed the issues of functionality and appearance. *Id.* We agree with the ALJ and further find that Crocs’ evidence of commercial success is insufficient because Crocs did not show that the commercial success of its shoes “is attributable to something disclosed in the patent that was not readily available in the prior art . . .” *See J.T. Eaton & Co., Inc. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997). Indeed,

there is no evidence that the commercial success was due to the relevant patented feature (*e.g.*, “frictional forces developed by the contact between the [foam] strap and the base section to maintain the strap section in place”). *See* ‘858 patent, col. 9, ll. 46-53; ID at 60. The Federal Circuit has also taught that there is no presumptive nexus when the patented invention is only a subset of the commercial product. *See also Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988). Particularly, the record here indicates that the relevant patented feature is just one of many features of Crocs’ commercial shoe, and therefore there can be no presumptive nexus between commercial success of Crocs’ product and the claimed invention of the ‘858 patent.

In addition, the ALJ discounted Crocs’ argument that respondents copied its shoe design by finding that respondents used Crocs’ shoes as a “primary inspiration” and did not directly copy the shoe. ID at 68-69. In our view, Crocs’ evidence indicates that at least one respondent copied Crocs’ commercially-available shoe. *See* CX-148C (PSS038535). Nevertheless, we conclude that the evidence of copying does not overcome the overwhelming strength of respondents’ *prima facie* case of obviousness, because of the closeness of the prior art to the claims. *See Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1344 (Fed. Cir. 2008); *citing Leapfrog Enterprises, Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007). Thus, Crocs’ evidence of copying fails to suggest that the claims are non-obvious.

In light of our modifications and clarifications, we affirm the ALJ’s ruling that respondents have shown by clear and convincing evidence that the ‘858 patent is invalid due to obviousness.



#### IV. CONCLUSION

We affirm the ID as modified and terminate the investigation with a finding of no violation of section 337.

By order of the Commission.

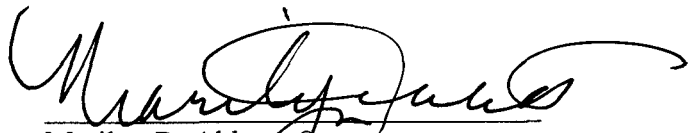
A handwritten signature in black ink, appearing to read "Marilyn R. Abbott". The signature is fluid and cursive, with a large initial "M" and "A".

Marilyn R. Abbott  
Secretary to the Commission

Issued: July 25, 2008

**PUBLIC CERTIFICATE OF SERVICE**

I, Marilyn R. Abbott, hereby certify that the attached COMMISSION OPINION has been served by hand upon the Commission Investigative Attorney, Benjamin Levi, Esq., and the following parties as indicated, on July 25, 2008



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**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C. 20436**

**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

**NOTICE OF COMMISSION DECISION TO MODIFY A FINAL INITIAL  
DETERMINATION AND TO TERMINATE THE INVESTIGATION WITH A FINDING  
OF NO VIOLATION OF SECTION 337**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has determined to modify a final initial determination ("ID") of the presiding administrative law judge ("ALJ"). The Commission has determined that there is no violation of section 337 in the above-captioned investigation.

**FOR FURTHER INFORMATION CONTACT:** Clint Gerdine, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-2310. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation on May 11, 2006, based on a complaint, as amended, filed by Crocs, Inc. ("Crocs") of Niwot, Colorado. 71 *Fed. Reg.* 27514 (2006). The amended complaint alleges violations of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear, by reason of infringement of claims 1-2 of U.S. Patent No. 6,993,858 ("the '858 patent"); U.S. Patent No. D517,789 ("the '789 patent"); and the Crocs trade dress (the image and overall appearance of Crocs-brand footwear). The complaint further alleges that an industry in the United States exists as required by subsection (a)(2) of section 337. The complaint requests

that the Commission issue a permanent general exclusion order and permanent cease and desist orders. The complaint identifies 11 respondents that include: (1) Collective Licensing International, LLC (“Collective”) of Englewood, Colorado; (2) Double Diamond Distribution Ltd. (“Double Diamond”) of Saskatoon, Saskatchewan; (3) Effervescent Inc. (“Effervescent”) of Fitchburg, Massachusetts; (4) Gen-X Sports, Inc. (“Gen-X Sports”) of Toronto, Ontario; (5) Holey Soles Holding Ltd. (“Holey Soles”) of Vancouver, British Columbia; (6) Australia Unlimited, Inc. of Seattle, Washington; (7) Cheng’s Enterprises Inc. of Carlstadt, New Jersey; (8) D. Myers & Sons, Inc. of Baltimore, Maryland; (9) Inter-Pacific Trading Corp. of Los Angeles, California; (10) Pali Hawaii of Honolulu, Hawaii; and (11) Shaka Shoes of Kaliua-Kona, Hawaii. The Commission terminated the investigation as to the trade dress allegation on September 11, 2006. A twelfth respondent, Old Dominion Footwear, Inc. of Madison Heights, Virginia, was added to the investigation on October 10, 2006. All but five respondents have been terminated from the investigation on the basis of a consent order, settlement agreement, or undisputed Commission determination of non-infringement. The five remaining respondents are: (1) Collective; (2) Double Diamond; (3) Effervescent; (4) Gen-X Sports; and (5) Holey Soles.

On April 11, 2008, the ALJ issued his final ID finding no violation of section 337 by the remaining respondents. The Commission extended the deadline for determining whether to review the final ID until June 18, 2008.

On June 18, 2008, the Commission determined to review-in-part the final ID. Particularly, the Commission determined to review: 1) the ALJ’s findings concerning non-infringement of the ‘789 patent by the respondents’ products and lack of satisfaction of the technical prong of the domestic industry requirement by Crocs’ footwear; and 2) the ALJ’s finding of invalidity with respect to the ‘858 patent.

Having reviewed the record in this investigation, including the final ID and the parties’ briefing, the Commission has determined to modify and clarify parts of the final ID concerning non-infringement and lack of satisfaction of the technical prong of the domestic industry requirement relating to the ‘789 patent and invalidity of the ‘858 patent. The Commission affirms the final ID with the modifications and clarifications set forth in its separately issued Opinion, and terminates the investigation with a finding of no violation of section 337.

The authority for the Commission’s determination is contained in section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, and in section 210.45 of the Commission’s Rules of Practice and Procedure, 19 C.F.R. §§ 210.45.

By order of the Commission.



Marilyn R. Abbott  
Secretary to the Commission

Issued: July 25, 2008



PUBLIC CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached NOTICE OF COMMISSION DECISION TO MODIFY A FINAL INITIAL DETERMINATION AND TO TERMINATE THE INVESTIGATION WITH A FINDING OF NO VIOLATION OF SECTION 337 has been served by hand upon the Commission Investigative Attorney, Benjamin Levi, Esq., and the following parties as indicated, on July 25, 2008

[Handwritten signature of Marilyn R. Abbott]

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**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C. 20436**

**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Investigation No. 337-TA-567**

**NOTICE OF COMMISSION DETERMINATION TO REVIEW-IN-PART A FINAL  
INITIAL DETERMINATION FINDING NO VIOLATION OF SECTION 337**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has determined to review-in-part the presiding administrative law judge's ("ALJ") final determination (ID) finding no violation of section 337 in the above-captioned investigation with respect to U.S. Patent No. 6,993,858 ("the '858 patent) and U.S. Patent No. D517,789 ("the '789 patent").

**FOR FURTHER INFORMATION CONTACT:** Clint Gerdine, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-5468. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation on May 11, 2006, based on a complaint, as amended, filed by Crocs, Inc. ("Crocs") of Niwot, Colorado. 71 *Fed. Reg.* 27514 (2006). The amended complaint alleges violations of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear, by reason of infringement of claims 1-2 of U.S. Patent No. 6,993,858; U.S. Patent No. D517,789; and the Crocs trade dress (the image and overall appearance of Crocs-brand footwear). The complaint further alleges that an industry in the United States exists as required by subsection (a)(2) of section 337. The complaint requests that the Commission issue a permanent general exclusion order and permanent cease and desist orders. The complaint identifies 11 respondents that include: (1) Collective Licensing International, LLC ("Collective")

of Englewood, Colorado; (2) Double Diamond Distribution Ltd. ("Double Diamond") of Saskatoon, Saskatchewan; (3) Effervescent Inc. ("Effervescent") of Fitchburg, Massachusetts; (4) Gen-X Sports, Inc. ("Gen-X Sports") of Toronto, Ontario; (5) Holey Shoes Holding Ltd. ("Holey Shoes") of Vancouver, British Columbia; (6) Australia Unlimited, Inc. of Seattle, Washington; (7) Cheng's Enterprises Inc. of Carlstadt, New Jersey; (8) D. Myers & Sons, Inc. of Baltimore, Maryland; (9) Inter-Pacific Trading Corp. of Los Angeles, California; (10) Pali Hawaii of Honolulu, Hawaii; and (11) Shaka Shoes of Kaliua-Kona, Hawaii. The Commission terminated the investigation as to the trade dress allegation on September 11, 2006. A twelfth respondent, Old Dominion Footwear, Inc. of Madison Heights, Virginia, was added to the investigation on October 10, 2006. All but five respondents have been terminated from the investigation on the basis of a consent order, settlement agreement, or undisputed Commission determination of non-infringement. The five remaining respondents are: (1) Collective; (2) Double Diamond; (3) Effervescent; (4) Gen-X Sports; and (5) Holey Shoes.

On April 11, 2008, the ALJ issued his final ID finding no violation of section 337 by the remaining respondents. On April 24, 2008, the Commission issued a notice extending the deadline for determining whether to review the final ID by 15 days to June 11, 2008. On June 11, 2008, the Commission issued a notice extending the deadline for determining whether to review the final ID by 7 days to June 18, 2008.

Upon considering the parties' filings, the Commission has determined to review-in-part the final ID. Specifically, with respect to the '789 patent, the Commission has determined to review the ALJ's findings concerning non-infringement by the respondents' products and lack of satisfaction of the technical prong of the domestic industry requirement by Crocs' footwear. The Commission has also determined to review the ALJ's finding of invalidity with respect to the '858 patent. The Commission does not request any further written submissions at this time.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, and in sections 210.42-45 of the Commission's Rules of Practice and Procedure, 19 C.F.R. §§ 210.42-45.

By order of the Commission.

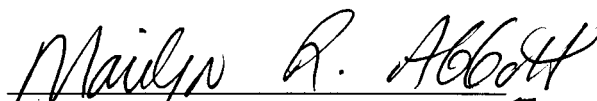


Marilyn R. Abbott  
Secretary to the Commission

Issued: June 18, 2008

**PUBLIC CERTIFICATE OF SERVICE**

I, Marilyn R. Abbott, hereby certify that the attached **NOTICE OF COMMISSION DETERMINATION TO REVIEW-IN-PART A FINAL INITIAL DETERMINATION FINDING NO VIOLATION OF SECTION 337** has been served by hand upon the Commission Investigative Attorney, Benjamin Levi, Esq., and the following parties as indicated, on June 19, 2008.

  
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Washington, D.C.

In the Matter of

CERTAIN FOAM FOOTWEAR

Inv. No. 337-TA-567

INITIAL DETERMINATION ON VIOLATION OF SECTION 337 AND  
RECOMMENDED DETERMINATION ON REMEDY AND BOND

Administrative Law Judge Charles E. Bullock

(April 11, 2008)

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## LIST OF ABBREVIATIONS

<b>CDX</b>	Complainant's demonstrative exhibit
<b>CFF</b>	Complainant's proposed findings of fact
<b>CIB</b>	Complainant's initial post-hearing brief
<b>CORFF</b>	Complainant's objections to Respondents' proposed findings of fact
<b>COSFF</b>	Complainant's objections to Staff's proposed findings of fact
<b>CPX</b>	Complainant's physical exhibit
<b>CRB</b>	Complainant's reply post-hearing brief
<b>CX</b>	Complainant's exhibit
<b>Dep</b>	Deposition
<b>JX</b>	Joint Exhibit
<b>PHB</b>	Pre-hearing brief
<b>RDX</b>	Respondents' demonstrative exhibit
<b>RFF</b>	Respondents' proposed findings of fact
<b>RIB</b>	Respondents' initial post-hearing brief
<b>ROCFF</b>	Respondents' objections to Complainant's proposed findings of fact
<b>ROSFF</b>	Respondents' objections to Staff's proposed findings of fact
<b>RPX</b>	Respondents' physical exhibit
<b>RRB</b>	Respondents' reply post-hearing brief
<b>RX</b>	Respondents' exhibit
<b>SFF</b>	Staff's proposed findings of fact
<b>SIB</b>	Staff's initial post-hearing brief
<b>SOCFF</b>	Staff's objections to Complainant's proposed findings of fact
<b>SORFF</b>	Staff's objections to Respondents' proposed findings of fact
<b>SRB</b>	Staff's reply post-hearing brief
<b>Tr.</b>	Transcript

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

**In the Matter of**

**CERTAIN FOAM FOOTWEAR**

**Inv. No. 337-TA-567**

**INITIAL DETERMINATION ON VIOLATION OF SECTION 337 AND  
RECOMMENDED DETERMINATION ON REMEDY AND BOND**

Administrative Law Judge Charles E. Bullock

(April 11, 2008)

Pursuant to the Notice of Investigation<sup>1</sup> and Rule 210.42(a) of the Rules of Practice and Procedure of the United States International Trade Commission, this is the Administrative Law Judge's Initial Determination in the matter of Certain Foam Footwear, Investigation No. 337-TA-567.

The Administrative Law Judge hereby determines that a violation of Section 337 of the Tariff Act of 1930, as amended, has not been found in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain foam footwear, in connection with claims 1 and 2 of U.S. Patent No. 8,993,858 and U.S. Design Patent No. D517,789. Furthermore, the Administrative Law Judge hereby determines that a domestic industry in the United States exists that practices U.S. Patent No. 8,993,858 and does not exist that practices U.S. Design Patent No. D517,789.

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<sup>1</sup> 71 Fed. Reg. 27,514 (May 11, 2006).

## **DISCUSSION**

### **I. Introduction**

#### **A. Procedural History**

On March 31, 2006, Complainant Crocs, Inc. (“Crocs”) filed a complaint with the Commission pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. On April 27, 2006, Complainant filed a request for postponement of institution of the investigation in order for Complainants to file an amended complaint. On April 27, 2006, Complainant filed an amended complaint. The amended complaint asserts unfair methods of competition and unfair acts in violation of Section 337 by Respondents Australia Unlimited, Inc. (“AU”); Cheng’s Enterprises Inc. (“Cheng’s”); Collective Licensing International, LLC (“CLI/Payless” or “CLI” or “Payless”); D. Myers & Sons, Inc. (“Myers”); Double Diamond Distribution Ltd. (“DDD”); Effervescent Inc. (“Effervescent”); Gen-X Sports, Inc. (“Gen-X”); Holey Soles Holding Ltd. (“Holey Soles”); Inter-Pacific Trading Corp. (“Inter-Pacific”); Pali Hawaii (“Pali”); and Shaka Shoes (“Shaka”) in connection with the importation into the United States, the sale for importation, and the sale within the United States after importation, of certain foam footwear.

The complaint accuses Respondents’ products of infringing various claims of the following U.S. Patents owned by Complainant: claims 1 and 2 of U.S. Patent No. 6,993,858 (“the ‘858 patent”); U.S. Design Patent No. D517,789 (“the ‘789 patent”); and the Crocs trade dress. The complaint further alleges that there exists a domestic industry with respect to the patents-at-issue. Complainant seeks, among other things, a general exclusion order of the infringing foam footwear. On May 8, 2006, the Commission issued a notice of investigation that was subsequently published

in the Federal Register on May 11, 2006.<sup>2</sup> On May 11, 2006, the undersigned set a twelve-month target date for the investigation, or May 11, 2007.<sup>3</sup>

On June 7, 2006, Complainant and Respondent Pali Hawaii aka Acme EX-IM, Inc. (“Pali/Acme”) filed a joint motion to terminate the investigation with respect to Acme based on a settlement agreement. On June 22, 2006, the undersigned issued Order No. 8, an initial determination granting the motion to terminate. On July 12, 2006, the Commission issued a notice of decision not to review an initial determination.

On June 8, 2006, Complainant and Respondent Shaka Holdings, Inc. (“Shaka”) filed a joint motion to terminate the investigation with respect to Shaka based on a settlement agreement. On June 22, 2006, the undersigned issued Order No. 9, an initial determination granting the motion to terminate. On July 12, 2006, the Commission issued a notice of decision not to review an initial determination.

On June 20, 2006, Complainant and Respondent Inter-Pacific Trading Corp. (“IP”) filed a joint motion to terminate the investigation with respect to IP based on a settlement agreement. On July 5, 2006, the undersigned issued Order No. 11, an initial determination granting the motion to terminate. On July 20, 2006, the Commission issued a notice of decision not to review an initial determination.

On July 31, 2006, Respondent Australia Unlimited, Inc. (“AU”) filed a motion for partial summary determination for lack of jurisdiction due to patent non-infringement. On August 15, 2006, the undersigned issued Order No. 19 denying the motion.

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<sup>2</sup> 71 Fed. Reg. 27,514 (May 11, 2006).

<sup>3</sup> See Order No. 2 (May 11, 2006).

On August 10, 2006, Complainant filed a motion for partial termination of investigation with respect to the Crocs' trade dress allegations. On August 24, 2006, the undersigned issued Order No. 20, an initial determination granting the motion. On September 12, 2006, the Commission issued a notice of decision not to review an initial determination.

On June 26, 2006, Respondent Cheng's Enterprises, Inc. ("Cheng's") filed a motion to terminate the investigation with respect to Cheng's based on a consent order. On August 29, 2006, the undersigned issued Order No. 22, an initial determination granting the motion to terminate. On September 22, 2006, the Commission issued a notice of decision not to review an initial determination.

On September 6, 2006, third-party Old Dominion Footwear, Inc. ("Old Dominion") filed a motion to intervene as respondent for the limited purpose of obtaining a ruling as to infringement of its Aqua Ducks shoe product. On October 10, 2006, the undersigned issued Order No. 25, an initial determination granting the motion to intervene. On October 30, 2006, the Commission issued a notice of decision not to review an initial determination.

On September 29, 2006, Complainant filed a motion for summary determination that the '858 and '789 patents are enforceable. On October 18, 2006, the undersigned issued Order No. 30 denying the motion for summary determination.

On September 29, 2006, Respondents Collective Licensing International LLC ("CLI"), Effervescent, Inc. ("Effervescent"), and Holey Soles Holdings Ltd. ("Holey Soles"), (collectively, "the CLI respondents") filed a motion for summary determination of invalidity. On October 18, 2006, the undersigned issued Order No. 31 denying the motion for summary determination.

On September 29, 2006, Complainant filed a motion for summary determination of

infringement of the '789 patent. On September 29, 2006, Double Diamond filed a motion for summary determination of non-infringement of U.S. Design Patent No. D517,789 and U.S. Utility Patent No. 8,993,858. On September 29, 2006, Gen-X filed a motion for summary determination of non-infringement. On October 4, 2006, Old Dominion filed a motion for summary determination of non-infringement of U.S. Design Patent No. D517,789. On November 7, 2006, the undersigned issued Order No. 32, an initial determination granting the motions for summary determination of non-infringement of the '789 patent. On November 7, 2006, Complainant filed a joint motion to amend the procedural schedule, requesting a continuance of the trial based on the Commission's ruling on Complainant's petition for review of the undersigned's initial determination in Order No. 32. On November 8, 2006, the undersigned issued Order No. 36 staying the procedural schedule. On December 6, 2006, the Commission issued a notice of determination to extend the deadline for determining whether to review the initial determination granting summary determination of non-infringement of U.S. Design Patent No. D517,789. On February 15, 2007, the Commission issued an Order of Vacatur and Remand of the undersigned's initial determination. On February 22, 2007, the undersigned issued Order No. 38, an initial determination extending the target date to twenty-seven months. On March 26, 2007, the Commission issued a notice of decision to review the initial determination extending the target date. On April 10, 2007, the Commission issued a notice of decision to affirm the initial determination extending the target date for completion of the investigation. On February 22, 2007, the undersigned issued Order No. 39 denying the motions for infringement and non-infringement of the '789 patent.

On October 18, 2006, Respondent Australia Unlimited, Inc. ("AU") filed a motion to terminate the investigation with respect to AU, based on a settlement agreement. On November 7,

2006, the undersigned issued Order No. 33, an initial determination granting the motion for termination. On November 27, 2006, the Commission issued a notice of decision not to review an initial determination.

On September 29, 2006, Complainant filed a motion for summary determination that it satisfies the domestic industry requirement of Section 337. On November 7, 2006, the undersigned issued Order No. 34, an initial determination granting in part Complainant's motion for summary determination. The undersigned granted Complainant's motion for summary determination that it satisfies the economic prong of domestic industry, but denied Complainant's motion for summary determination that it satisfies the technical prong. In addition, the undersigned noted that no determination was being made as to the '789 patent in light of Order No. 32. On November 27, 2006, the Commission issued a notice of decision not to review an initial determination.

On September 29, 2006, Complainant filed a motion for summary determination of infringement of the '858 patent. On September 29, 2006, Double Diamond filed a motion for summary determination of non-infringement of U.S. Design Patent No. D517,789 and U.S. Utility Patent No. 8,993,858. On September 29, 2006, Gen-X filed a motion for summary determination of non-infringement. On November 7, 2006, the undersigned issued Order No. 35, an initial determination granting in part the motion for summary determination. Specifically, the undersigned denied the motions for summary determination regarding infringement and noninfringement of the '858 patent, but granted Double Diamond's motion for non-infringement of the '858 patent with respect to the following accused products: Beach DAWGS™, Groovy DAWGS™, and Big DAWGS™. On November 27, 2006, the Commission issued a notice of decision not to review an initial determination.

On November 9, 2006, Complainant and Respondent D. Myers & Sons, Inc. (“Myers”) filed a joint motion to terminate the investigation with respect to Myers based upon a settlement agreement and consent order. On November 28, 2006, the undersigned issued Order No. 37, an initial determination granting the motion to terminate. On December 19, 2007, the Commission issued a notice of decision not to review an initial determination.

The parties have stipulated as to certain material facts. Particular stipulated facts that are relevant to this Initial Determination are cited accordingly.

An evidentiary hearing on liability was conducted before the undersigned from September 7-14, 2007. In support of its case-in-chief and rebuttal case, Complainant called the following witnesses:

- Ian Whatley (Complainant’s expert witness);<sup>4</sup>
- Ron Snyder (Complainant’s CEO and President);<sup>5</sup>
- Scott Seamans (Complainant’s Chief Technical Officer);<sup>6</sup>
- Andrew Reddyhoff (President of Foam Creations, a wholly-owned subsidiary of Complainant);<sup>7</sup> and
- Lyndon Hanson, III (Complainant’s Vice President);<sup>8</sup>

In support of its case-in-chief and rebuttal case, Respondents called the following witnesses:

- Richard Walter (Holey Soles’s Vice President of Operations);<sup>9</sup>

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<sup>4</sup> CX-657C (Whatley Direct); CX-667C (Whatley Rebuttal).

<sup>5</sup> CX-660C (Snyder Direct).

<sup>6</sup> CX-658C (Seamans Direct).

<sup>7</sup> CX-659C (Reddyhoff Direct).

<sup>8</sup> CX-661C (Hanson Direct).

<sup>9</sup> RX-167C (Walter Direct).



- Bonnie Schlarb (Payless's Merchandise Manager);<sup>10</sup>
- William L. Hearn (Effervescent's President and CEO);<sup>11</sup>
- Phillip Nutt (Respondents' expert witness);<sup>12</sup>
- Steven Mann (DDD's General Manager);<sup>13</sup> and
- Paul Cohen (Gen-X's Vice President of Operations).<sup>14</sup>

In addition, various deposition testimony was received into evidence in lieu of direct witness statements or live testimony.<sup>15</sup>

After the hearing, post-hearing briefs and reply briefs, together with proposed findings of fact, conclusions of law and rebuttals to the same, were filed on October 9, 2007 and November 2, 2007, respectively.

On November 16, 2007, Respondents filed an "unopposed" motion (567-074) to substitute a corrected version of Respondents' proposed finding of fact 153. On November 19, 2007, Complainant filed an opposition to the motion, asserting that the request to correct a clerical error was nothing more than a pretext for supplementing Respondents' briefing and proposed finding with new controverted material. On November 19, 2007, Staff filed a response in partial support of the motion. Based on a review of the motion, the undersigned hereby grants the motion to the extent that Respondents request finding of fact 153 to be corrected, but is not allowing Respondents to

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<sup>10</sup> RX-165C (Schlarb Direct).

<sup>11</sup> RX-166C (Hearn Direct).

<sup>12</sup> RX-163C (Nutt Direct).

<sup>13</sup> RX-126C (Mann Direct).

<sup>14</sup> RX-158 (Cohen Direct); RX-175 (Cohen Rebuttal).

<sup>15</sup> For example, see JX-105C (Cain Dep); JX-106C (Hearn Dep); JX-107C (Schlarb Dep); CX-84C (Cohen Dep); CX-85C (Mann Dep); CX-86C (Walter Dep); RX-171C (Seamans Dep); RX-1C (Boedecker Dep).

supplement any of their briefing as it relates to the correction.

**B. The Parties and their Products**

**1. Complainant**

Complainant Crocs, Inc. (“Crocs”) is a Delaware corporation with its principal place of business in Niwot, Colorado. Complainant is the owner of the ‘858 and ‘789 patents. Complainant markets and sells footwear models including the Beach (CPX-39), Cayman (CPX-34), and Kids Cayman (CPX-35) which are Complainant’s best-selling shoes.

**2. Respondents**

**a. Participating Respondents**

**(1) Collective Licensing International, LLC**

Collective Licensing International, LLC (“CLI”) is a Delaware corporation with its principal place of business in Englewood, Colorado. CLI owns the Airwalk trademark, which is licensed to others. Payless Shoe Source (“Payless”) recently acquired CLI and sells Airwalk Compel shoes. All of Payless’s Airwalk Compel shoes are made in China and imported into the United States. Payless’s Airwalk shoes include the Compel I (RPX-1), Compel II (RPX-2 and CPX-4), Compel III (RPX-3 and CPX-5), Compel IIIA (RPX-4), and Compel IIIB (RPX-5). Payless first started selling the Compel I in February 2005, the Compel II in July 2005, and is currently imported the Compel III, IIIA, and IIIB.

**(2) Double Diamond Distribution Ltd.**

Double Diamond Distribution Ltd. (“DDD”) is a Canadian corporation with its principal place of business in Saskatoon, Saskatchewan. DDD markets and sells a line of footwear under the name DAWGS, including the Original Beach DAWGS (RPX-29 and CPX-7), Redesigned Beach

DAWGS (RPX-17 and CPX-8), Groovy DAWGS (RPX-18 and CPX-9) and Big DAWGS (RPX-19). DDD's shoes are made in China and imported into the U.S. DDD began importing the Original Beach DAWGS into the U.S. in August 2006 and subsequently began importing the Redesigned Beach DAWGS and Groovy DAWGS.

**(3) Effervescent Inc.**

Effervescent Inc. ("Effervescent") is a Delaware corporation with its principal place of business in Fitchburg, Massachusetts. Effervescent markets a line of footwear under the names Waldies, including Waldies Original (CPX-10), Waldies AT (RPX-6) and Waldies AT Redesign (RPX-35), and Appalachian. Effervescent's shoes are made in Asia and imported into the United States.

**(4) Gen-X Sports, Inc.**

Gen-X Sports, Inc. ("Gen-X") is a Canadian corporation with its principal place of business in Toronto, Ontario. Gen-X markets its Komodo (CPX-11) and Komodo Redesign (CPX-12) footwear to retailers in the United States. Gen-X's shoes are made in China and imported into the United States.

**(5) Holey Soles Holding Ltd.**

Holey Soles Holding Ltd. ("Holey Soles") is a Canadian corporation with its principal place of business in Vancouver, British Columbia. Holey Soles markets and sells a line of footwear under the names Explorer (CPX-13 and RPX-9), Explorer Redesign (CPX-14), Cricket (CPX-15), Beetle, Dragonfly, Firefly, and Hopper. Holey Soles' shoes are made in China and imported into the United States. Holey Soles introduced the Explorer in November 2005.

**b. Intervenor Respondent**

Old Dominion Footwear Co. (“Old Dominion”) has its principal place of business in Madison Heights, Virginia. Old Dominion markets and sells a line of footwear under the Aqua Ducks trademark. As noted above, Old Dominion’s Aqua Ducks product was found not to infringe the ‘789 patent and Old Dominion has been terminated from the investigation.

**c. Settled Respondents**

**(1) Australia Unlimited, Inc.**

Australia Unlimited, Inc. (“AU”) is a Washington corporation with its principal place of business in Seattle, Washington. AU markets and sells a line of footwear under the name of NothinZ (CPX-1) and NothinZ Redesign (CPX-2).

**(2) Cheng’s Enterprises Inc.**

Cheng’s Enterprises Inc. (“Cheng’s”) is a New Jersey corporation with its principal place of business in Carlstadt, New Jersey. Cheng’s markets and sells a line of footwear under the name of Cheng’s (CPX-3).

**(3) D. Myers & Sons, Inc.**

D. Myers & Sons, Inc. (“Myers”) is a Maryland corporation with its principal place of business in Baltimore, Maryland. Myers markets and sells a line of footwear under the name of Gators (CPX-6).

**(4) Inter-Pacific Trading Corp.**

Inter-Pacific Trading Corp. (“Inter-Pacific”) is a California corporation with its principal place of business in Los Angeles, California. Inter-Pacific markets and sells a line of footwear under the name of Sunsurfer (CPX-16).

**(5) Acme EX-IM, Inc./Pali Hawaii<sup>16</sup>**

Acme EX-IM, Inc./Pali Hawaii (“Acme”) is a Hawaii corporation with its principal place of business in Honolulu, Hawaii. Acme markets and sells a line of footwear under the name of Pali Hawaii (CPX-17).

**(6) Shaka Shoes**

Shaka Shoes (“Shaka”) is a Hawaii corporation with its principal place of business in Kailua-Kona, Hawaii. Shaka markets and sells a line of footwear under the name of Shaka (CPX-18).

**C. Overview of the Technology**

At issue in this investigation are two patents involving certain foam footwear. One patent is a utility patent directed to footwear having a base, including an upper and a sole formed as a single part manufactured from a moldable foam material, and a strap. The other patent is a design patent directed to an ornamental design for a shoe.

**D. The Patents at Issue**

**1. The ‘858 Patent**

The ‘858 patent is entitled “Breathable Footwear Pieces” which was issued on February 7, 2006, based on Application No. 10/603,126, filed on June 23, 2003. The named inventor is Scott Seamans and the patent was assigned to Complainant. The ‘858 patent has a total of 2 claims. Both claims are independent claims and are at issue here.<sup>17</sup>

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<sup>16</sup> See Order No. 8 (June 22, 2006), which states that Pali Hawaii is a trade name of Respondent Acme EX-IM, Inc.

<sup>17</sup> See CX-1 (the ‘858 patent); CX-2 (the ‘858 assignment); JX-1 (the ‘858 prosecution history).

## 2. The '789 Patent

The '789 patent is a design patent entitled "Footwear" which was issued on March 28, 2006, based on Application No.29/206,427, filed on May 28, 2004. The named inventor is Scott Seamans and the patent was assigned to Complainant. The '789 patent has a total of 1 claim and 7 figures, which is at issue here.<sup>18</sup>

### II. Jurisdiction and Importation

Section 337 confers subject matter jurisdiction on the International Trade Commission to investigate, and if appropriate, to provide a remedy for, unfair acts and unfair methods of competition in the importation of articles into the United States. In order to have the power to decide a case, a court or agency must have both subject matter jurisdiction, and jurisdiction over either the parties or the property involved.<sup>19</sup>

#### A. Subject Matter Jurisdiction

The complaint alleges that Respondents have violated Subsection 337(a)(1)(A) and (B) in the importation and sale of products that infringe the asserted patents. Respondents Collective Licensing, Effervescent, Holey Soles, and Gen-X, have admitted that they have imported the accused products into the United States, while Respondent DDD has not disputed that it has sold or offered for sale foam footwear in the United States. Accordingly, the Commission has subject matter jurisdiction over Respondents in this investigation.<sup>20</sup>

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<sup>18</sup> See CX-3 (the '789 patent); CX-4 (the '789 assignment); JX-2 (the '789 prosecution history).

<sup>19</sup> 19 U.S.C. § 1337; also see *Certain Steel Rod Treating Apparatus and Components Thereof*, Inv. No. 337-TA-97, Commission Memorandum Opinion, 215 U.S.P.Q. 229, 231 (1981) ("*Certain Steel Rod*").

<sup>20</sup> See *Amgen, Inc. v. U.S. Int'l Trade Comm'n*, 902 F.2d 1532, 1536 (Fed. Cir. 1990) (continued...)

## **B. Personal Jurisdiction**

Respondents Collective Licensing, Effervescent, Holey Soles, DDD, and Gen-X have all responded to the complaint and notice of investigation, participated in the investigation, including participating in discovery, made an appearance at the hearing, and submitted post-hearing briefs, thereby submitting to the personal jurisdiction of the Commission.<sup>21</sup>

## **III. The '858 Patent**

### **A. Relevant Law**

#### **1. Claim Construction**

Analyzing whether a patent is infringed “entails two steps. The first step is determining the meaning and scope of the patent claims asserted to be infringed. The second step is comparing the properly construed claims to the device or process accused of infringing.”<sup>22</sup> The first step is a question of law, whereas the second step is a factual determination.<sup>23</sup> Concerning the first step of claim construction, “[i]t is well-settled that, in interpreting an asserted claim, the court should look first to the intrinsic evidence of record, *i.e.*, the patent itself, including the claims, the specification and, if in evidence, the prosecution history . . . . Such intrinsic evidence is the most significant source of the legally operative meaning of disputed claim language.”<sup>24</sup>

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<sup>20</sup>(...continued)  
 (“Amgen”).

<sup>21</sup> See *Certain Miniature Hacksaws*, Inv. No. 337-TA-237, U.S.I.T.C. Pub. No. 1948, Initial Determination (unreviewed by Commission in relevant part) at 4, 1986 WL 379287 (U.S.I.T.C., October 15, 1986) (“*Certain Miniature Hacksaws*”).

<sup>22</sup> *Dow Chem. Co. v. United States*, 226 F.3d 1334, 1338 (Fed. Cir. 2000) (“*Dow Chemical*”), citing *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995) (*en banc*), *aff’d*, 517 U.S. 370 (1996) (“*Markman*”).

<sup>23</sup> *Markman*, *supra*.

<sup>24</sup> *Bell Atlantic Network Serv., Inc. v. Covad Communications Group, Inc.*, 262 F.3d 1258, (continued...)

“In construing claims, the analytical focus must begin and remain centered on the language of the claims themselves, for it is that language that the patentee chose to use to ‘particularly point [ ] out and distinctly claim [ ] the subject matter which the patentee regards as his invention.’”<sup>25</sup>

“Quite apart from the written description and the prosecution history, the claims themselves provide substantial guidance as to the meaning of particular claim terms.”<sup>26</sup> Usage of a term in both the asserted and unasserted claims is “highly instructive” in determining the meaning of the same term in other claims.<sup>27</sup> “Furthermore, a claim term should be construed consistently with its appearance in other places in the same claim or in other claims of the same patent.”<sup>28</sup>

“While not an absolute rule, all claim terms are presumed to have meaning in a claim.”<sup>29</sup> If the claim language is not clear on its face, “[t]hen we look to the rest of the intrinsic evidence, beginning with the specification and concluding with the prosecution history, if in evidence” for the purpose of “resolving, if possible, the lack of clarity.”<sup>30</sup>

There is a “heavy presumption” that claim terms are to be given “their ordinary and accustomed meaning as understood by one of ordinary skill in the art,” and in aid of this

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<sup>24</sup>(...continued)

1267 (Fed. Cir. 2001) (“*Bell Atlantic*”). See also *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-17 (Fed. Cir. 2005) (“*Phillips*”), *cert. denied*, 126 S.Ct. 1332.

<sup>25</sup> *Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1331 (Fed. Cir. 2001) (“*Interactive Gift Express*”), citing 35 U.S.C. § 112, ¶ 2.

<sup>26</sup> *Phillips*, 415 F.3d at 1314 citing *Vitronics Corp. v. Conception Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 2003) (“*Vitronics*”).

<sup>27</sup> *Id.*

<sup>28</sup> *Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1342 (Fed. Cir. 2001) (“*Rexnord*”) citing *Phonometrics Inc. v. Northern Telecom Inc.*, 133 F.3d 1459, 1465 (Fed. Cir. 1998) (“*Phonometrics*”).

<sup>29</sup> *Innova/Pure Water, Inc. v. Safari Water Filtration Sys.*, 381 F.3d 1111, 1119 (Fed. Cir. 2004) (“*Innova*”).

<sup>30</sup> *Id.*



interpretation, “[d]ictionaries and technical treatises, which are extrinsic evidence, hold a ‘special place’ and may sometimes be considered along with the intrinsic evidence when determining the ordinary meaning of claim terms.”<sup>31</sup> Caution must be used, however, when referring to non-scientific dictionaries “lest dictionary definitions . . . be converted into technical terms of art having legal, not linguistic significance.”<sup>32</sup>

The presumption in favor of according a claim term its ordinary meaning is overcome “(1) where the patentee has chosen to be his own lexicographer, or (2) where a claim term deprives the claim of clarity such that there is ‘no means by which the scope of the claim may be ascertained from the language used.’”<sup>33</sup> In this regard, “[t]he specification acts as a dictionary ‘when it expressly defines terms used in the claims or when it defines terms by implication.’”<sup>34</sup>

The specification is considered “always highly relevant” to claim construction and “[u]sually, it is dispositive; it is the single best guide to the meaning of a disputed term.”<sup>35</sup> The prosecution history is also examined for a claim’s scope and meaning “to determine whether the patentee has relinquished a potential claim construction in an amendment to the claim or in an argument to overcome or distinguish a reference.”<sup>36</sup>

“[I]f the meaning of the claim limitation is apparent from the intrinsic evidence alone, it is improper to rely on extrinsic evidence other than that used to ascertain the ordinary meaning of the claim limitation. [citation omitted] However, in the rare circumstance that the court is unable to

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<sup>31</sup> *Bell Atlantic*, 262 F.3d at 1267-68.

<sup>32</sup> *Id.* at 1267 (internal quotation marks omitted).

<sup>33</sup> *Id.* at 1268.

<sup>34</sup> *Id.* See also *Phillips*, 415 F.3d at 1316.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

determine the meaning of the asserted claims after assessing the intrinsic evidence, it may look to additional evidence that is extrinsic to the complete document record to help resolve any lack of clarity.”<sup>37</sup>

“Extrinsic evidence consists of all evidence external to the patent and prosecution history . . . .”<sup>38</sup> It includes “such evidence as expert testimony, articles, and inventor testimony.”<sup>39</sup> But, “[i]f the intrinsic evidence resolves any ambiguity in a disputed claim, extrinsic evidence cannot be used to contradict the established meaning of the claim language.”<sup>40</sup> “What is disapproved of is an attempt to use extrinsic evidence to arrive at a claim construction that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent.”<sup>41</sup>

In interpreting particular limitations within each claim, “adding limitations to claims not required by the claim terms themselves, or unambiguously required by the specification or prosecution history, is impermissible.”<sup>42</sup> Usually, a patent is not limited to its preferred embodiments in the face of evidence of broader coverage by the claims.<sup>43</sup> A claim construction that excludes the preferred embodiment in the specification of a patent, however, is “rarely, if ever,

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<sup>37</sup> *Id.* at 1268-69.

<sup>38</sup> *Markman*, 52 F.3d at 980.

<sup>39</sup> *Bell Atlantic*, 262 F.3d at 1269.

<sup>40</sup> *DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1322-23 (Fed. Cir. 2001) (“*DeMarini*”).

<sup>41</sup> *Markman*, 52 F.3d at 979.

<sup>42</sup> *Dayco Prod., Inc. v. Total Containment, Inc.*, 258 F.3d 1317, 1327 (Fed. Cir. 2001) (“*Dayco Products*”), citing *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1347 (Fed. Cir. 1998) (“*Laitram*”) (“a court may not import limitations from the written description into the claims”).

<sup>43</sup> *Acromed Corp. v. Sofamor Danek Group, Inc.*, 253 F.3d 1371, 1382-83 (Fed. Cir. 2001) (“*Acromed*”); *Electro Med. Sys. S.A. v. Cooper Life Sci., Inc.*, 34 F.3d 1048, 1054 (Fed. Cir. 1994) (“*Electro Med*”) (“particular embodiments appearing in a specification will not be read into the claims when the claim language is broader than such embodiments”).

correct.”<sup>44</sup>

On the other hand, “there is sometimes ‘a fine line between reading a claim in light of the specification, and reading a limitation into the claim from the specification.’”<sup>45</sup> In order to negotiate this “fine line,” one guideline is that features of embodiments in the specification do not restrict patent claims “unless the patentee has demonstrated a clear intention to limit the claim scope using ‘words or expressions of manifest exclusion or restriction.’”<sup>46</sup> Another guideline is that features of an embodiment in the specification do not restrict claims unless the specification defines the claim terms “by implication” as may be “found in or ascertained by a reading of the patent documents.”<sup>47</sup> For the specification to limit the claims, there must be “a clear case of the disclaimer of subject matter that, absent the disclaimer, could have been considered to fall within the scope of the claim language.”<sup>48</sup>

Claims amenable to more than one construction should, when it is reasonably possible to do

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<sup>44</sup> *Vitronics*, 90 F.3d at 1583-34.

<sup>45</sup> *Bell Atlantic*, 262 F.3d at 1270.

<sup>46</sup> *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 906 (Fed. Cir. 2004) (“*Liebel-Flarsheim I*”).

<sup>47</sup> *Irdeto Access, Inc. v. Echostar Satellite Corp.*, 383 F.3d 1295, 1300 (Fed. Cir. 2004) (“*Irdeto*”).

<sup>48</sup> *Liebel-Flarsheim I*, 358 F.3d at 907. The Federal Circuit “has expressly rejected the contention that if a patent describes only a single embodiment, the claims of the patent must be construed as being limited to that embodiment.” *Liebel-Flarsheim I, supra*, 358 F.3d at 906 (emphasis added); also see, e.g., *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1331 (Fed. Cir. 2004) (“*Golight*”); *Bio-Technology General Corp. v. Duramed Pharmaceuticals, Inc.*, 325 F.3d 1356, 1362 (Fed. Cir. 2003) (“*Bio-Technology*”) (aspects of only embodiment described in specification not read into claims). The *Liebel-Flarsheim I* panel further held that even where a patent describes only a single embodiment, claims will not be “read restrictively unless the patentee has demonstrated a clear intention to limit the claim scope using ‘words or expressions of manifest exclusion or restriction.’” *Id.*

so, be construed to preserve their validity.<sup>49</sup> A claim cannot, however, be construed contrary to its plain language.<sup>50</sup> Claims cannot be judicially rewritten in order to fulfill the axiom of preserving their validity; “if the only claim construction that is consistent with the claim’s language and the written description renders the claim invalid, then the axiom does not apply and the claim is simply invalid.”<sup>51</sup>

Pursuant to 35 U.S.C. § 112, ¶ 6, “[a]n element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.” An applicant may therefore “claim an element of a combination functionally, without reciting structures for performing those functions.”<sup>52</sup> To invoke this rule, “a claim limitation that actually uses the word ‘means’ will invoke a rebuttable presumption that § 112 ¶ 6 applies. By contrast, a claim term that does not use ‘means’ will trigger the rebuttable presumption that § 112 ¶ 6 does not apply.”<sup>53</sup> In general, the words “circuit” and “circuitry” connote sufficient structure in and of themselves so as not to be deemed as “means-plus-function” elements.<sup>54</sup>

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<sup>49</sup> *Karsten Mfg. Corp. v. Cleveland Golf Co.*, 242 F.3d 1376, 1384 (Fed. Cir. 2001) (“*Karsten*”).

<sup>50</sup> *See Rhine v. Casio, Inc.*, 183 F.3d 1342, 1345 (Fed. Cir. 1999) (“*Rhine*”).

<sup>51</sup> *Id.*

<sup>52</sup> *Apex Inc. v. Raritan Computer, Inc.*, 325 F.3d 1364, 1371 (Fed. Cir.), *cert. denied*, 540 U.S. 1073 (2003) (“*Apex*”).

<sup>53</sup> *Linear Technology Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1319 (Fed. Cir. 2004) (“*Linear*”).

<sup>54</sup> *See Linear, supra; Apex*, 325 F.3d at 1374.

## 2. Infringement

### a. Literal Infringement

Literal infringement is a question of fact.<sup>55</sup> Literal infringement requires the patentee to prove that the accused device contains each limitation of the asserted claim(s). Each element of a claim is considered material and essential, and in order to show literal infringement, every element must be found to be present in the accused device.<sup>56</sup> If any claim limitation is absent from the accused device, there is no literal infringement of that claim as a matter of law.<sup>57</sup>

### b. Infringement Under the Doctrine of Equivalents

Where literal infringement is not found, infringement nevertheless can be found under the doctrine of equivalents based on “the substantiality of the differences between the claimed and accused products or processes, assessed according to an objective standard” judged from “the vantage point of one of ordinary skill in the relevant art.”<sup>58</sup> Determining infringement under the doctrine of equivalents “requires an intensely factual inquiry.”<sup>59</sup>

In *Warner-Jenkinson*, the Supreme Court noted that the doctrine of equivalents is subject to several limitations, including applying the doctrine to individual elements of a claim and not to the invention as a whole.<sup>60</sup> The court acknowledged that the commonly used “function-way-result” test

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<sup>55</sup> *Tegal Corp. v. Tokyo Electron Am., Inc.*, 257 F.3d 1331, 1350 (Fed. Cir. 2001) (“*Tegal*”), *cert. denied*, 535 U.S. 927 (2002).

<sup>56</sup> *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538 (Fed. Cir. 1991) (“*London*”).

<sup>57</sup> *Bayer AG v. Elan Pharm. Research Corp.*, 212 F.3d 1241, 1247 (Fed. Cir. 2000) (“*Bayer*”).

<sup>58</sup> *Hilton Davis Chem. Co. v. Warner-Jenkinson Co., Inc.*, 62 F.3d 1512, 1518-1519 (Fed. Cir. 1995) (“*Hilton Davis*”), *rev'd*, 520 U.S. 17 (1997) (“*Warner-Jenkinson*”).

<sup>59</sup> *Vehicular Tech. Corp. v. Titan Wheel Int'l, Inc.*, 212 F.3d 1377, 1381 (Fed. Cir. 2000) (“*Vehicular Technologies*”).

<sup>60</sup> *Warner-Jenkinson*, 520 U.S. at 29.

is suitable in some instances, including analyzing mechanical devices.<sup>61</sup>

### c. Prosecution History Estoppel

Although infringement can be demonstrated under the doctrine of equivalents in the absence of literal infringement, the doctrine of prosecution history estoppel “can prevent a patentee from relying on the doctrine of equivalents when the patentee relinquishes subject matter during the prosecution of the patent, either by amendment or argument.”<sup>62</sup> Prosecution history estoppel is a legal question for the court.<sup>63</sup>

According to the rule of “amendment-based estoppel,” “when an applicant narrows a claim element in the face of an examiner’s rejection based on the prior art, the doctrine estops the applicant from later asserting that the claim covers, through the doctrine of equivalents, features that the applicant amended his claim to avoid. A patentee is also estopped to assert equivalence to ‘trivial’ variations of such prior art features.”<sup>64</sup> Under the rule of “argument-based estoppel,” “[c]lear assertions made during prosecution in support of patentability, whether or not actually required to secure allowance of the claim, may also create an estoppel.”<sup>65</sup> In determining whether estoppel exists, “[t]he legal standard for determining what subject matter was relinquished is an objective one,

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<sup>61</sup> See *Hilton Davis*, 62 F.3d at 1518 (“In applying the doctrine of equivalents, it is often enough to assess whether the claimed and accused products or processes include substantially the same function, way, and result”).

<sup>62</sup> *Pharmacia & Upjohn Co. v. Mylan Pharm., Inc.*, 170 F.3d 1373, 1376-77 (Fed. Cir. 1999) (“*Pharmacia*”).

<sup>63</sup> *Bayer*, 212 F.3d at 1251-54; *Insituform Tech. v. Cat Contracting*, 99 F.3d 1098, 1107 (Fed. Cir. 1996) (“*Insituform*”), cert. denied, 520 U.S. 1198 (1997).

<sup>64</sup> *Litton Sys., Inc. v. Honeywell, Inc.*, 140 F.3d 1449, 1462 (Fed. Cir. 1998) (“*Litton Systems*”), cert. dismissed, 122 S. Ct. 914 (2002).

<sup>65</sup> *Southwall Tech., Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1583 (Fed. Cir.), cert. denied, 516 U.S. 987 (1995) (“*Southwall Technologies*”); see also *Canton Bio-Med., Inc. v. Integrated Liner Tech., Inc.*, 216 F.3d 1367, 1371 (Fed. Cir. 2000) (“*Canton Bio-Medical*”).

measured from the vantage point of what a competitor was reasonably entitled to conclude, from the prosecution history, that the applicant gave up to procure issuance of the patent.”<sup>66</sup>

In *Warner-Jenkinson, supra*, the Supreme Court ruled that the reason for an amendment is relevant to prosecution history estoppel, particularly when it is “tied to amendments made to avoid the prior art, or otherwise to address a specific concern -- such as obviousness -- that arguably would have rendered the claimed subject matter unpatentable.”<sup>67</sup> The Supreme Court further held that where the reason for an amendment is unclear, there is a presumption that prosecution history estoppel applies but is rebuttable “if an appropriate reason for a required amendment is established.”<sup>68</sup>

In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*,<sup>69</sup> the Supreme Court elaborated on its prosecution history estoppel ruling in *Warner-Jenkinson*. Concerning the kinds of amendments that may give rise to estoppel, the Supreme Court decided that “a narrowing amendment made to satisfy any requirement of the Patent Act may give rise to an estoppel.”<sup>70</sup> Thus, estoppel may arise not only from narrowing amendments to avoid prior art, but also from narrowing amendments to satisfy the statutory requirements of usefulness, novelty and nonobviousness (35 U.S.C. §§ 101-103) as well as the statutory requirements of adequate descriptiveness in the specification and claims, enablement, and setting forth the best mode of carrying out the invention

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<sup>66</sup> *Hoganas AB v. Dresser Indus., Inc.*, 9 F.3d 948, 952 (Fed. Cir. 1993) (“*Hoganas*”).

<sup>67</sup> *Warner-Jenkinson*, 520 U.S. at 30-31.

<sup>68</sup> *Id.* at 33.

<sup>69</sup> *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002) (“*Festo*”).

<sup>70</sup> *Id.* at 736.

(35 U.S.C. § 112).<sup>71</sup> While some Section 112 amendments may, according to the Supreme Court, be “truly cosmetic” and therefore would not narrow the patent’s scope or raise an estoppel, nevertheless “if a § 112 amendment is necessary and narrows the patent’s scope – even if only for the purpose of better description – estoppel may apply.”<sup>72</sup>

The Supreme Court in *Festo* also addressed whether prosecution history estoppel bars the inventor from asserting infringement against any equivalent to the narrowed element, or whether some equivalents might still infringe.<sup>73</sup> In reversing the Federal Circuit’s ruling below that a complete bar applies, the Supreme Court instead ruled in favor of a “flexible bar” that “requires an examination of the subject matter surrendered by the narrowing amendment.”<sup>74</sup> Recognizing the inherent limitation of words to describe an invention, the Supreme Court held:

The narrowing amendment may demonstrate what the claim is not; but it may still fail to capture precisely what the claim is. There is no reason why a narrowing amendment should be deemed to relinquish equivalents unforeseeable at the time of the amendment and beyond a fair interpretation of what was surrendered. Nor is there any call to foreclose claims of equivalence for aspects of the invention that have only a peripheral relation to the reason the amendment was submitted. The amendment does not show that the inventor suddenly had more foresight in the drafting of claims than an inventor whose application was granted without amendments having been submitted. It shows only that he was familiar with the broader text and with the difference between the two. As a result, there is no more reason for holding the patentee to the literal terms of an amended claim than there is for abolishing the doctrine of equivalents altogether and holding every patentee to the literal terms of the patent.<sup>75</sup>

The Supreme Court in *Festo* went on to hold that there is a rebuttable presumption that a narrowing amendment creates an estoppel, and that the patentee bears the burden of rebutting the

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<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 736-737.

<sup>73</sup> *Id.* at 737-738.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.* at 738.



presumption by proving that the amendment does not surrender the particular equivalent in question.<sup>76</sup> “The equivalent may have been unforeseeable at the time of the application; the rationale underlying the amendment may bear no more than a tangential relation to the equivalent in question; or there may be some other reason suggesting that the patentee could not reasonably be expected to have described the insubstantial substitute in question.”<sup>77</sup> To rebut the presumption, “[t]he patentee must show that at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent.”<sup>78</sup>

### 3. Domestic Industry

In a patent-based complaint, a violation of Section 337 can be found “only if an industry in the United States, relating to the articles protected by the patent . . . concerned, exists or is in the process of being established.”<sup>79</sup> This “domestic industry requirement” has an “economic” prong and a “technical” prong.

The term “domestic industry” in Section 337 is not defined by the statute, but the Commission has interpreted the intent of Section 337 to be “the protection of domestic manufacture of goods.”<sup>80</sup> The Commission has further stated that “[t]he scope of the domestic industry in patent-based investigations has been determined on a case by case basis in light of the realities of the marketplace and encompasses not only the manufacturing operations but may include, in addition,

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<sup>76</sup> *Id.* at 740-741.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.* at 741.

<sup>79</sup> 19 U.S.C. § 1337(a)(2).

<sup>80</sup> *Certain Dynamic Random Access Memories, Components Thereof and Products Containing Same*, Inv. No. 337-TA-242, U.S.I.T.C. Pub. No. 2034 (November 1987), Commission Opinion at 61, 1987 WL 450856 (U.S.I.T.C., September 21, 1987) (“*Certain DRAMs*”).

distribution, research and development and sales.”<sup>81</sup>

In making this determination, Section 337(a)(2) provides that for investigations based on patent infringement, a violation can be found “only if an industry in the United States, relating to the articles protected by the patent . . . concerned, exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2). Section 337(a)(3) sets forth the following economic criteria for determining the existence of a domestic industry in such investigations:

an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the . . . patent . . . concerned –

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.<sup>82</sup>

As the statute uses the disjunctive term “or,” a complainant can demonstrate this so-called “economic prong” of the domestic industry requirement by satisfying any one of the three tests set forth in Section 337(a)(3).<sup>83</sup> The complainant bears the burden of establishing that the domestic industry requirement is satisfied.<sup>84</sup>

In addition to meeting the economic criteria of the domestic industry requirement, a complainant in a patent-based Section 337 investigation must also demonstrate that it is practicing

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<sup>81</sup> *Id.* at 62 (footnotes omitted).

<sup>82</sup> 19 U.S.C. § 1337(a)(3).

<sup>83</sup> See *Certain Plastic Encapsulated Integrated Circuits*, Inv. No. 337-TA-315, U.S.I.T.C. Pub. No. 2574 (November 1992), Initial Determination at 83, 1992 WL 813952 (U.S.I.T.C., October 15, 1991) (unreviewed by Commission in relevant part) (“*Certain Encapsulated Circuits*”).

<sup>84</sup> See *Certain Set-Top Boxes and Components Thereof*, Inv. No. 337-TA-454, U.S.I.T.C. Pub. No. 3564 (November 2002), Initial Determination at 294, 2002 WL 31556392 (U.S.I.T.C., June 21, 2002), *unreviewed by Commission in relevant part*, Commission Opinion at 2 (August 29, 2002) (“*Certain Set-Top Boxes*”).

or exploiting the patents at issue.<sup>85</sup> In order to find the existence of a domestic industry exploiting a patent at issue, it is sufficient to show that the domestic industry practices any claim of that patent, not necessarily an asserted claim of that patent.<sup>86</sup> Fulfillment of this so-called “technical prong” of the domestic industry requirement is not determined by a rigid formula, but rather by the articles of commerce and the realities of the marketplace.<sup>87</sup>

The test for claim coverage for the purposes of the technical prong of the domestic industry requirement is the same as that for infringement.<sup>88</sup> “First, the claims of the patent are construed. Second, the complainant’s article or process is examined to determine whether it falls within the scope of the claims.”<sup>89</sup> As with infringement, the first step of claim construction is a question of law, whereas the second step of comparing the article to the claims is a factual determination.<sup>90</sup> To prevail, the patentee must establish by a preponderance of the evidence that the domestic product practices one or more claims of the patent either literally or under the doctrine of equivalents.<sup>91</sup>

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<sup>85</sup> See 19 U.S.C. § 1337(a)(2) and (3); also see *Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Commission Opinion at 8, 1996 WL 1056095 (U.S.I.T.C., January 16, 1996) (“*Certain Microsphere Adhesives*”), *aff’d sub nom. Minnesota Mining & Mfg. Co. v. U.S. Int’l Trade Comm’n*, 91 F.3d 171 (Fed. Cir. 1996) (Table); *Certain Encapsulated Circuits*, Commission Opinion at 16.

<sup>86</sup> *Certain Microsphere Adhesives*, Commission Opinion at 7-16.

<sup>87</sup> *Certain Diltiazem Hydrochloride and Diltiazem Preparations*, Inv. No. 337-TA-349, U.S.I.T.C. Pub. No. 2902, Initial Determination at 138, 1995 WL 945191 (U.S.I.T.C., February 1, 1995) (unreviewed in relevant part) (“*Certain Diltiazem*”); *Certain Double-Sided Floppy Disk Drives and Components Thereof*, Inv. No. 337-TA-215, 227 U.S.P.Q. 982, 989 (Commission Opinion 1985) (“*Certain Floppy Disk Drives*”).

<sup>88</sup> *Certain Doxorubicin and Preparations Containing Same*, Inv. No. 337-TA-300, Initial Determination at 109, 1990 WL 710463 (U.S.I.T.C., May 21, 1990) (“*Certain Doxorubicin*”), *aff’d*, Views of the Commission at 22 (October 31, 1990).

<sup>89</sup> *Id.*

<sup>90</sup> *Markman*, 52 F.3d at 976.

<sup>91</sup> See *Bayer*, 212 F.3d at 1247.

#### 4. Validity

##### a. In General

A patent is presumed valid.<sup>92</sup> The party challenging a patent's validity has the burden of overcoming this presumption by clear and convincing evidence.<sup>93</sup> Since the claims of a patent measure the invention at issue, the claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses. As with an infringement analysis, an analysis of invalidity involves two steps: the claim scope is first determined, and then the properly construed claim is compared with the prior art to determine whether the claimed invention is anticipated and/or rendered obvious.<sup>94</sup>

##### b. Obviousness, 35 U.S.C. § 103 (a)

Under 35 U.S.C. § 103(a), a patent is valid unless “the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.”<sup>95</sup> The ultimate question of obviousness is a question of law, but “it is well understood that there are factual issues underlying the ultimate obviousness decision.”<sup>96</sup>

Once claims have been properly construed, “[t]he second step in an obviousness inquiry is to determine whether the claimed invention would have been obvious as a legal matter, based on

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<sup>92</sup> 35 U.S.C. § 282; *Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1480 (Fed. Cir. 1997) (“*Richardson-Vicks*”).

<sup>93</sup> *Richardson-Vicks Inc.*, *supra*; *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044 (Fed. Cir.) (“*Uniroyal*”), *cert. denied*, 488 U.S. 825 (1988).

<sup>94</sup> *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) (“*Amazon.com*”).

<sup>95</sup> 35 U.S.C. § 103(a).

<sup>96</sup> *Richardson-Vicks Inc.*, 122 F.3d at 1479; *Wang Lab., Inc. v. Toshiba Corp.*, 993 F.2d 858, 863 (Fed. Cir. 1993) (“*Wang Laboratories*”).

underlying factual inquiries including : (1) the scope and content of the prior art, (2) the level of ordinary skill in the art, (3) the differences between the claimed invention and the prior art ; and (4) secondary considerations of non-obviousness” (also known as “objective evidence”).<sup>97</sup>

Although the Federal Circuit case law also required that, in order to prove obviousness, the patent challenger must demonstrate, by clear and convincing evidence, that there is a “teaching, suggestion, or motivation to combine, the Supreme Court has rejected this “rigid approach” employed by the Federal Circuit in *KSR Int’l Co. v. Teleflex Inc.*:<sup>98</sup>

When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill. *Sakraida and Anderson’s-Black Rock* are illustrative—a court must ask whether the improvement is more than the predictable use of prior art elements according to their established function.

Following these principles may be more difficult in other cases than it is here because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement. Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue. To facilitate review, this analysis should be made explicitly. See *In re Kahn*, 441 F.3d 977, 988 (CA Fed. 2006) (“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusions of obviousness”). As our precedents make clear, however, the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.

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<sup>97</sup> *Smiths Indus. Med. Sys., Inc. v. Vital Signs, Inc.*, 183 F.3d 1347, 1354 (Fed. Cir. 1999) (“*Smiths Industries*”), citing *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (“*Graham*”).

<sup>98</sup> *KSR Int’l Co. v. Teleflex Inc.*, 500 U.S. – (2007), 127 S.Ct. 1727, 1739 (“*KSR*”).

[ . . . ]

The obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents. The diversity of inventive pursuits and of modern technology counsels against limiting the analysis in this way. In many fields it may be that there is little discussion of obvious techniques or combinations, and it often may be the case that market demand, rather than scientific literature, will drive design trends. Granting patent protection to advance that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value or utility.<sup>99</sup>

“Secondary considerations,” also referred to as “objective evidence of nonobviousness,” such as “commercial success, long felt but unsolved needs, failure of others, etc.” may be used to understand the origin of the subject matter at issue, and may be relevant as indicia of obviousness or nonobviousness.<sup>100</sup> Secondary considerations may also include copying by others, prior art teaching away, and professional acclaim.<sup>101</sup>

Evidence of “objective indicia of nonobviousness,” also known as “secondary considerations,” must be considered in evaluating the obviousness of a claimed invention, but the existence of such evidence does not control the obviousness determination. A court must consider all of the evidence under the *Graham* factors before reaching a decision on obviousness.<sup>102</sup> In order to accord objective evidence substantial weight, its proponent must establish a nexus between the

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<sup>99</sup> *KSR*, 500 U.S. at – ; 127 S.Ct. at 1740-41.

<sup>100</sup> *Graham*, 383 U.S. at 17-18.

<sup>101</sup> See *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 894 (Fed. Cir. 1984) (“*Perkin-Elmer*”), *cert. denied*, 469 U.S. 857 (1984); *Avia Group Int’l, Inc. v. L.A. Gear California*, 853 F.2d 1557, 1564 (Fed. Cir. 1988) (“*Avia*”) (copying by others); *In re Hedges*, 783 F.2d 1038, 1041 (Fed. Cir. 1986) (“*Hedges*”) (prior art teaching away; invention contrary to accepted wisdom); *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565 (Fed. Cir. 1986) (“*Kloster*”), *cert. denied*, 479 U.S. 1034 (1987) (wide acceptance and recognition of the invention).

<sup>102</sup> *Richardson-Vicks*, 122 F.3d at 1483-84.

evidence and the merits of the claimed invention, and a *prima facie* case is generally made out “when the patentee shows both that there is commercial success, and that the thing (product or method) that is commercially successful is the invention disclosed and claimed in the patent.”<sup>103</sup> Once the patentee has made a *prima facie* case of nexus, the burden shifts to the challenger to show that the commercial success was caused by “extraneous factors other than the patented invention, such as advertising, superior workmanship, etc.”<sup>104</sup>

### 5. Enforceability - Inequitable Conduct

A patent is unenforceable on grounds of “inequitable conduct” if the patentee withheld material information from the PTO with intent to mislead or deceive the PTO into allowing the claims.<sup>105</sup> Both materiality and intent must be proven by clear and convincing evidence.<sup>106</sup> When inequitable conduct occurs in relation to one or more claims of a patent, the entire patent is unenforceable.<sup>107</sup>

According to the rules of the PTO, the duty to disclose information “exists with respect to each pending claim until the claim is canceled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is canceled or withdrawn from consideration need not be submitted if the information is not material to the

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<sup>103</sup> *In re GPAC Inc.*, 57 F.3d 1573, 1580 (Fed. Cir. 1995) (“GPAC”); *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 956 (1988) (“Demaco”); *Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, Commission Opinion (March 15, 1990), 15 U.S.P.Q.2d 1263, 1270 (“*Certain Crystalline*”).

<sup>104</sup> *Id.* at 1393.

<sup>105</sup> *LaBounty Mfr., Inc. v. U.S. Int’l Trade Comm’n*, 958 F.2d 1066, 1070-1074 (Fed. Cir. 1992) (“*LaBounty*”).

<sup>106</sup> *Id.*; *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989) (“*Kingsdown*”).

<sup>107</sup> *Kingsdown*, 863 F.2d at 874.

patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim.”<sup>108</sup>

Generally, when withheld information is highly material, a lower showing of deceptive intent will be sufficient to establish inequitable conduct.<sup>109</sup> Moreover, “[d]irect proof of wrongful intent is rarely available but may be inferred from clear and convincing evidence of the surrounding circumstances.”<sup>110</sup> The conduct at issue must be viewed in light of all the evidence, including evidence of good faith.<sup>111</sup> In other words “where withheld information is material and the patentee knew or should have known of that materiality, he or she can expect to have great difficulty in establishing subjective good faith sufficient to overcome an inference of intent to mislead.”<sup>112</sup>

“Information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”<sup>113</sup> A patent applicant, however, has no obligation to disclose a reference that is cumulative or less pertinent than those already before the examiner.<sup>114</sup> Under the rules of the PTO, information is material when it is not cumulative to information of record and it either (i) “establishes, by itself or

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<sup>108</sup> 37 C.F.R. § 1.56(a).

<sup>109</sup> *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir.), cert. denied, 469 U.S. 821 (1984) (“*American Hoist*”).

<sup>110</sup> *LaBounty*, 958 F.2d at 1076; *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1239 (Fed. Cir. 2003) (“*Bristol-Myers*”); *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1274 (Fed. Cir. 2001) (“*GFI*”); *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1422 (Fed. Cir. 1989) (“*Danbury*”).

<sup>111</sup> *Kingsdown*, 863 F.2d at 876.

<sup>112</sup> *Bristol-Myers*, 326 F.3d at 1239 (citing *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384 (Fed. Cir. 1998) (“*Akron*”)); see also *GFI*, 265 F.3d at 1275.

<sup>113</sup> *LaBounty*, 958 F.2d at 1074; *GFI*, 265 F.3d at 1274; *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 (Fed. Cir. 1995) (“*Molins*”).

<sup>114</sup> *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1439-40 (Fed. Cir. 1991) (“*Halliburton*”).



in combination with other information, a prima facie case of unpatentability of a claim”; or (ii) “it refutes, or is inconsistent with, a position the applicant takes” in either opposing the PTO’s argument of unpatentability or asserting the applicant’s own argument of patentability.<sup>115</sup> Close cases, however, “should be resolved by disclosure, not unilaterally by applicant.”<sup>116</sup>

## **B. Claim Construction**

### **1. Asserted Claims**

The asserted claims read as follows (with the first instance of the disputed terms highlighted in *italics*):

1. A footwear piece comprising: a base section including an upper and a sole formed as a single part manufactured from a *moldable foam material*; and a strap section formed of a *moldable material* that is attached at opposite *ends* thereof to the upper of the base section with plastic *connectors* such that the moldable foam material of the strap section is in *direct contact* with the moldable material of the base section and pivots relative to the base section *at the connectors*; wherein the upper includes an *open rear region* defined by an upper opening perimeter, and wherein frictional forces developed by the contact between the strap section and the base section *at the plastic connectors* are sufficient to maintain the strap section in place in an intermediary position after pivoting, whereby the *strap section lends support to the Achilles portion of the human foot* inserted in the open rear region; and wherein the upper includes a *substantially horizontal portion and a substantially vertical portion* forming a toe region that generally follows the contour of a human foot, wherein the toe region *tapers* from an inner area of the base section where the larger toes exist to an outer area of the base section where the smaller toes exist; and wherein the sole includes a bottom surface having front and rear tread patterns longitudinally connected by a *flat section*.
2. A footwear piece comprising: a base section including an upper and a sole formed as a single part manufactured from a moldable foam material; and a strap section formed of a *molded foam material* attached at opposite ends thereof to the base section such that the strap section is in *direct contact* with the base section and pivots relative to the base section; and wherein the upper includes an open rear region defined by an upper opening perimeter; and wherein the sole includes a rear perimeter; and wherein the strap section pivots between a first contact point on the upper opening perimeter and a *second contact point on the rear perimeter*, and

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<sup>115</sup> 37 C.F.R. § 1.56(b).

<sup>116</sup> *Abbott Laboratories v. TorPharm, Inc.*, 300 F.3d 1367, 1379 (Fed. Cir. 2002) (“*Abbott*”) quoting *LaBounty*, 958 F.2d at 1076.

wherein frictional forces developed by the contact between the strap section and the base section *at the points of attachment* are sufficient to maintain the strap section in place in an intermediary position after pivoting whereby the strap section lends support to the Achilles portion of a human foot inserted in the open rear region; and wherein the upper includes a *substantially horizontal portion and a substantially vertical portion* forming a toe region that generally follows the contour of a human foot, wherein the toe region tapers from the inner area of the base section where the larger toes exist to the outer area of the base section where the smaller toes exist; and wherein a decorative pattern of raised bumps is molded or otherwise created in the upper near to and extending the length of the upper opening perimeter; and wherein a plurality of ventilators are formed in both the substantially vertical portion and the substantially horizontal portion, and wherein the ventilators extend up a majority of the height of the vertical portion; wherein the vertical portion of the upper includes an upper strip, wherein the ventilators are formed in the upper strip, and *wherein the upper strip extends from the toe region to the points of attachment for the strap section*, and wherein the sole includes a lower strip that parallels the upper strip and is separated by a line that extends from the toe region to a heel of the footwear piece, and wherein the lower strip vertically rises in a direction toward the heel; and wherein the sole includes a bottom surface having front and rear tread patterns longitudinally connected by a flat section without tread patterns bounded by raised side portions; and wherein the sole further includes a top surface having a support base including a raised pattern where a foot contacts the support base.

## 2. Disputed Claim Terms

### a. “moldable foam material”/“moldable material”/“molded foam material”

Complainant states that the terms “moldable foam material,” “moldable material,” and “molded foam material” should be construed as “foam material capable of being manufactured (using a mold) into a three-dimensional shape.”<sup>117</sup> Respondents in their initial and reply briefs take no position on this matter. Staff argues that the term “moldable foam material” should be construed to mean the moldable foam material from which the shoe is manufactured, not the shoe material after the shoes are constructed or at the time of their importation.<sup>118</sup>

The positions of Staff and Complainant are essentially the same except that Complainant

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<sup>117</sup> CIB 11.

<sup>118</sup> SIB 18.

defines all three terms involving molded or moldable. For this reason, and the reasons set forth below, Complainant's construction is adopted, with a slight modification.

The three terms at issue are used interchangeably in the first and second paragraphs of claims 1 and 2 to describe the composition of the base section and the strap section of the invention to describe the base section and strap section of the invention.<sup>119</sup> The specification explains to one of ordinary skill in the art that this moldable foam material must be capable of being manufactured (using a mold) into a three dimensional shape.<sup>120</sup>

For all of the above reasons, the three terms at issue are construed to mean a "foam material capable of being manufactured, using a mold, into a three-dimensional shape."

**b. "strap section lends support to the Achilles portion of the human foot"**

Complainant states that the term "strap section lends support to the Achilles portion of the human foot"<sup>121</sup> should be construed as "not requiring constant contact between the strap section and the Achilles portion of the human foot."<sup>122</sup> Respondents in their initial and reply briefs take no position on this matter. Staff argues that the term "lends support to" should be construed to mean that "the strap may simply be present in an intermediary position ready to 'lend support' to the foot should there be any contact with the foot."<sup>123</sup>

The positions of Complainant and Staff are essentially the same. They are supported by

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<sup>119</sup> See, e.g., CX-1 (the '858 patent) at col. 9, lns. 37-39; *Id.* at col. 10, ln. 9.

<sup>120</sup> See CX-1 (the '858 patent) at col.9, lns. 37-38; col.1, lns. 59-63; col.2, lns. 2-12; and col. 3 lns. 46-48.

<sup>121</sup> CX-1 (the '858 patent) at col.9, lns. 51-53; col.10, lns. 22-24.

<sup>122</sup> CIB 12-13.

<sup>123</sup> SIB 18-19.

several references in the patent.<sup>124</sup> The correct construction of the phrase “strap section lends support to the Achilles portion of the foot” is that “the strap may simply be present in an intermediary position ready to ‘lend support’ to the Achilles portion of the foot should there be any contact with the Achilles portion of the foot.”

**c. “second contact point on the rear perimeter”**

Claim 2 of the ‘858 patent describes the strap section as pivoting “between a first contact point on the upper opening perimeter and a second contact point on the rear perimeter.”<sup>125</sup> Respondents argue that this claim term “second contact point on the rear perimeter” is satisfied only if the term is defined as the point in patent drawings, such as “160” in Figure 2 of the ‘858 patent, such that “the strap touches the rear perimeter of the base in the back heel region where indicated by the number 160, not anywhere along the side ‘perimeter’ of the foot opening.”<sup>126</sup> Complainant asserts that the proper construction of the term is not to limit it to a point on the extreme rear of the perimeter, but rather the term should be defined to include anywhere on the rear perimeter.<sup>127</sup> Staff agrees with Complainant.<sup>128</sup> For the reasons set forth below, the position of Complainant and Staff is adopted.

Respondents assert that Complainant’s position interprets the term “upper opening perimeter” in a manner that would give inconsistent meanings to the term “perimeter” within the same claim term. Specifically, Respondents state that Complainant contends that the term “upper opening perimeter” is satisfied when the strap rotates above the actual “perimeter” of the shoe and rests upon

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<sup>124</sup> See fn. 121, *supra*; CX-1 (the ‘858 patent) at col.6, lns.17-29.

<sup>125</sup> CX-1 (the ‘858 patent) at col. 10, lns. 17-19.

<sup>126</sup> RIB 20-22.

<sup>127</sup> CIB 13-14.

<sup>128</sup> SIB 21-22.

the element that has been identified as the “decorative pattern of raised bumps” [190]. Thus Respondents argue that the term “perimeter” is inappropriately given a different construction in the term “rear perimeter” from the construction given to the term “front perimeter.” Thus, it is asserted, the term “second contact point on the rear perimeter” should be construed in light of the figures provided in the patent, where the number designated as “160” is described as identifying the “rear perimeter” such that the strap touches the rear perimeter of the base in the back heel region where indicated by the number 160, and not anywhere along the side “perimeter” of the foot opening.<sup>129</sup>

In addition, Respondents state that their proposed construction would also maintain consistency with the Court’s construction of the ‘789 patent as claiming a strap that extends to the heel since, it is argued, Complainant contends that both patents cover the respective ornamental (the ‘789 patent) and utilitarian (the ‘858 patent) aspects of the same shoe design, and both patents claim priority to the same supporting disclosure.<sup>130</sup>

Respondents reject Complainant’s argument that Respondents’ proposed construction improperly imports a limitation into the claim construction from one of the figures in the patent. Respondents state that Complainant has not refuted Respondents’ contention that Complainant’s construction interprets the term perimeter in the same claim in different ways, contrary to established precedent.<sup>131</sup>

Complainant asserts that its construction is supported by language in the specification and the claim language, and from a proper viewing of Figure 2 of the patent. Complainant also asserts that Respondents’ argument that Complainant’s construction in the ‘858 patent is inconsistent with

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<sup>129</sup> RIB 21.

<sup>130</sup> RIB 21-22.

<sup>131</sup> RRB 2-3.

the undersigned's claim construction in the '789 patent is not supported. Complainant also argues that the argument that Complainant is proposing inconsistent constructions for the term "perimeter" within the same claim term is not supported, and, in any event, should be considered waived pursuant to Ground Rule 8.2 because it was not raised in any of Respondents' pre-trial briefs.<sup>132</sup>

Staff supports Complainant's position and argues further that the argument regarding consistency with the undersigned's claim construction of the '789 patent is inconsistent with established precedent.<sup>133</sup>

The construction of Complainant and Staff is supported, in the first instance, by the plain reading of the claim language itself. Nothing in the language of claim 2 requires that the claimed "point" to be *on the extreme rear of* the rear perimeter, rather than merely *on the rear perimeter*. This interpretation is also supported by language in the specification. Specifically, the specification describes the "rear sole perimeter160" in one embodiment as a "region" that is "raised above a support base 165."<sup>134</sup> Thus, according to the specification, even when limited to the specific embodiment, the specification makes clear that the rear sole perimeter extends around the entire support base 165 and is not limited to the very back of the shoe.<sup>135</sup> Elsewhere in the specification, again with reference to a preferred embodiment, the specification explains that a "strap section 120 . . . contacts an outer surface of rear sole perimeter 160."<sup>136</sup> Further, the fact that there is a line in

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<sup>132</sup> CIB 13-14; CRB 8-9.

<sup>133</sup> SIB 21-22; SRB 2-3.

<sup>134</sup> CX-1 (the '858 patent) at col. 5, lns. 47-61.

<sup>135</sup> CX-1 (the '858 patent) at col. 5, lns. 47-53.

<sup>136</sup> CX-1 (the '858 patent) at col. 6, lns. 10-13.

Figure 2 from the number 160 to the rear perimeter does not support a finding that only where the line touches the rear perimeter is all that is encompassed by the term “contact point on the rear perimeter.”<sup>137</sup>

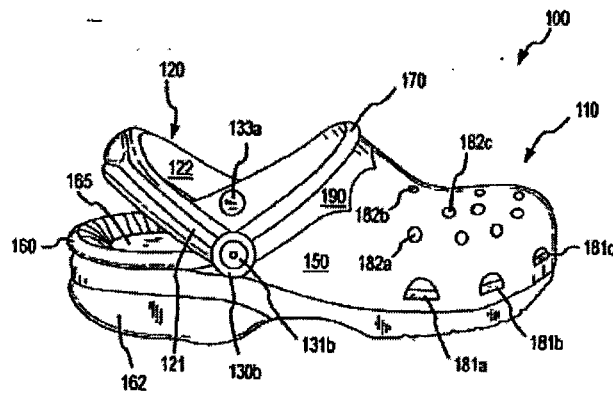


FIGURE 2 FROM THE '858 PATENT

In any event, 160 refers to the rear perimeter, not a contact point on the rear perimeter.

Similarly, Respondents' argument that the construction advocated by Complainant and Staff is inconsistent with the undersigned's claim construction in the design patent, the '789 patent, is not persuasive. All that the claim interpretation of the '789 patent states is that “the strap . . . extends to the heel of the shoe.”<sup>138</sup> This language in no way supports Respondents' position.<sup>139</sup>

Finally, with regard the alleged inconsistency between Complainant's and Staff's claim interpretation of “perimeter” in the terms “upper opening perimeter” and “rear perimeter,” this argument was not raised in any of Respondents' prehearing briefs and thus is deemed waived

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<sup>137</sup> CX-1 (the '858 patent) at Fig. 2.

<sup>138</sup> Order No. 32 at 13 (November 7, 2006) [footnote omitted]. *See also* the undersigned's order on remand adopting the Order No. 32 claim construction for the '789 patent. Order No. 38 at 3 (February 22, 2007).

<sup>139</sup> *See also Shelcore, Inc. v. Durham Indus., Inc.* 745 F.2d 621, 628 (Fed. Cir. 1984) (“*Shelcore*”).

pursuant to Ground Rule 8.2.

Therefore, the term “second contact point on the rear perimeter” is construed as any point on the rear perimeter.

**d. “wherein the upper strip extends from the toe region to the point of attachment for the strap section”**

Complainant and Staff agree that this term should be interpreted such that the strip may extend to and beyond the points of attachment for the strap section. <sup>140</sup> Respondents do not address this issue in either their initial or reply briefs. Accordingly, the construction urged by Complainant and Staff is adopted, as set forth above.

**e. “at the connectors”/“at the plastic connectors”/“at the points of attachment,” and  
f. “direct contact”**

Complainant states that the issue with respect to the three terms “at the connector,” “at the plastic connectors” and “at the points of attachment” is what type of contact, stated in the claims as “direct contact,” must occur between the strap section and the base section and the location of the rivets, as described by the three terms set forth above. Complainant argues that the term “direct contact” means some direct contact.<sup>141</sup> Staff concurs with Complainant.<sup>142</sup> Respondents state that “direct contact” means contact at any and all points around the connectors.<sup>143</sup> For the reasons set forth below, the position of Staff and Complainant is adopted.<sup>144</sup>

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<sup>140</sup> CIB 14; SIB 22-23.

<sup>141</sup> CIB 14-15; CRB 2-4.

<sup>142</sup> SIB 24-26.

<sup>143</sup> RIB 16-18.

<sup>144</sup> The parties cite to, and respond to, arguments regarding actual alleged infringing products. As all parties eventually agreed, however, it is incorrect to consider alleged infringing products in determining what is the proper claim construction for a claim term or terms. *SRI Int’l v. Matsushita*  
(continued...)



Respondents' arguments are not persuasive. The claim language at issue in claim 1, in its appropriate context, is as follows:

a strap section formed of a moldable material that is attached at opposite ends thereof . . . such that the moldable foam material of the strap section is in *direct contact* with the moldable material of the base section and pivots relative to the base section *at the connectors*.<sup>145</sup>

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and wherein frictional forces developed by the contact between the strap section and the base section *at the plastic connectors* are sufficient to maintain the strap section in place in an intermediary position after pivoting.<sup>146</sup>

The portion of claim 2 that must be construed, in its appropriate context, is as follows:

a base section . . . and a strap section . . . attached at opposites ends thereof . . . such that the strap section is in *direct contact* with the base section and pivots relative to the base section.<sup>147</sup>

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wherein frictional forces developed by the contact between the strap section and the base section *at the points of attachment* are sufficient to maintain the strap section in place in an intermediary position after pivoting.<sup>148</sup>

Again, the real issue is what is meant by the term “direct contact” at the points of connection, as described in the first three terms set forth above. Nothing in the plain language of the claims requires that the type of “direct contact” that must occur is at any and all points at the points of connection between the base and the strap. Respondents' citation to the prosecution history is

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<sup>144</sup>(...continued)

*Elec. Corp. of Am.*, 775 F.2d 1107,1118 (Fed. Cir. 1985) (“SRI”). Thus, no consideration will be given to these arguments.

<sup>145</sup> CX-1 (the ‘858 patent) at col. 9, lns. 40-45 (emphasis added).

<sup>146</sup> *Id.* at col.9, lns. 47-51 (emphasis added).

<sup>147</sup> *Id.* at col. 10, lns. 6-12 (emphasis added).

<sup>148</sup> *Id.* at col. 10, lns. 18-23 (emphasis added).

similarly unavailing. All that the citation indicates, as it affects this issue, is that Complainant distinguished the prior art because the prior art did not require “direct contact” between the strap and the base.<sup>149</sup> Nothing in the cited language supports Respondents’ position.

The claim terms in dispute mean that there must be some contact directly between the strap section and base section that occurs somewhere in the area where the base and strap sections are connected.

**g. “a decorative pattern of raised bumps is molded or otherwise created in the upper near to and extending the length of the upper opening perimeter”**

Respondents argue that the term must only include “a decorative pattern of raised bumps” that is 1) decorative, 2) *on the outside surface of the shoes*, and 3) limited to an area near the upper opening perimeter.”<sup>150</sup> Complainant and Staff assert that the claim language does not so limit the scope of the claim and that the decorative bumps can be located either on the outside or the inside of the upper.<sup>151</sup> The arguments of Complainant and Staff are persuasive and shall be adopted.<sup>152</sup>

Respondents assert that when the claim language of claim 2, the specification and the patent drawings (Figures 1, 2, and 4 of the ‘858 patent) are taken together, the pattern of raised bumps must be 1) decorative, 2) *on the outside surface of the shoes*, and 3) limited to an area near the upper opening perimeter. More specifically, Respondents note that the specification states that “[a]s depicted, upper opening perimeter 170 and decorative pattern 190 can extend from the location of

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<sup>149</sup> JX-001 (the ‘858 prosecution history) at CROCS000827-828.

<sup>150</sup> RIB 19 [emphasis added].

<sup>151</sup> CIB 16; CRB 4; SRB 1-2.

<sup>152</sup> Again, the parties cite to, and respond to, arguments regarding actual alleged infringing products. As all parties eventually agreed, however, it is incorrect to consider alleged infringing products in determining what is the proper claim construction for a claim term or terms. *SRI, supra*. Thus, no consideration will be given to these arguments.

rivet 131a to that of rivet 131b.”<sup>153</sup> This means, they argue, that the decorative pattern can only be on the outside of the shoe.

These arguments are not persuasive. Respondents’ citation to the specification is accurate but not determinative of the outcome of this issue. There is nothing in the claim language that limits the “decorative pattern of raised bumps” to the outside of the shoe. To adopt Respondents’ position would be to improperly import a claim limitation from the specification into the claim.<sup>154</sup>

Accordingly, the term “decorative pattern of raised bumps is molded or otherwise created in the upper near to and extending the length of the upper opening perimeter” is construed “to be given its plain meaning and covers shoes, subject to the other claims of this term, which have decorative patterns of raised bumps on either the inside or outside surface of the shoes.”

**h. “substantially horizontal portion and a substantially vertical portion”**

Complainant argues that these terms should be given their plain meaning.<sup>155</sup> Staff argues that this clause does not require precise “horizontal” or “vertical” surfaces but instead allow for some measure of variance from strictly “horizontal” or “vertical.”<sup>156</sup> Respondents in their initial and reply briefs take no position on this matter. Upon review, the construction proposed by Staff is adopted.

**i. “taper”**

Complainant argues that this term should be given its plain meaning.<sup>157</sup> Staff asserts that the

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<sup>153</sup> RIB 19 citing CX-1 (the ‘858 patent) at col. 5, lns. 43-45.

<sup>154</sup> See *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 345 F.3d 1327 (Fed. Cir. 2003) (“*Arlington*”); *Phillips*, 415 F.3d at 1323.

<sup>155</sup> CIB 13.

<sup>156</sup> SIB 20.

<sup>157</sup> CIB 13.

taper of the toe region means following the general outline of a human foot.<sup>158</sup> Respondents in their initial and reply briefs take no position on this matter. Upon review, the construction proposed by Staff is found to be reasonable and is adopted.

**j. “ends”**

Complainant argues that this term should be given its plain meaning.<sup>159</sup> Staff asserts that the term “ends” does not require the strap to be attached to the base at is “extreme distal terminus” or “extreme edge.”<sup>160</sup> Respondents in their initial and reply briefs take no position on this matter. Upon review, the proposed construction of Staff is found to be reasonable and is adopted.

**k. “open rear region”**

Complainant argues that these terms should be given their plain meaning.<sup>161</sup> Staff advocates a construction for the term “open rear region” to mean “the cavity into which the foot is inserted.”<sup>162</sup> Respondents in their initial and reply briefs take no position on this matter. Upon review, the proposed construction of Staff is found to be reasonable and is adopted.

**l. “flat section”**

Staff asserts that “flat section” should be interpreted, not as requiring the entire middle section of the bottom surface of the sole to be flat, but rather that the middle section of the surface of the sole contain a flat surface.<sup>163</sup> Neither Complainant nor Respondents in their initial and reply briefs take a position on this matter. Upon review, the proposed construction of Staff is found to be

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<sup>158</sup> SIB 20.

<sup>159</sup> CIB 13.

<sup>160</sup> SIB 22.

<sup>161</sup> CIB 13.

<sup>162</sup> SIB 22.

<sup>163</sup> SIB 23-24.

reasonable and is adopted.

**m. “plastic connectors”**

There appears to be no argument among the parties as to the fact that for purposes of claim construction, the term “plastic” in claim term “plastic connectors” means plastic.<sup>164</sup> The dispute arises as to whether a product containing non-plastic connectors would infringe under the doctrine of equivalents, an issue that will be dealt with later in this Initial Determination. Accordingly, the term “plastic connectors” is construed for purpose of claim construction as “connectors made from plastic.”

**C. Infringement**

**1. Holey Soles**

Complainant alleges that Holey Soles’ Explorer and Cricket shoes without washers, which prevent direct contact between the strap and base section, infringe both claims 1 and 2 of the ‘858 patent. Complainant also alleges that Holey Soles’ accused shoes without washers have been sold in the United States after the issuance of the ‘858 patent.<sup>165</sup> Staff agrees with Complainant.<sup>166</sup>

Holey Soles agrees that its Explorer and Cricket shoes without washers infringe claims 1 and 2 of the ‘858 patent. However, Holey Soles alleges that in the Fall of 2005, before the ‘858 patent issued, Holey Soles began incorporating into all its strapped shoes a large washer at each pivot point that prevents *direct contact* between the strap and the shoe base. In addition, Holey Soles argues that it retrofitted all its existing inventory in the United States and elsewhere with such washers starting in November, 2005 and completed this retrofitting in January 2006. Therefore, Holey Soles states

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<sup>164</sup> CRB 4-5; SIB 19; RIB 19-20.

<sup>165</sup> CIB 17; CRB 10.

<sup>166</sup> SIB 30-31.

that it has not imported, distributed, or sold in the United States footwear with a pivoting strap that directly contacts the base of the shoe since the '858 patent issued in February 2006.<sup>167</sup>

The Holey Soles' Explorer shoe without the washer (CPX-13), and the Cricket shoe without the washer, which is the children's model identical to the Explorer (CPX-15), infringe claims 1 and 2 of the '858 patent.<sup>168</sup> The dispute arises over the question as to whether any of these shoes were sold in the United States *after* February, 2006 when the '858 patent issued. Holey Soles relies on the testimony of Mr. Richard Walters, its corporate representative, who stated that the entire inventory of washerless shoes was retrofitted with washers before the '858 patent issued.<sup>169</sup> This testimony is persuasive. The reference by Complainant and Staff to a portion of the Complaint, which was not subject to cross-examination in the hearing, and a non-specific and unsupported reference to a purchase of a pair of Holey Soles shoes on March 13, 2006 in the United States is not persuasive, particularly in light of Mr. Walter's testimony.<sup>170</sup> Accordingly, Holey Soles' washerless shoes do not infringe the '858 patent because it has not been shown that these shoes were imported into the United States or sold in the United States after February 7, 2006, the date of issuance of the '858 patent.

## **2. Effervescent**

Complainant asserts that Effervescent has conceded that it imported and sold Waldies AT shoes with small washers into the United States after the issuance of the '858 patent.<sup>171</sup> Complainant argues that since Waldies AT shoes with small washers literally contain every element of claims 1

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<sup>167</sup> RRB 5-6.

<sup>168</sup> CX-657C (Whatley Direct) at Q.78-87, 453-465; CPX-13 & RPX-9 (Explorer); CPX-15 (Cricket).

<sup>169</sup> Walter, Tr. 935:10 - 936:2.

<sup>170</sup> CIB 17; SIB 26.

<sup>171</sup> CIB 17-18.

and 2 of the '858 patent, Effervescent's shoes infringe both claims at issue.<sup>172</sup> Staff concurs with Complainant.<sup>173</sup>

Respondents, relying on their own claim interpretations, argue that there is no *direct contact* between the strap section and the base section of its shoes and no "pattern of raised bumps along the outer perimeter of the opening of the upper, as required by the properly construed claim 2."<sup>174</sup> Respondents also argue that, because Effervescent no longer imports the accused shoes, no commercially significant inventory exists. Respondents assert that Complainant has offered no proof that would establish otherwise.<sup>175</sup>

Earlier in this Initial Determination, it was determined that *direct contact* between the strap section and the base section means that "there must be some contact between the strap section and base section that occurs somewhere in the area where the base sections are connected."<sup>176</sup> It is clear that the shoes at issue here meet that claim term.<sup>177</sup> In addition, earlier in this Initial Determination, the claim term "a decorative pattern of raised bumps is molded or otherwise created in the upper near to and extending the length of the upper opening perimeter" was construed "to be given its plain

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<sup>172</sup> CIB 17-19; CRB 10.

<sup>173</sup> SIB 29-30.

<sup>174</sup> RIB 22-23. Respondents also, in their reply brief, raise an additional argument (not discussed in their initial brief) that "[t]he Waldies AT has a non-decorative swath of raised bumps organized in no particular pattern throughout much of the inside of the upper" [footnote excluded]. RRB 7. This argument regarding the alleged "non-decorative swath of raised bumps" could have been raised in Respondents' initial brief, but was not. As such, neither Staff nor Complainant have had an opportunity to respond to this argument. Therefore, this argument will not be considered in this Initial Determination.

<sup>175</sup> RRB 6-7.

<sup>176</sup> See Section III(B)(2)(e-f), *supra*.

<sup>177</sup> CPX-10 & RPX-6 (Waldies AT). Using the undersigned's claim construction, Respondents do not challenge this determination, in either their initial or reply briefs, that this shoe contains each and every element of claims 1 and 2 of the '858 patent.

meaning and covers shoes, subject to the other claims of this term, which have decorative patterns of raised bumps on either the inside or outside surface of the shoes.”<sup>178</sup> It is clear that the shoes at issue meet the terms of this claim term.<sup>179</sup>

Also, the record is clear that Complainant has shown that Effervescent has imported and sold Waldies AT shoes with small washers into the United States after the issuance of the ‘858 patent.<sup>180</sup> Accordingly, Waldies AT shoes with small washers (CPX-10) infringe claims 1 and 2 of the ‘858 patent.

### 3. Gen-X

Complainant alleges that Gen-X does not contest that its accused Komodo shoes, but for the presence of washers, infringe claims 1 and 2 of the ‘858 patent if the correct claim interpretation of *direct contact* is adopted. Complainant also alleges that there were Gen-X Komodo shoes sold without washers in the United States after February 7, 2006, the date of issuance of the ‘858 patent. Complainant cites evidence that Gen-X was selling 40,000 to 50,000 pairs of Komodo shoes per week after February 7, 2006; the Komodo shoes were selling quickly at retail; Complainant was able to purchase three pairs of Komodo shoes without washers as late as October 9, 2006 in the United States; Gen-X has not convincingly shown that the infringing Komodo shoes were not shipped during the time before Gen-X even started the process of retrofitting the shoes; Gen-X has not persuasively shown that an adequate inspection was made to ensure that the infringing shoes had

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<sup>178</sup> See Section III(B)(2)(g), *supra*.

<sup>179</sup> CPX-10 & RPX-6 (Waldies AT). Assuming adoption of the undersigned’s claim construction, Respondents do not challenge this determination, in either their initial or reply briefs, that this shoe contains each and every element of claims 1 and 2 of the ‘858 patent.

<sup>180</sup> Mann, Tr. 1317:21-1319:3, 1326:25-1327:24; JX-124 (DDD sales by customer detail); JX-85C (Mann Dep) at 78:8-79:2.



been retrofitted with washers prior to shipment from the warehouse; Gen-X's purchase order for Komodo shoes in September 2005 lacked instructions to install a washer; in mid-February 2006, Gen-X received a shipment of Komodo shoes in Chino, California pursuant to purchase order 300989; and no Gen-X representative can confirm that the factory retrofitted the shoes in question with a washer consistent with its instructions and there is no documentation that Gen-X provided instructions to its buying agent which ultimately were passed on to the factory to perform the retrofit operation.<sup>181</sup> Also, Complainant rejects Gen-X's argument that Gen-X sold rather than consigned (as Complainant alleges), its shoes to retail customers. Complainant states that because the retailers had a right of return of shoes shipped to them, Gen-X's real interest in the Komodo shoes without washers sold in the United States after issuance of the '858 patent did not transfer to its retailers until after the shoes were purchased by the retailers' customers. Therefore, Complainant alleges that Gen-X's Komodo shoes infringe claims 1 and 2 of the '858 patent.<sup>182</sup> Staff concurs.<sup>183</sup>

Gen-X argues that its shoes do not infringe either claims 1 or 2 of the '858 patent because it stopped importing and selling the original Komodo before the '858 patent issued on February 7, 2006. Gen-X asserts that Complainant's allegation that it purchased original Komodos after February 7, 2006 from retail outlets does not include the assertion that the retail outlets were consignees for Gen-X. Gen-X states that these purchases are not probative evidence of when the shoes were imported or sold to retailers. The extension of a right of return of the shoes by Gen-X cannot be interpreted as a revocation of the transfer of title to the shoes. Further, Gen-X argues that the fact that some of Gen-X's shoes were segregated in a Chino, California warehouse and not

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<sup>181</sup> CIB 19-20; CRB 11-12.

<sup>182</sup> CIB 20-21.

<sup>183</sup> SIB 38-39.

retrofitted until May or June of 2006 is not evidence that Gen-X imported infringing shoes after February 7, 2006.<sup>184</sup>

It is clear from the record that, given the claim construction given the term *direct contact*, and the evidence of record, that Gen-X's Komodo shoes without washers satisfy each and every element of claims 1 and 2.<sup>185</sup> However, the question remains whether Gen-X imported or sold any of these washerless Komodo shoes in the United States after February 7, 2006. The record indicates that Complainant and Staff have not made this requisite showing.

Gen-X's witness Paul Cohen testified that before the '858 patent issued, Gen-X notified the manufacturer to produce the redesigned Komodo shoe, instructed the Chino, California warehouse to fill purchase orders only with the redesigned shoes, and isolated the inventory of Komodo shoes without washers in the Chino warehouse.<sup>186</sup> Mr. Cohen testified further that even though Gen-X did not start retrofitting the washerless shoes until May or June 2006, Gen-X had isolated the washerless shoes as early as October 2005, which was before the issuance of the '858 patent.<sup>187</sup> Furthermore, Complainant's efforts to undermine Mr. Cohen's testimony are not persuasive. Its evidence is basically circumstantial, *i.e.* that because of the large volume of Komodo shoes sold out of its U.S. warehouse during the relevant period;<sup>188</sup> the fact that the shoes were selling quickly at retail;<sup>189</sup> the

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<sup>184</sup> RIB 25-26; RRB 9-11.

<sup>185</sup> CPX-11 (Komodo). Assuming adoption of the undersigned's claim construction, Respondents, in their initial and reply briefs, do not challenge the determination that Gen-X's Komodo shoes reflect each and every element of claims 1 and 2 of the '858 patent.

<sup>186</sup> RX-158 (Cohen Direct) at Q11-12; Cohen, Tr. 1455:19 - 1456:17.

<sup>187</sup> Cohen, Tr. 1398: 6 - 17.

<sup>188</sup> CIB 19 citing Cohen, Tr. 1399; CX-535C (email).

<sup>189</sup> CIB 19 citing Complainant's Response to Respondents Gen-X, DDD, and Old Dominion's Statement of Undisputed Fact in support of their motions for Summary Determination of Non-Infringement at Ex. C; CX-530C (email).

fact that Complainant was able to purchase some washerless shoes at retail as late as October 9, 2006,<sup>190</sup> and alleged gaps in Gen-X's evidence that the instructions to the factory in China were actually carried out or that the retrofitting was actually carried out.<sup>191</sup> It is Complainant's burden, not Gen-X's, to show that washerless shoes were imported or sold in the United States after February 7, 2006 in order to prove infringement. Complainant's evidence, at best, shows that there *may* have been some washerless Komodo shoes sold in or imported into the United States after February 7, 2006. That is not sufficient, particularly in light of Mr. Cohen's testimony.<sup>192</sup> Since Complainant has failed to present sufficient evidence of a sale of, or importation into, the United States of washerless Komodo shoes after February 7, 2006, it is hereby determined that no showing of infringement has been shown with respect to the washerless Komodo shoes after February 7, 2006.

**4. DDD**

**a. Claim 1**

**(1) Literal Infringement**

Double Diamond's (DDD's) Original Beach DAWGS shoes without washers (CPX-7)<sup>193</sup> have metal connectors.<sup>194</sup> Because claim 1 of the '858 patent requires *plastic* connectors,<sup>195</sup> it is clear

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<sup>190</sup> CIB 20 citing Wierema Decl. in support of Complainant's Opposition to Respondents' Motions for Summary Determination of Noninfringement, ¶¶ 1-4.

<sup>191</sup> CIB 20 citing Cohen, Tr. 1397.

<sup>192</sup> Cohen, Tr. 1398: 6-17, 1455: 19 - 1456: 17; RX-158 (Cohen Direct) at Q. 11-14.

<sup>193</sup> Since the washerless models have *direct contact* between the strap and the base, all parties agree that the washerless Original Beach DAWGS shoes meet the claim term *direct contact* in claims 1 and 2. The private parties also agree that the addition of plastic washers between the strap and base preclude *direct contact* between the two, and thus is sufficient to prevent these latter shoes from infringing claims 1 and 2 of the '858 patent. RIB 23. Whatley, Tr. 436:12 - 20. Staff does contest this position. SIB 31-38.

<sup>194</sup> RIB 24; CX-657C (Whatley Direct) at Q. 117; RX-126C (Mann Direct) at Q. 27.

<sup>195</sup> See also Section III(B)(2)(m), *supra*, in this Initial Determination in the Claim (continued...)

that the Original Beach DAWGS do not literally infringe claim 1.<sup>196</sup>

**(2) Infringement Under the Doctrine of Equivalents**

Complainant alleges that Respondent DDD's Original Beach DAWGS without washers infringe claim 1 under the doctrine of equivalents because they use metal connectors, and metal connectors are equivalent to plastic connectors. Complainant argues that metal connectors meet the doctrine of equivalents test because they perform the same function as plastic connectors, in the same way, and achieve the same result. Further, Complainant argues that they have not dedicated metal connectors to the public because metal connectors appear in the specification, but not in claim 1 itself. Complainant states that because metal connectors may be used in claim 2, applicable precedent allows metal connectors to be included in the term *plastic connectors* in claim 1.<sup>197</sup>

DDD argues that, under applicable precedent, Complainant dedicated the metal connectors to the public in the context of claim 1 because metal connectors were disclosed in the specification, but not in the claim itself. DDD also states that Complainant's citation to judicial precedent is incorrect and inapplicable.<sup>198</sup> Staff concurs and adds an additional argument regarding estoppel based upon the prosecution history.<sup>199</sup> For the reasons set forth below, Complainant's view is rejected.

It is true, as Complainant argues, that metal connectors perform the same function, in the

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<sup>195</sup>(...continued)

Construction section wherein the term "plastic connectors" is defined as connectors made from plastic.

<sup>196</sup> Staff and DDD support this view. SIB 32; RIB 24. Complainant does not challenge this conclusion.

<sup>197</sup> CIB 21-23; CRB 11.

<sup>198</sup> RIB 24; RRB 7-9.

<sup>199</sup> SIB 32-37. In light of the fact that Complainant's arguments are rejected on other grounds, as set forth below, this argument of Staff will not be considered.

same way and achieve the same result as plastic connectors.<sup>200</sup> However the question remains as to whether the fact that metal connectors are disclosed in the specification,<sup>201</sup> even though the language of claim 1 speaks only in terms of *plastic connectors*, caused metal connectors to be dedicated to the public and are therefore not able to be recaptured through the doctrine of equivalents. This is clearly the case and is supported by case law.<sup>202</sup> The fact that metal connectors may be used in claim 2 is not persuasive. In claim 1 the base and the strap are clearly required to be connected by *plastic connectors*. By contrast, in claim 2 there is a reference to the fact that the base and strap are attached, but there is no reference to the connector itself. So, Complainant's citation to cases<sup>203</sup> allowing the result it seeks because *the same claim term* is defined more broadly in another claim, other than the claim at issue, is not persuasive. Accordingly, DDD's Original Beach DAWGS without washers do not infringe claim 1 under the doctrine of equivalents because they do not have *plastic connectors* as required by claim 1 of the '858 patent.

**b. Claim 2**

Complainant states that there is no dispute that the use of metal connectors is within the purview of claim 2.<sup>204</sup> Complainant argues that DDD's Original Beach DAWGS without washers infringe claim 2 under a correct claim interpretation of the terms "contact point on the rear perimeter" and "wherein the upper strip extends from the toe region to the points of attachment for

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<sup>200</sup> *Hilton Davis, supra*.

<sup>201</sup> See CX-1 (the '858 patent) at col. 2, lns. 28-31.

<sup>202</sup> *Maxwell v. Baker, Inc.*, 86 F.3d 1098, 1106-07 (Fed. Cir. 1996) ("*Maxwell*"); *PSC Computer Prods, Inc. v. Foxconn Int'l, Inc.*, 355 F.3d 1353, 1359-60 (Fed. Cir. 2004) ("*PSC*"); *Johnson & Johnson Assoc., Inc. v. R.E. Service Co., Inc.*, 285 F.3d 1046 (Fed. Cir. 2002) ("*J&J*"); *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605 (1950) ("*Graver Tank*").

<sup>203</sup> CIB 22-23 citing *Graver Tank, supra*; *Spinmaster, Ltd. v. Overbreak LLC*, 404 F.Supp.2d 1097 (N.D. Ill. 2005) ("*Spinmaster*").

<sup>204</sup> CIB 23.

the strap section.<sup>205</sup> Staff concurs with Complainant's view.<sup>206</sup> DDD states that based upon its interpretation of these claim terms, its washerless Original Beach DAWGS do not contain every element of claim 2.<sup>207</sup> For the reasons set forth below, DDD's view is rejected.

DDD's arguments are based upon its now rejected interpretations of the claim terms at issue. Accordingly, using the correct interpretations of the claim terms "contact point on the rear perimeter" and "wherein the upper strip extends from the toe region to the points of attachment for the strap section" adopted earlier in this Initial Determination, it is determined that the washerless Original Beach DAWG contains each and every element of claim 2 of the '858 patent.<sup>208</sup>

### **c. Other Issues**

DDD contends that Staff and Complainant have incorrectly argued that, for a period of time after the date of issuance of the '858 patent, DDD continued to import into the United States and sell within the United States the washerless Original Beach DAWGS shoe.<sup>209</sup> Staff and Complainant reject DDD's view.<sup>210</sup> For the reasons set forth below, DDD's Original Beach DAWGS without washers are determined to infringe claim 2 of the '858 patent.

It is clear that of the inventory that was in the United States as of the time of the hearing, there were 25,000 shoes, all of which are Groovy DAWGS,<sup>211</sup> which are not accused by Complainant of infringement in this hearing.<sup>212</sup> It is also clear that although DDD inserted the washer in its newly

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<sup>205</sup> CIB 23-25.

<sup>206</sup> SIB 37-38.

<sup>207</sup> RIB 24-25.

<sup>208</sup> CX-657C (Whatley Direct) at Q. 505-517; RPX-20 & RPX-29 (Original Beach DAWGS).

<sup>209</sup> RIB 23-24; RRB 7-9.

<sup>210</sup> CRB 11; SIB 27.

<sup>211</sup> Mann, Tr. 1360: 12 - 23.

<sup>212</sup> *See generally* CIB 21-25.

manufactured shoes, DDD never retrofitted any of its washerless Original Beach DAWGS with washers.<sup>213</sup> The question remains as to whether DDD imported and/or sold any washerless Original Beach Groovy DAWGS after February 7, 2006, the date of issuance of the '858 patent.

Mr. Mann testified that DDD stopped selling washerless Original Beach DAWGS in the "March, April '06 time frame."<sup>214</sup> He conceded that "[t]here may have been some [of the washerless Original Beach DAWG shoes] that slipped through . . . ." He further stated that, when referred to previous testimony regarding JX-124, and asked about "the sale of a Beach Dawg to the United States . . . in the March [2006] time frame . . . ," he responded "[s]o it would have probably been without the washer."<sup>215</sup>

Based upon a review of the evidence, some Original Beach DAWGS without washers were shipped and/or sold in the United States after February 7, 2006, the date of issuance of the '858 patent. This finding, coupled with the previous finding that these shoes contain each and every element of claim 2, results in the determination that these shoes infringe claim 2 of the '858 patent.

## **5. CLI/Payless**

Complainant alleges that Respondent CLI/Payless (CLI) has conceded, and the record supports a finding that the Airwalk Compel I and II shoes without washers contain each and every element of claims 1 and 2 of the '858 patent. Complainant also alleges that as of September 2006, CLI had approximately 2,300 Airwalk Compel I shoes in inventory in the United States that were being sold after importation from China. In addition, Complainant states that as of the date of hearing in September 2007, CLI had approximately 37,000 pairs of Airwalk Compel II shoes on sale

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<sup>213</sup> Mann, Tr. 1326: 21 - 24.

<sup>214</sup> Mann, Tr. 1327: 7 - 15.

<sup>215</sup> Mann, Tr. 1326: 25 - 1327: 1 - 24.

in retail outlets in the United States that had been imported from China.<sup>216</sup> Staff supports Complainant's position.<sup>217</sup>

CLI states that it stopped importing Compel I shoes into the United States in July 2005 and that all Compel II models imported after December 2005 had, at a minimum, a curved area between the outsole treads which, it is alleged, prevents infringement of claims 1 and 2 of the '858 patent. CLI argues that Complainant does not even argue that CLI maintains a commercially significant inventory of the Compel I, or the Compel II without the Compel III design features, which allegedly prevents infringement. Therefore, CLI asserts that no relief against it is warranted.<sup>218</sup>

The record is clear that the Complainant and Staff allege, and CLI does not refute, a determination that Compel I shoes without washers, and the Compel II shoes without washers and without a curved area between the curved area between the outsole treads,<sup>219</sup> contain each and every element of claims 1 and 2 of the '858 patent.<sup>220</sup> Accordingly, the undersigned so finds.

The question remains whether the record reflects importation into, and /or sale in, the United States of these shoes after February 7, 2006, the date of issuance of the '858 patent. While the record reflects the fact that CLI ceased importing washerless Compel I shoes into the United States after December 2005, it also shows that as of September 2006, CLI had approximately 2,300 pairs of

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<sup>216</sup> CIB 25; CRB 9.

<sup>217</sup> SIB 27-29.

<sup>218</sup> RIB 22-23; RRB 5.

<sup>219</sup> A review of Complainant's initial and reply briefs does not indicate that Complainant is challenging CLI's assertion that the modification of certain Compel II shoes to include a curved area between the outsole treads, causes those particular Compel II shoes not to include each and every element of claims 1 and 2 of the '858 patent. Therefore, no determination will be made with respect to whether Compel II shoes with a curved area between the outsole treads infringe claims 1 and 2 of the '858 patent.

<sup>220</sup> RPX-1 (Compel I) and CPX-4 & RPX-2 (Compel II).



Compel I shoes in inventory in the United States that were being sold after importation from China.<sup>221</sup> In addition, as of the date of the hearing in September 2007, CLI had approximately 37,000 pairs of Compel II shoes on sale in its retail stores that had been imported from China, although “most” of them had the Compel III design elements, the most significant of which were the washers and the curved area between the outsoles.<sup>222</sup> However, it is thus clear that some of these Compel II shoes were washerless shoes that infringed. Accordingly, it is determined that CLI’s washerless Compel I shoes, and its washerless Compel II shoes without the curved area between the outsoles, infringe claims 1 and 2 of the ‘858 patent.

**D. Domestic Industry - Technical Prong**

Complainant asserts that its Beach, Cayman, and Kids Cayman shoes practice claims 1 and 2 of the ‘858 patent.<sup>223</sup> Staff and Respondents agree.<sup>224</sup> Accordingly, it is hereby determined that Complainant has met the technical prong of the domestic industry requirement with respect to the ‘858 patent.

**E. Validity**

**1. Ordinary Skill in the Art**

Complainant asserts that one of ordinary skill in the art in the period from 2001-2003 is a person with two to five years of hands-on experience in designing and developing products made of molded foams, especially footwear.<sup>225</sup> Staff agrees.<sup>226</sup> Respondents assert that one of ordinary skill

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<sup>221</sup> Schlarb, Tr. 946-48; JX-129C (spreadsheet) at PSS134980.

<sup>222</sup> Schlarb, Tr. 950: 1 - 14.

<sup>223</sup> CIB 25-26; CRB 12.

<sup>224</sup> RIB 26; SIB 40.

<sup>225</sup> CIB 11.

<sup>226</sup> SIB 17 citing CX-657C (Whatley Direct) at Q. 36-39.

in the art is “[a] person with four years of technical footwear education and/or design experience who has acquired detailed knowledge of basic principles that make a good footwear design, footwear construction techniques and materials in their various uses, benefits and limitations, the history of footwear designs, including shapes and patterns and current footwear fashion trends and influences . . . one should also have hands on experience with molded footwear.”<sup>227</sup> The undersigned agrees with Complainant and Staff that a person of ordinary skill in the art to with regard to the ‘858 patent would, in 2001-2003, have two to five years of hands-on experience in designing and developing products made of molded foams, especially footwear.<sup>228</sup>

## **2. Obviousness**

### **a. The Aqua Clog in Combination with the Aguerre ‘249 Patent**

Respondents state that the two most important pieces of prior art are the Aqua Clog<sup>229</sup> and U.S. Patent No. 6,237,249 to Aguerre (the Aguerre ‘249 patent).<sup>230</sup> Respondents argue that the claims of the ‘858 patent describe nothing more than a combination of these two references. Respondents assert that the Aqua Clog comprises the base portion—*i.e.* everything but the strap assembly—of the shoe claimed in the ‘858 and ‘789 patents, as well as the Crocs Beach model shoe. Respondents also argue that the prosecution history of the ‘858 patent supports its position.

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<sup>227</sup> RIB 29 citing to RX-163C (Nutt Direct) at Q. 9.

<sup>228</sup> CX-657C (Whatley Direct) at Q. 39.

<sup>229</sup> RPX-30 (Aqua Clog). Respondents also argue that the Examiner of the ‘858 patent and the ‘789 patent did not consider the Aqua Clog as prior art. Regardless of whether or not the Examiner had sufficient notice of the Aqua Clog, the ‘858 patent is obvious for the reasons set forth later in this Initial Determination.

<sup>230</sup> JX-044 (the Aguerre ‘249 patent). While Respondents also refer to other prior art references (RIB 28), the bulk of its obviousness argument focuses on the Aqua Clog and the Aguerre ‘249 patent.

Respondents state that under the U.S. Supreme Court's *KSR* decision,<sup>231</sup> which modified the obviousness standard, it is clear that the invention of the '858 patent is obvious.<sup>232</sup>

Complainant asserts that the '858 patent is valid. Complainant argues that the Examiner did consider the Aqua Clog and that the prosecution history supports this contention. Complainant asserts that Respondents' expert witness, Mr. Nutt, supports Complainant's position, not the position of Respondents.<sup>233</sup>

More specifically, Complainant focuses on the fact that the strap was made of foam and that the Aguerre '249 patent, rather than supporting Respondents' contentions, teaches away from using a foam strap because of foam's lack of elasticity and adjustability, and its tendency to tear. Thus, it is asserted, the use of a foam strap in the '858 patent was a nonobvious use worthy of being patented.<sup>234</sup>

Complainant argues that under *KSR*, Respondents have not shown the '858 patent to be obvious. Complainant states that there is no use of foam straps in any of the prior art and no showing has been made that one of ordinary skill in the art would have thought to use a foam strap. The fact that the foam strap acts as a passive restraint system for the foot, it is argued, is a revolutionary way of using a strap in this type of a shoe. Previously, straps had to be elastic and adjustable so that they

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<sup>231</sup> *KSR, supra.*

<sup>232</sup> RIB 26-29, 33-36.

<sup>233</sup> CIB 27. Complainant asserts that Respondents violated Ground Rule 8.2 by arguing for the first time in their initial brief for a combination of the Aqua Clog and the Aguerre '249 patent to make its case for obviousness. A review of the various Respondents' pre-trial briefs indicates that the CLI, *et. al* pre-trial brief clearly discusses the Aqua Clog and the Aguerre '249 patent prior art references. CLI PHB 39-41. Accordingly, Respondents have not violated Rule 8.2 with respect to these two references and this portion of Complainant's argument is rejected. A review of Respondents' remaining prior art/obviousness arguments reveals no violation of Ground Rule 8.2.

<sup>234</sup> CIB 29-32.

would hold the foot snugly.<sup>235</sup> Staff supports Complainant's position.<sup>236</sup>

The record is clear that the Aqua Clog is the shoe set forth in the '858 patent with one exception. The Aqua Clog has no strap.<sup>237</sup> The question arises as to whether the addition of a *foam* strap to the Aqua Clog base is a patentable idea.

The use of straps in shoes similar to the patented shoe was well known in the prior art. In the Aguerre '249 patent, a strap very similar to the '858 patent strap is disclosed, albeit it is made of a different material.<sup>238</sup> The strap pivoted in a manner similar to the strap on the patented shoe.<sup>239</sup> Foam straps were discussed and thus were known in the prior art, even though they were referred to as unsuitable.<sup>240</sup>

The fact that foam straps had previously been thought to be unsuitable does not change the result here. In assessing whether a claimed invention is obvious in light of the prior art, all disclosures, including unpreferred embodiments, are relevant.<sup>241</sup> As Complainant's own expert witness Mr. Whatley testified, persons of ordinary skill in the art were well aware of foam shoe components. Specifically, he stated that "those skilled in the art of footwear design and development thought that foam shoe components connected through perforations such as by stitching or riveting were excessively prone to tearing."<sup>242</sup> In addition, the Federal Circuit in *In re Gurley* held that "[a] known or obvious composition does not become patentable simply because it has been described as

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<sup>235</sup> CIB 33-34.

<sup>236</sup> SIB 44-48.

<sup>237</sup> RPX-30 (Aqua Clog).

<sup>238</sup> JX-044 (the Aguerre '249 patent).

<sup>239</sup> *Id.*

<sup>240</sup> CX-667C (Whatley Rebuttal) at Q.118.

<sup>241</sup> *Merck & Co., Inc. v. Biocraft Labs., Inc.*, 874 F.2d 804, 807 (Fed. Cir. 1989) ("*Merck*").

<sup>242</sup> CX-667C (Whatley Rebuttal) at Q.118.

somewhat inferior to some other product for the same use.”<sup>243</sup>

In addition, inelastic and non-stretchable straps were well known in the prior art. Respondents’ expert witness, Mr. Nutt, testified that non-stretchable straps do appear in the prior art.<sup>244</sup> In fact, Complainant’s witness, Mr. Reddyhoff, prior to discovering the Aqua Clog, experimented with a foam strap that “was not flexible at all.”<sup>245</sup> Thus, like straps made of foam, inelastic and non-stretchable straps were well within the knowledge of a person of ordinary skill in the art.

Complainant’s argument about the novelty of a strap which had direct contact with the base creating friction so that the strap would stay in one place, even while not resting on a part of the base of part of the shoe, is similarly not persuasive. Indeed the direct contact feature alone appears in Figures 11 and 13 in the Aguerre ‘249 patent, and Mr. Whatley admitted that the Aguerre ‘249 patent teaches attaching the strap [102, 302] to the vamp [104,304] with direct contact.<sup>246</sup>

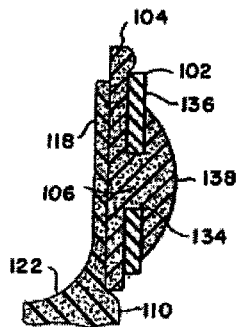


FIGURE 11 FROM THE  
AGUERRE '249 PATENT

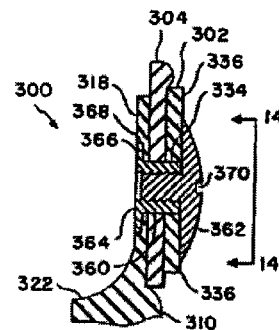


FIGURE 13 FROM THE  
AGUERRE '249 PATENT

<sup>243</sup> *In re Gurley*, 27 F.3d 551, 553 (Fed. Cir. 1994) (“*Gurley*”).

<sup>244</sup> Nutt, Tr. 1110 - 1111:4.

<sup>245</sup> Reddyhoff, Tr. 691:23 - 692:16.

<sup>246</sup> CX-667C (Whatley Rebuttal) at Q. 42.

As stated in *KSR*, “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.”<sup>247</sup> As *KSR* also makes clear, the presence of a specific reason to combine prior art elements is no longer controlling. “[A]ny need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”<sup>248</sup> The Court also stated that: “[a]s our precedents make clear . . . the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.”<sup>249</sup> Indeed, “[a] person of ordinary skill is also a person of ordinary creativity, *not an automaton*.”<sup>250</sup> Such a person of ordinary skill in the art could have clearly have combined a familiar element, the Aqua Clog; with another familiar element, a pivoting strap, which is made of foam, a substance known in the prior art, and where this strap has direct contact with the base, to create the shoe that is the subject of the ‘858 patent.

Given the positive attributes of the Aqua Clog, *i.e.* that it is comfortable, non-slip, anti-microbial, floats,<sup>251</sup> it is not surprising that the U.S. market demanded a mechanism to keep the prior art Aqua Clog on a wearer’s foot to permit more active uses.<sup>252</sup> Therefore, Mr. Seamans sought to put some type of retention or strapping device on the Aqua Clog.<sup>253</sup> Not surprisingly, Mr. Seamans applied a prior art method, a pivoting backstrap, similar to that disclosed in the Aguerre ‘249 patent,

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<sup>247</sup> *KSR*, 500 U.S. —; 127 S. Ct. at 1739.

<sup>248</sup> *Id.* at 1742.

<sup>249</sup> *Id.* at 1741.

<sup>250</sup> *Id.* at 1742 [emphasis added].

<sup>251</sup> CX-658C (Seamans Direct) at Q. 19; Seamans, Tr. 590-91.

<sup>252</sup> Seamans. Tr. 556: 12-17.

<sup>253</sup> *Id.*

to the Aqua Clog. Now, it is true that the strap disclosed in the Aguerre ‘249 patent was made of material other than foam and was adjustable and elastic so that it held the foot snugly in the shoe. By contrast, the ‘858 patent discloses a firm foam strap that acts as a passive restraint to the Achilles portion of the foot and can be set in various fixed position because of the friction created by the *direct contact* between the upper portion of the base and the strap.<sup>254</sup> However, as noted above, the addition of a foam strap to the Aqua Clog clearly meets the U.S. Supreme Court’s *KSR* test for obviousness. It is a change that one of ordinary skill in the art could have come up with.

**b. Secondary Considerations of Nonobviousness**

**(1) Commercial Success**

Complainant argues that another factor in favor of their position that the ‘858 patent is not obvious is the strong commercial success of its shoes.<sup>255</sup> Complainant states that the strong growth in worldwide revenue from \$1,120,000 in 2003 to \$234,000,000 in 2006<sup>256</sup> shows that the “Cros phenomenon” is one of the most astonishing success stories in the history of the American footwear industry. Complainant states that its success is especially impressive when compared to that of other success stories in the footwear industry and in light of the fact that it did comparatively little advertising in the first few years its shoes were sold.<sup>257</sup> The fact of this extraordinary commercial success, it is argued, along with the fact that the Beach and Cayman shoes practice the ‘858 patent, shows that a nexus exists between Complainant’s commercial success and the patented invention.

Complainant also rejects Respondents’ argument that the commercial success of the Aqua

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<sup>254</sup> CX-1 (the ‘858 patent).

<sup>255</sup> CIB 34-41.

<sup>256</sup> CX-661C (Hanson Direct) at Q. 70-71; Hanson, Tr. 781-82.

<sup>257</sup> CIB 37-38.

Clog itself led to the success of its shoes because the sales of Aqua Clogs are significantly less than that of its '858 patent shoes. Complainant states the its shoes' popularity is "due to its appearance and functionality."<sup>258</sup> Complainant also cites to testimonials from satisfied buyers of its products as well as the commercial success of Respondents' shoes in support of its position.

Complainant rejects Respondents' argument that Complainant has not shown any commercial success that is attributable to the '858 patent. Complainant states that Respondents have mischaracterized Mr. Snyder's testimony by asserting that the testimony supports the proposition that there are significant factors, other than the design of the '858 patent, for Complainant's shoes' commercial success. Complainant also argues that the Aqua Clogs' commercial success is significantly less than that of Complainant's shoes. Complainant also rejects Respondents' argument that Complainant's commercial success was attributable to Complainant's alleged resources, know-how and heavy-handed business tactics.<sup>259</sup> Complainant also argues that, contrary to Respondents' assertions, it is relatively easy and inexpensive to enter the market as a competitor. Staff supports Complainant's position.<sup>260</sup>

Respondents<sup>261</sup> argue that Complainant has not shown a nexus between commercial success and the claimed invention in the '858 patent and that its success is due to Complainant's allegedly savvy, but heavy-handed business negotiations, effective marketing, and the ability to provide enough cash to allow for widespread product exposure. They state that the prior art Aqua Clog enjoyed relatively good commercial success and that part of Complainant's success with its shoes

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<sup>258</sup> CIB 40.

<sup>259</sup> CRB 24.

<sup>260</sup> SIB 48-51.

<sup>261</sup> A persuasive argument has not been made that Respondents violated Ground Rule 8.2 and that argument is therefore rejected.



was the purchase of the intellectual property rights for the Aqua Clog. Respondents argue that commercial success is not sufficient to overcome the clear obviousness in this case established through the prior art.<sup>262</sup>

The arguments of Complainant and Staff are not persuasive. As the Federal Circuit has stated, where a strong case of obviousness has been demonstrated (as in this case) by the teachings of the prior art, a strong showing of commercial success cannot overcome that showing.<sup>263</sup> Also, Complainant's argument that, because commercial success followed the introduction of its shoes, it must have been due to the unique features of the '858 patent, is not persuasive. Because one event (commercial success) followed another event (the issuance of the '858 patent) does not necessarily mean that the first event caused the second event. Complainant has not shown a sufficient nexus between the alleged novelty of its shoes, as reflected in the '858 patent, and the commercial success enjoyed by these shoes. Whatever the reason for its shoes' commercial success, Complainant has not shown that the '858 patent is that reason. Furthermore, Complainant seems to mix the issues of functionality with appearance in its attempt to explain the commercial success of its shoes. Among other things, its customer testimonials fall within this category.<sup>264</sup> Again, this does not show a sufficient nexus between the '858 patent and the commercial success of its shoes.

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<sup>262</sup> RIB 41-45.

<sup>263</sup> See, *Newell Companies, Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 768-69 (Fed. Cir. 1988) ("*Newell*"); see also *Leapfrog Enterprises, Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007) ("*Leapfrog*").

<sup>264</sup> Complainant's witness Mr. Snyder testified that the reason the popularity of the shoes took off so quickly was not due to the addition of a strap and rivet to the Aqua Clog, but rather the "uniqueness of the *design* of this product." [italics added] Snyder Tr. 485:17 - 486:9. Whatever relevance this argument may have with regard to the '789 *design* patent, it clearly is not evidence in support of the nonobviousness of the '858 *utility* patent. Complainant in its initial brief improperly combines a citation to the '858 utility patent with the '789 design patent in making its argument for commercial success related to the '858 utility patent. See, for example, CIB 36, 38.

## (2) Copying

Complainant argues that Respondents have engaged in numerous examples of copying and that the record indicates that each respondent admits to first seeing a Crocs shoe before deciding to sell the accused shoe. Complainant states that there are thousands of mold makers and factories in China and that there are known instances where molds have been misappropriated. Complainant argues that the CEO of Effervescent described the circumstances as “the biggest copyfest you’ve ever seen in your life.”<sup>265</sup> Complainant also cites to an article by Respondents’ expert witness Mr. Nutt advising “would-be plagiarists” on how to copy Complainant’s shoes.<sup>266</sup> Aside from this circumstantial evidence, Complainant cites to specific evidence with respect to individual respondents that is said to demonstrate copying. Complainant also states that “[t]ellingly, Respondents failed to identify a prior art foam shoe with a foam strap that allegedly served as the inspiration for the accused shoes.”<sup>267</sup>

With respect to CLI, Complainant argues that CLI sent samples of Crocs shoes to its factory to use as its primary inspiration and to be copied exactly the same as the inspiration sample. It is also alleged that Effervescent’s CEO allegedly referred to its shoes as “knockoffs” and that Effervescent was formed specifically to sell foam shoes patterned on Crocs shoes.<sup>268</sup>

With respect to Holey Soles, a Holey Soles principal is said to have approached Crocs in 2003 to obtain a distribution agreement with Crocs. Holey Soles is said to have stated that its Explorer shoes are “very similar” and the “same” as Crocs shoes. The CEO of Effervescent is said

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<sup>265</sup> JX-106C (Hearn Dep) at 152-153; Hearn, Tr. 1037-39.

<sup>266</sup> CX-647 (Nutt article “The Lawyers are Coming”); Nutt, Tr. 1291-92.

<sup>267</sup> CIB 43.

<sup>268</sup> CIB 43-44.

to have stated that the design of its shoes and the Crocs shoes were interchangeable.<sup>269</sup>

Complainant states that evidence of Gen-X's copying is overwhelming.<sup>270</sup> And with respect to DDD, it is argued that DDD's destruction of e-mails with the factory in China while the instant investigation was pending supports a negative inference of copying. Mr. Mann is said to have called DDD's shoes as interchangeable with Crocs shoes and that DDD actually named one of its shoes as "Beach," the same name as one of Crocs shoes.<sup>271</sup>

In conclusion, Complainant asserts that this evidence as well as other evidence supports its allegation that Respondents and others have engaged in widespread copying.

Complainant rejects Respondents' argument that the reason their shoes look like Complainant's shoes is because they have a common provenance, the Aqua Clog. Complainant argues that it is no coincidence that none of the Respondents sold foam clogs with straps until after Complainant had achieved considerable commercial success. Complainant asserts that, contrary to Respondents' arguments, it was very easy and inexpensive to enter the market as a competitor to Complainant.<sup>272</sup> Staff supports Complainant's position.<sup>273</sup>

Respondents deny that they engaged in copying. Respondents argue that the reason that their shoes are similar to those of Complainant is because they have the Aqua Clog as a common provenance.<sup>274</sup> Indeed, Respondents assert, several of the respondents were importing Aqua Clogs before Complainant began selling its shoes. More specifically, Respondents argue that CLI did not

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<sup>269</sup> CIB 44.

<sup>270</sup> CIB 44-45.

<sup>271</sup> CIB 45-47.

<sup>272</sup> CRB 26-27.

<sup>273</sup> SIB 50.

<sup>274</sup> RIB 45-46; RRB 24-25.

use Complainant's shoes as an product to copy, but as an inspiration to develop a shoe that represented a current trend. The argument that CLI stole prototypes of Complainant's shoe is said to be totally false.<sup>275</sup> The evidence in support of Complainant's allegations against Effervescent,<sup>276</sup> Holey Soles,<sup>277</sup> and DDD is also said to be not supported by the record. With respect to DDD, Respondents argue that DDD never sold a shoe under the name "Beach" and that Mr. Mann never stated that any of its shoes were interchangeable with those of Complainant. Respondents also state that Complainant improperly relied on testimony stricken from the record by the undersigned to make its case that a negative inference should be drawn against DDD with regard to the destroyed e-mails involving communications between DDD and its Chinese factories.<sup>278</sup> Finally, Respondents argue that the statements made by Gen-X officials referred to by Complainant that allegedly support Gen-X's copying of Complainant's shoes amount to little more than "sales and marketing fluff . . . communicated internally and to potential customers."<sup>279</sup> Also the existence of the '263 patent on Gen-X's Komodo shoes is said to refute Complainant's assertion of copying.<sup>280</sup>

It is clear that there is similarity between Complainant's shoes and Respondents' shoes. The question is - what is the reason for this similarity? It is certainly true that all of the shoes have a common progeny - the Aqua Clog, and that it is logical to assume that that is one of the reasons for the similarities. At least some of the respondents were very familiar with the Aqua Clog because they

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<sup>275</sup> RRB 25-26.

<sup>276</sup> RRB 26.

<sup>277</sup> RRB 27.

<sup>278</sup> RRB 27-29.

<sup>279</sup> RRB 30.

<sup>280</sup> RRB 30.

sold the Aqua Clog before they started selling their allegedly infringing shoes.<sup>281</sup> It is also true there is circumstantial evidence cited by Complainant, *i.e.* that each respondent saw Complainant's shoe before starting to sell their respective accused shoes;<sup>282</sup> that Complainant's shoes were selling well and this was widely reported in the media;<sup>283</sup> and that one witnesses referred to the manufacturing of similar shoes in China as a "copyfest."<sup>284</sup> However, as stated by Complainant, this evidence is circumstantial. It is also non-specific. Therefore this circumstantial and non-specific evidence does not support Complainant's allegation of copying.

With respect to CLI, contrary to Complainant's allegation, when CLI says that a shoe such as Complainant's shoes are used as a "primary inspiration" for the design of its Compel shoe, it did not mean that CLI intended to copy the shoe, but rather that the shoe would represent "the brands that we [CLI/Payless] look at that represent a trend to inspire a design."<sup>285</sup>

Similarly, Effervescent's statement through Mr. Hearn, cited by Complainant, that "Effervescent Inc. will continue to produce slight variations of the original design until the design is not profitable," referring to the original design from "Western Brands LLC/Crocs" and other references, such as reviewing Crocs' website, cited by Mr. Whatley,<sup>286</sup> do not show direct copying but the use of Complainant's shoes as inspiration for Effervescent's design of its own shoes.

With respect to Holey Soles, the fact that Ms. Rosenberg, a Holey Soles principal,

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<sup>281</sup> CX-659C (Reddyhoff Direct) at Q. 19, 42-45.

<sup>282</sup> Hearn, Tr. 1042-43; JX-106C (Hearn Dep) at 88-89; Walter, Tr. 875; CX-86C (Walter Dep) at 58-59, 122-23; JX-103C (Request for Admission) at No. 58; Cohen, Tr. 1414; CX-104C (email); CX-84C (Cohen Dep) at 84-86; Schlarb, Tr. 962; JX-107C (Schlarb Dep) at 73-74.

<sup>283</sup> CX-660C (Snyder Direct) at Q. 20-21; Cohen, Tr. 1427; CX-105C (email); CX-106C (email); CX-84C (Cohen Dep) at 94-97.

<sup>284</sup> JX-106C (Hearn Dep) at 152-153; Hearn, Tr. 1037-39.

<sup>285</sup> Schlarb, Tr. 965: 4 - 11.

<sup>286</sup> CX-667C (Whatley Rebuttal) at Q.83 citing JX-119C (Effervescent Business Plan).

approached Complainant in 2003 to obtain a distribution agreement with Complainant,<sup>287</sup> that Holey Soles subsequently sold a shoe similar to Complainant's shoe,<sup>288</sup> that a Holey Soles document describes Holey Soles as Crocs' main competitor where the shoes are very similar in a number of ways;<sup>289</sup> and the fact that Mr. Mann, the General Manager of *DDD*, believes that Holey Soles and Crocs shoes look the same,<sup>290</sup> is not persuasive evidence of copying. In fact, what Mr. Mann did say was "[w]ell, obviously, I have seen all the shoes on the market. I don't know if I had ever seen the Waldies, but I *understand* they were just like the Holey Soles and the Crocs."<sup>291</sup> These references, and others cited by Complainant, are, at best, evidence of the fact that Crocs shoes inspired similar shoes, but are not evidence of copying.

In the same vein, evidence that Gen-X promoted its shoes by saying to its retailers that its customers would not differentiate between Crocs and Komodo,<sup>292</sup> that Gen-X referred to the Komodo as "Croc-like"<sup>293</sup> and our own version of "this phenomenon called Crocs sandals,"<sup>294</sup> and other references to the similarities to the Crocs shoes are not evidence of copying. They show, as in the earlier discussions above, that the Crocs shoes were an inspiration for the development of the Komodo shoe or, at worst, over-enthusiastic marketing efforts.

With respect to *DDD*, Complainant's argument that, because the CEO admitted destroying e-mail communications with its factory in China, an adverse inference should be given in favor of

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<sup>287</sup> CX-661C (Hanson Direct) at Q. 47.

<sup>288</sup> *Id.*

<sup>289</sup> Walter, Tr. 863: 13 - 24 referring to CX-177C (Competition).

<sup>290</sup> CX-85C (Mann Dep) at 128: 17-20.

<sup>291</sup> *Id.* [italics added].

<sup>292</sup> Cohen, Tr. 1440:3 - 1441:12.

<sup>293</sup> *Id.* at 1414: 8-20; CX-104C (email).

<sup>294</sup> *Id.* at 1431: 23 - 1432: 17; CX-108C (email) .

Complainant, is not persuasive. There is simply insufficient evidence to give the adverse inference that Complainant has asked for. Further, the statement by Mr. Mann that the DAWGS' shoe line sold by DDD is interchangeable with Crocs shoes is, again, over-enthusiastic marketing and not sufficient to show copying. Further, the fact that Mr. Mann named one of DDD's shoes "Beach DAWGS" does not show that DDD was intending to copy Crocs "Beach" shoe. As Mr. Mann stated, "[t]he shoes are all named after some – somewhat that relates to their application. Like the Working Dawg was a working shoe. Beach shoe was a shoe to wear on the beach. Most of them were named for the type of application they have."<sup>295</sup> Therefore, Complainant has not shown copying with respect to DDD.

### (3) Conventional Wisdom

Complainant argues that "[t]he '858 patent took a remarkable leap forward in light of the prevailing notions of conventional wisdom that existed at the time of the invention."<sup>296</sup> It cites *Arkie Lures* for the proposition that "[t]he evidence that the combination was not viewed as technically feasible must be considered, for conventional wisdom that a combination should not be made is evidence of nonobviousness."<sup>297</sup> Complainant then argues that the various alleged novel aspects of the '858 patent—such as designing the shoe in light of the skepticism in the industry as to the use of foam, the friction between the strap and the base, the passive restraint system of the foam strap—all support its assertion that its product ran counter to the conventional wisdom in the industry at the time.<sup>298</sup>

Respondents assert that the '858 patent added nothing to the conventional wisdom at the

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<sup>295</sup> Mann, Tr. 1311: 9 - 14; *see also* Mann, Tr. 1310: 18 - 1311: 8.

<sup>296</sup> CIB 47.

<sup>297</sup> CIB 47 citing *Arkie Lures, Inc. v. Gene Larew Tackle, Inc.*, 119 F.3d 953, 958 (Fed. Cir. 1997) ("*Arkie Lures*") (citing *Hedges*, 783 F.2d at 1041).

<sup>298</sup> CIB 47-48.

time.<sup>299</sup> As was stated in its arguments related to obviousness, this case falls squarely in the category of cases contemplated by the U.S. Supreme Court in *KSR* when it stated that the claimed invention is “the predictable use of prior art elements according to their established functions.”<sup>300</sup>

Respondents’ arguments are persuasive. Complainant’s arguments are, in effect, the same arguments made in the “Obviousness” section above.<sup>301</sup> For the reason stated there, those arguments are rejected here. The ‘858 patent is the “predictable use of prior art elements according to their established functions.”<sup>302</sup>

#### (4) Unexpected Benefits

Complainant states that the shoes that are the subject of the ‘858 patent provided many unexpected benefits. These benefits are said to come from, among other things, the “inspired use of a lightweight molded foam strap in combination with a one-piece foam base section.”<sup>303</sup> These benefits are alleged to include the strap assembly enhancing the performance of footwear features such as “cushioning, roll-on, toe spring, fit relative to the contours of the human foot, top line padding, the raised pattern on the support base, tread patterns and torsional rigidity; thus producing a significant improvement in comfort while giving the shoes a lightweight character.”<sup>304</sup> Another unexpected benefit is the use of these shoes for unusual activities for lightweight shoes such as hiking, climbing, marathons, everyday use, and even weddings. They are also said to be superior for use in medical settings as well as wading through sand, boating, fishing, walking on rough and

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<sup>299</sup> RRB 30-31.

<sup>300</sup> *KSR*, 127 S.Ct. at 1740.

<sup>301</sup> See Section III(E)(2)(a).

<sup>302</sup> *Id.*

<sup>303</sup> CIB 48.

<sup>304</sup> *Id* [footnotes excluded].



uneven surfaces or running up steep hills. Also said to be pertinent is Respondents' expert Mr. Nutt's statement that Complainant's shoes are "comfortable beyond belief"<sup>305</sup> which is said to indicate nonobviousness by supporting the proposition that "noted experts expressed disbelief."<sup>306</sup>

Respondents reject Complainant's arguments. Respondents state that Complainant's argument is based in large measure on attorney argument, that the unexpected uses of Complainant's shoes such as in weddings, shows more about the user than about the product itself, and that, in any event, the prior art Aqua Clog provides most of the so-called benefits of Complainant's shoes. Respondents also argue that the benefits of Complainant's shoes were foreseen by Mr. Seamans in his testimony that "it hit me that I might be able to adapt the clog to work in active settings by adding some sort of strap system."<sup>307</sup> Respondents also assert that Complainant has mischaracterized the statement by Mr. Nutt that Complainant's shoes are "comfortable beyond belief."<sup>308</sup>

Since this argument is an argument by Complainant in support of nonobviousness, the burden shifts to Complainant to prove that its assertions are correct.<sup>309</sup> Complainant has failed to meet that burden. In the first instance, as stated earlier, and agreed to by all parties, the base of Complainant's shoe is the prior art Aqua Clog, which is not a novel, patentable aspect of the shoes covered by the '858 patent. Complainant has not shown to what extent that the claimed "unexpected benefits" of its shoes are the result of the features of the Aqua Clog versus the combination of the Aqua Clog with the foam strap. Also, the claimed unexpected uses of Complainant's shoes could just as easily

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<sup>305</sup> CX-312 (Nutt article "Its Time to Embrace a New Idea for Shoes"); Nutt, Tr. 1287: 12 - 1288: 19.

<sup>306</sup> CIB 49 citing *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987) ("*Burlington*").

<sup>307</sup> RRB 32 citing CX-658C (Seamans Direct) at Q. 17.

<sup>308</sup> RRB 32-33.

<sup>309</sup> *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1364-65 (Fed. Cir. 2007) ("*Pfizer*").

be attributed to the tastes and predilections of the wearer, as opposed to the features of the shoe itself, as in wearing the shoe to a wedding or in the workplace. The fact that, in the last several years in this country, dress of all kind has become less formal and more casual could just as easily explain the reason for many of the so-called unexpected benefits of Complainant's shoes. With respect to Mr. Nutt's statement that Complainant's shoes were "comfortable beyond belief," a more reasonable interpretation is that the shoes were very, very comfortable, rather than this phrase being interpreted as evidencing a view that noted experts expressed disbelief that such a shoe could be produced that would be as comfortable as Complainant's shoes.<sup>310</sup>

#### **(5) Long-Felt Need**

Complainant asserts that its shoes fulfilled "the void left empty by the failure of others."<sup>311</sup> Complainant states that Finproject had been in the business of designing and selling foam shoes since at least 1997 and had attempted to develop a clog with a molded foam strap in 2000, an effort that failed. Complainant states it acquired the more established Finproject. It is argued that if Finproject, rather than Complainant, had succeeded in its efforts to identify a solution to the problem they identified, the hundreds of millions of dollars spent by consumers for Mr. Seaman's solution would have gone to Finproject. Thus, when the '858 patent was issued and the shoes that were the subject of that patent were produced and sold, these products satisfied "the cavernous need that existed prior to the commercialization of the Beach and Cayman."<sup>312</sup> Complainant argues that the sales figures alone demonstrate that the invention of the '858 patent met a long-felt need by creating a new market segment for moderately priced, lightweight, comfortable easy footwear that performs

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<sup>310</sup> See *Burlington, supra*.

<sup>311</sup> CIB 49.

<sup>312</sup> *Id.* at 50.

well in wet and fluid situations. These benefits were said not to be found in the prior art shoes. Complainant cites Mr. Nutt for the proposition that the new category of shoes created by Beach and Cayman represents “everything that we need in a shoe.”<sup>313</sup>

Respondents argue that Complainant has not shown that the long-felt need was present for “an appreciable amount of time.”<sup>314</sup> It is argued that once the need for more active uses of the Aqua Clog became apparent, Mr. Seamans’ addition of a strap came quickly. Respondent cites Complainant’s own business plan for the proposition that “[a]dding a strap is a simple process of punching two rivets per shoe and attaching the strap to the rivets. It is estimated that a pair of shoes can be riveted and strapped in one minute.”<sup>315</sup> Respondents also note that “kayakers and hikers were modifying the Aqua Clog with homemade straps ‘very early on.’”<sup>316</sup> Respondents also note that the Aqua Clog was first designed in late 2000 and that Mr. Reddyhoff of Finproject purchased the mold for that shoe in early 2001 and gave Mr. Seamans a sample of the Aqua Clog in the spring of 2001. A few months later, it is argued, Mr. Seamans had test shoes ready in response to his perception that the market demanded a mechanism to keep the Aqua Clog on the wearer’s foot in order to permit more active uses. It is asserted that in June 2002, Mr. Seamans had finished a test injection mold for the strap and, subsequently, no later than October 2002, the Crocs Beach model shoe was in production and on sale. Thus, Respondents state, within a matter of months, after anyone perceived a need for the upgrade to the Aqua Clog, Mr. Seamans came up with a solution and his claimed invention. As Mr. Hearn noted, kayakers and hikers were retro-fitting the Waldies/Aqua Clog with

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<sup>313</sup> *Id.* citing to CX-312 (Nutt article “Its Time to Embrace a New Idea for Shoes”); Nutt, Tr. 1287: 12 - 1288: 19.

<sup>314</sup> RIB 47.

<sup>315</sup> *Id.* at 48 citing CX-183C (Western Brands Background Report) at CROCS004550.

<sup>316</sup> *Id.* citing RX-166C (Hearn Direct) at Q.8.

a strap as early as 2001. Respondents argue that since this was a rapidly developed solution to a newly developed problem in a new market segment, there was no long-felt need. Further, Respondents state that Mr. Seamans almost immediately satisfied the perceived market need, which, it is argued, is a hallmark of obviousness.<sup>317</sup>

Complainant's arguments are not persuasive. From the design of the prior art Aqua Clog in late 2000 by Ettore Battison and the purchase of the mold by Mr. Reddyhoff of Finproject in early 2001,<sup>318</sup> the Crocs Beach model shoe was in production and on sale by Complainant no later than October 2002.<sup>319</sup> This short period of time cannot be construed as "long" in terms of the standard of nonobviousness, "long-felt need." This case is similar to *Checkpoint Systems, Inc. v. Knogo Corp.* where the claimed invention was a rapidly developed solution to a newly identified problem in a new market segment.<sup>320</sup> Accordingly, the '858 patent has not been shown to have been a response to a long-felt need.

#### (6) Industry Praise

Complainant states that its inventions in the '858 patent received substantial praise from numerous industry sources.<sup>321</sup> It argues that praise by others, especially industry experts, is further objective evidence of nonobviousness. It argues that Respondents' citation, among others, to *In Re Application of Wood*<sup>322</sup> is not on point because that case does not deal with the issue of industry

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<sup>317</sup> RRB 34 - 35.

<sup>318</sup> CX-659C (Reddyhoff Direct) at Q. 10-12; Reddyhoff, Tr. 690: 25 - 691: 13.

<sup>319</sup> CX-658C (Seamans Direct) at Q. 39, 58, 89-90).

<sup>320</sup> *Checkpoint Systems, Inc. v. Knogo Corp.*, 490 F. Supp. 116, 122 (E.D.N.Y. 1980) ("*Checkpoint*").

<sup>321</sup> CIB 50-52.

<sup>322</sup> *In Re Application of Wood*, 599 F.2d. 1032, 1037 (C.C.P.A. 1979) ("*Wood*") cited at RIB 48.

praise as an indicia of nonobviousness.

Respondents argue that Complainant has failed to demonstrate nonobviousness due to industry praise because it has failed to show a nexus between the closest prior art and the claimed invention.<sup>323</sup>

Complainant's arguments are persuasive. Praise by others, especially industry experts, is objective evidence of nonobviousness.<sup>324</sup> Complainant has satisfied this standard with the following awards : Footwear Plus magazine's "Item of the Year" Plus Award for 2005<sup>325</sup>; Footwear News 2005 "Brand of the Year" award,<sup>326</sup> the Boulder County Business Report's 2005 IQ Award,<sup>327</sup> and Colorado Biz Magazine's 2006 "Top Company" award in the Retail/Wholesale Category.<sup>328</sup> Thus, Complainant has satisfied the requirement to show nonobviousness due to industry praise.

**c. Conclusion as to Obviousness**

It is true that Complainant has satisfied the standard of industry praise as an indication of nonobviousness. However, this factor is outweighed by the strong showing of obviousness because of the prior art, as well as Complainant's failure to show nonobviousness due to: commercial success, copying, inconsistency with the conventional wisdom, unexpected benefits, and long-felt need, as set forth above. Balancing all of these factors, especially the strong prior art obviousness

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<sup>323</sup> RIB 48; RRB 34-35.

<sup>324</sup> *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1555 -56 (Fed. Cir.1983) ("*Gore*"). Respondents' case citations are not on point and will not be relied upon.

<sup>325</sup> CX-667C (Whatley Rebuttal) at Q. 129; CX-660C (Snyder Direct) at Q. 15; CX-11 (press releases).

<sup>326</sup> *Id.*

<sup>327</sup> *Id.*

<sup>328</sup> *Id.*

showing,<sup>329</sup> it is determined that claims 1 and 2 of the ‘858 patent are invalid due to obviousness.<sup>330</sup>

#### **F. Unenforceability - Inequitable Conduct**

In light of the strong showing of obviousness above, which renders claims 1 and 2 of the ‘858 patent invalid, there is no need to address Respondents’ allegations of inequitable conduct.

### **IV. The ‘789 Patent**

#### **A. Relevant Law - Design Patents**

The general provisions of the Patent Act relating to infringement, including section 271 concerning direct and contributory infringement, apply to both utility and design patents.<sup>331</sup> Whether or not a design patent is infringed is a question of fact, to be proven by a preponderance of the evidence.<sup>332</sup> “As with utility patents, determining whether a design patent is infringed is a two-step process.”<sup>333</sup> “Determining whether a design patent is infringed requires (1) construction of the patent claim, and (2) comparison of the construed claim to the accused product.”<sup>334</sup> In construing the claim of a patent, the Court may consider only the ornamental, novel, and non-functional features of the

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<sup>329</sup> As noted earlier, there is a dispute as to whether or not the Aqua Clog was disclosed to the Examiner. This affects the extent to which a further presumption of validity attaches to the ‘858 patent. However, in light of the record on obviousness, particularly the evidence of prior art, and in light of *KSR*, which was not available for the Examiner to consider, and even assuming a full disclosure of the Aqua Clog to the Examiner, the resultant determination of obviousness would still have been made.

<sup>330</sup> *See also* fn. 263.

<sup>331</sup> *See* Donald S. Chisum, *Chisum on Patents*, § 1.04[4] (2004); *see also* 35 U.S.C. § 171 (“The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.”).

<sup>332</sup> *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1287 (Fed. Cir. 2002) (“*Catalina*”); *Oddzon Products, Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed. Cir. 1997) (“*Oddzon*”).

<sup>333</sup> *Id.* at 1286.

<sup>334</sup> *Contessa Food Products, Inc. v. Conagra, Inc.*, 282 F.3d 1370, 1376 (Fed. Cir. 2002) (“*Contessa*”) (citing *Elmer v. ICC Fabricating, Inc.*, 67 F.3d 1571, 1577 (Fed. Cir. 1995) (“*Elmer*”).

design.<sup>335</sup> As summarized by the United States Court of Appeals for the Federal Circuit in its *Contessa* opinion:

In construing a design patent claim, the scope of the claimed design encompasses “its visual appearance as a whole,” and in particular “the visual impression it creates.” *See Durling v. Spectrum Furniture Co.*, 101 F.3d 100, 104-05, 40 USPQ2d 1788, 1791 (Fed. Cir.1996). In assessing infringement, the patented and accused designs do not have to be identical in order for design patent infringement to be found. *Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 820, 24 USPQ2d 1121, 1125 (Fed. Cir.1992). What is controlling is the appearance of the design as a whole in comparison to the accused product. *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405, 43 USPQ2d 1641, 1647 (Fed. Cir.1997).

Comparison to the accused product includes two distinct tests, both of which must be satisfied in order to find infringement: (a) the “ordinary observer” test, and (b) the “point of novelty” test. *See Unidynamics Corp. v. Automatic Prods. Int'l, Ltd.*, 157 F.3d 1311, 1323, 48 USPQ2d 1099, 1107 (Fed. Cir. 1998). The “ordinary observer” test requires that the district court perform the inquiry set forth in *Gorham Co. v. White*:

if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other. 81 U.S. (14 Wall.) 511, 528, 20 L. Ed. 731 (1871).

The “point of novelty” test is distinct from the “ordinary observer” test and requires proof that the accused design appropriates the novelty which distinguishes the patented design from the prior art. *Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1444, 221 USPQ 97, 109 (Fed. Cir.1984). Although application of the “ordinary observer” and “point of novelty” tests may sometimes lead to the same result, *see Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 628 n. 16, 223 USPQ 584, 590 n. 17 (Fed. Cir.1984), it is legal error to merge the two tests, for example by relying on the claimed overall design as the point of novelty. *See Sun Hill Indus., Inc. v. Easter Unlimited, Inc.*, 48 F.3d 1193, 1197, 33 USPQ2d 1925, 1928 (Fed. Cir.1995); *Winner Int'l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 376, 15 USPQ2d 1076, 1077 (Fed. Cir.1990) (“To consider the overall appearance of a design without regard to prior art would eviscerate the purpose of the ‘point of novelty’ approach, which is to focus on those aspects of a design which render the design different from

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<sup>335</sup> *Oddzon*, 122 F.3d at 1405.

prior art designs.”).<sup>336</sup>

Furthermore, “design patents have almost no scope. The claim at bar, as in all design cases, is limited to what is shown in the application drawings.”<sup>337</sup>

A recent Federal Circuit case on design patent law, *Egyptian Goddess, Inc. v. Swisa, Inc.*,<sup>338</sup> which has been cited to by the parties, has been vacated and the appeal is set for rehearing *en banc*. Based on a review of the Federal Circuit’s Order vacating the decision and setting the appeal for rehearing *en banc*, the undersigned expects the *Egyptian Goddess* case to clarify certain aspects of design patent law.<sup>339</sup> As rehearing in the *Egyptian Goddess* case has not taken place, the undersigned’s rulings are made based on the undersigned’s interpretation of design patent law as it currently stands without reference to *Egyptian Goddess*.

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<sup>336</sup> *Contessa*, 282 F.3d at 1376-77.

<sup>337</sup> *In re Mann*, 861 F.2d 1581, 1582 (Fed. Cir. 1988) (“*Mann*”).

<sup>338</sup> *Egyptian Goddess, Inc. v. Swisa, Inc.*, 498 F.3d 1354 (Fed. Cir. 2007) (“*Egyptian Goddess*”).

<sup>339</sup> The Federal Circuit’s Order in the *Egyptian Goddess* case requested parties to file briefs that address the following questions:

- 1) Should “point of novelty” be a test for infringement of design patent?
- 2) If so, (a) should the court adopt the non-trivial advance test adopted by the panel majority in this case; (b) should the point of novelty test be part of the patentee’s burden on infringement or should it be an available defense; (c) should a design patentee, in defining a point of novelty, be permitted to divide closely related or ornamentally integrated features of the patented design to match features contained in the accused design; (d) should it be permissible to find more than one “point of novelty” in a patented design; and (e) should the overall appearance of a design be permitted to be a point of novelty? See *Lawman Armor Corp. v. Winner Int’l, LLC*, 449 F.3d 1190 (Fed. Cir.2006).
- 3) Should claim construction apply to design patents, and, if so, what role should that construction play in the infringement analysis? See *Elmer v. ICC Fabricating, Inc.*, 67 F.3d 1571, 1577 (Fed.Cir.1995).

2007 WL 4179111 (Nov. 26, 2007).



## B. Claim Construction

As the undersigned stated at the hearing, the undersigned will use the claim construction for the '789 patent that the undersigned has already adopted in Order Nos. 32 and 38, which is repeated here as follows:

In summary, when the '789 patent is considered as a whole, the visual impression created by the claimed design includes: footwear having a foot opening with a strap that may or may not include any patterning, is attached to the body of the footwear by two round connectors, is of uniform width between the two round connectors, has a wrench-head like shape at the point of attachment, and extends to the heel of the shoe; with round holes on the roof of the upper placed in a systematic pattern; with trapezoid-shaped holes evenly spaced around the sidewall of the upper including the front portion; with a relatively flat sole (except for upward curvature in the toe and heel) that may or may not contain tread on the upper and lower portions of the sole, but if tread exists, does not cover the entire sole, and scalloped indentations that extend from the side of the sole in the middle portion that curve toward each other.

While Complainant<sup>340</sup> and Staff repeatedly encouraged the undersigned to adopt a different claim construction, the undersigned does not find that such a change is warranted. As stated in Order No. 38,

While the Commission vacated the undersigned's order, the Commission adopted the undersigned's findings of non-infringement with respect to Intervenor-Respondent Old Dominion Footwear, Inc. ("ODF"). Because infringement can only be determined after claim construction, and because a different claim construction cannot be applied to different respondents in the same investigation, the undersigned concludes that the claim construction adopted in Order No. 32 stands. This is further supported by the Commission's statement in its Order that it had concerns about the undersigned's order because of the existence of genuine issues of material fact. Claim construction is a matter of law; therefore, it is reasonable to conclude that the Commission did not intend to modify the claim construction adopted in Order No. 32.<sup>341</sup>

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<sup>340</sup> Complainant offers evidence on its alternative claim construction in its proposed findings of fact solely to preserve its objections to Order No. 44, where the undersigned struck testimony based on its alternative claim construction.

<sup>341</sup> See Order No. 38 at 3 (February 22, 2007) (citations omitted).

As noted above, Order No. 38 was an initial determination that extended the target date, as well as adopted the claim construction above. The parties petitioned for review of Order No. 38 as to the extension of the target date, but did not petition for review of any other portion of Order No. 38. Upon review, the Commission determined to affirm the undersigned's initial determination. Accordingly, the undersigned views the issue of claim construction for the '789 patent as being settled and, therefore that issue will not be discussed any further.

### **C. Infringement**

#### **1. Ordinary Observer/Substantial Similarity**

Complainant asserts that all of the Respondents' accused products, as well as dozens of third-party products, infringe the '789 patent under the ordinary observer test. According to Complainant, an ordinary observer is an "impulse-buy" purchaser who would spend "no more than a couple of minutes viewing an accused product with no more than a moderately critical eye before making a purchase."<sup>342</sup> Complainant asserts that the term "impulse buy" is a term of art in the footwear industry that refers to shoes with a price point up to \$30 or \$40.<sup>343</sup> Because Complainant asserts that an ordinary observer is an impulse buy purchaser that has a less critical eye, isolated design differences are less important in the infringement analysis.

According to Complainant, the accused products are substantially similar to the '789 patent. In support, Complainant points to two Federal Circuit cases, including *L.A. Gear*<sup>344</sup> and *Braun*.<sup>345</sup> Complainant asserts that infringement should be found here because the infringing products in both

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<sup>342</sup> CIB 64 citing CX-657C (Whatley Direct) at Q. 986, CX-183 (Western Brand Background Report) at CROCS004553.

<sup>343</sup> CIB 64 citing Whatley, Tr. 275, 282.

<sup>344</sup> *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117 (Fed. Cir. 1993) ("*L.A. Gear*").

<sup>345</sup> *Braun, Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815 (Fed. Cir. 1992) ("*Braun*").

*L.A. Gear* and *Braun* were “*more dissimilar*” from the patented designs than in this investigation.<sup>346</sup>

Respondents assert that an “ordinary observer” in this investigation would be “an ordinary buyer of this type of footwear.”<sup>347</sup> While Respondents concede that an “ordinary buyer” may be an “impulse buyer” because he/she did not plan on making a purchase when entering a store, that does not necessarily mean that this “ordinary buyer” will not examine the shoes and not notice differences in the design of the accused product versus the design of the ‘789 patent.<sup>348</sup> According to Respondents, a typical “ordinary buyer” will spend from 5 to 15 minutes looking at shoes, trying them on, and walking around in them before making a purchase decision.<sup>349</sup>

As to “substantial similarity,” Respondents do not dispute that the ordinary observer test must take into account the overall appearance of the accused product and the patent design. But Respondents assert that the Federal Circuit has found that it is proper to make a pragmatic analysis that looks to the ornamental features that comprise the overall design and cite to *Goodyear Tire*<sup>350</sup> in support. According to Respondents, in *Goodyear Tire*, the Federal Circuit recognized that, where a field of art is crowded with many references relating to the design of the same type of product, courts must construe the range of equivalents very narrowly.<sup>351</sup> Respondents assert that the ‘789 patent is in such a “crowded” field, as evidenced by the Aqua Clog, among other references, and should therefore be more narrow in scope. In addition, Respondents assert that Complainant’s

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<sup>346</sup> CIB 65 (emphasis in original).

<sup>347</sup> RIB 68 citing Whatley, Tr. 276.

<sup>348</sup> RIB 68 citing Whatley, Tr. 276; Walter, Tr. 847.

<sup>349</sup> RIB 68-69 citing RX-165C (Schlarb Direct) at Q. 40; RRB 49-50. *See also* Whatley, Tr. 280, 283-84, 321-323, 328-329.

<sup>350</sup> *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., Inc.*, 162 F.3d 1113 (Fed. Cir. 1998) (“*Goodyear Tire*”).

<sup>351</sup> RIB 70 citing *Goodyear Tire*, 162 F.3d at 1121; *Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1444 (Fed. Cir. 1984) (“*Whirlpool*”).

reliance on *L.A. Gear* is misplaced because that decision pre-dated *Markman*, which dictates claim construction as a matter of law to be decided by the courts and because it was not clear what the nature of the prior art was, so the scope of the patent was unclear.<sup>352</sup>

Respondents also counter Complainant's expert's testimony on substantial similarity because Mr. Whatley's justification of differences as not affecting the overall appearance of the shoes ignores the ornamental elements in the undersigned's claim construction. According to Respondents, Complainant is attempting to apply the ordinary observer test without applying the undersigned's claim construction, which is improper, citing *Arminak II*.<sup>353</sup>

Furthermore, Respondents assert that in *Arminak II*, the Federal Circuit held that the ordinary observer test requires a comparison of the accused product and patented design from all views included in the design patent.<sup>354</sup> According to Respondents, Mr. Whatley's analysis is only based on one of the seven figures in the '789 patent.<sup>355</sup>

Staff agrees with Complainant's definition of an ordinary observer<sup>356</sup> and that the evidence demonstrates that Respondents' accused shoes satisfy the ordinary observer test.<sup>357</sup>

Complainant counters Respondents' arguments. Complainant asserts that Mr. Whatley did not limit his infringement analysis to just one of the seven figures of the '789 patent, because he considered the physical examples of the accused shoes from different angles, as shown in the various

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<sup>352</sup> RIB 70-71, RRB 50-52.

<sup>353</sup> RIB 71-72 citing *Arminak and Associates, Inc. v. Saint-Gobain Calmar, Inc.*, 501 F.3d 1314, 1324 (Fed. Cir. 2007) ("*Arminak I*").

<sup>354</sup> RIB 72 citing *Arminak II*, 501 F.3d at 1324.

<sup>355</sup> RIB 72 citing CX-657C (Whatley Direct) at p. 499-972.

<sup>356</sup> SIB 62.

<sup>357</sup> SIB 65.

claim charts prepared.<sup>358</sup> Complainant also asserts that, while there are certain differences between the accused products and the ‘789 patent, the differences are minor and do not overcome the substantial similarity.<sup>359</sup>

The Commission, in its Order vacating and remanding Order No. 32, stated the following:

the Commission has determined that Order No. 32 does not resolve sufficiently the issue of infringement of the ‘789 patent. The Commission has determined that the subject ID does not resolve adequately the issues raised by the IA concerning the existence of genuine issues of material fact which, if present, would preclude the grant of summary judgment of non-infringement of the ‘789 patent. Particularly, the ID did not address expressly the testimony by Crocs’ expert that an ordinary observer would have been confused into purchasing each model of the accused footwear, supposing it to be the ‘789 patent design.

Further, the Commission has determined that the subject ID does not resolve adequately the issues raised by Crocs and the IA concerning infringement. Particularly, the ID does not expressly define the ordinary observer or address the extent of “such attention as a purchaser usually gives.” *See Gorham Co. v. White*, 81 U.S. 511, 528, 20 L. Ed. 731 (1871). Further, the Commission has determined that the subject ID fails to adequately distance itself from an “element-by-element” analysis, which is improper under *Amini Innovation Corp. v. Anthony California, Inc.*, 439 F.3d 1365, 1372 (Fed. Cir. 2006), when applying the “ordinary observer” test. The Commission has also determined that the ID does not adequately discuss the similarities, as well as the differences, between the respondents’ shoes and the ‘789 design when applying the “ordinary observer” test.<sup>360</sup>

As to the various issues raised by the Commission in its Order, the undersigned hereby expressly defines the “ordinary observer” as an ordinary buyer of this type of footwear. The undersigned agrees with Respondents that, just because an “ordinary observer” is an “ordinary buyer” that may also happen to be an “impulse buy” purchaser because the shoes in question are sold below \$40, does not necessarily mean that the ordinary buyer would not necessarily notice the design differences between the accused product and the ‘789 patent. And while there is testimony that the

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<sup>358</sup> CRB 57 citing CX-657C (Whatley Direct) at Q. 1022-23.

<sup>359</sup> CRB 58 citing Whatley, Tr. 399-400.

<sup>360</sup> *See Comm’n Op.* at 2-3 (February 15, 2007).

term “impulse buy” purchaser is a term of art in the shoe business, it does not necessarily follow that the standard for an ordinary observer who also happens to be an “impulse buy” purchaser would necessarily be lower. There was testimony at the hearing that “impulse buy” purchasers spend anywhere from 5 to 15 minutes looking at shoes, trying them on, and walking around in them before making a purchase decision.<sup>361</sup> During that period of time, an ordinary observer can discern design differences between the accused product and the ‘789 patent, such as the particular shape of the holes in the upper, and the length and width of the strap. Accordingly, the undersigned hereby finds that an “ordinary observer” of the footwear at issue is an ordinary buyer of this type of footwear. While an ordinary buyer of this type of footwear may also happen to be an “impulse buy” purchaser, the undersigned finds that an ordinary buyer of this type of footwear would spend anywhere from 5 to 15 minutes looking at the shoes before making a purchase decision.

As to the Commission’s concerns regarding the similarities between the accused products and the ‘789 patent, the undersigned finds that, while there are many similarities<sup>362</sup> between the accused products and the ‘789 patent, there are also significant differences, the most notable being the length and width of the strap. The undersigned finds that, in the amount of time that an ordinary observer would spend in looking at the shoes before making a purchase decision, such an ordinary

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<sup>361</sup> RX-165C (Schlarb Direct) at Q. 40.

<sup>362</sup> As to the specific similarities between the accused products and the ‘789 patent, the undersigned notes that while there are many similarities, the majority of those similarities were in the prior art Aqua Clog, with the exception of the strap and connectors. Specifically, the undersigned acknowledges that there are many similarities between the ‘789 patent and the accused products including: footwear having a foot opening with a strap that may or may not include any patterning, is attached to the body of the footwear by two round connectors, has a wrench-head like shape at the point of attachment, have holes on the roof of the upper, have holes evenly spaced around the sidewall of the upper, a relatively flat sole that may or may not contain tread, and scalloped indentations that extend from the side of the sole in the middle portion that curve toward each other.

observer would be able to discern design differences and therefore not be confused into purchasing any model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design.

The undersigned finds that Complainant's infringement analysis improperly ignores key elements in the undersigned's claim construction, which was based on the figures in the '789 patent. As noted above, "design patents have almost no scope. The claim at bar, as in all design cases, is limited to what is shown in the application drawings."<sup>363</sup> As the patentee had complete control in drawing the figures in the '789 patent, including having drawings from different angles of the footwear (*i.e.* side view (Figs. 1, 2 & 3), front view (Fig. 4), back view (Fig. 5), top view (Fig. 6), and bottom view (Fig. 7)),<sup>364</sup> the undersigned makes an infringement analysis based on all of the drawings presented in the '789 patent. For example, Complainant could have easily drawn the strap as not extending all the way to the heel, or could have drawn the front and back views of the shoe as not being so upturned, or could have used dotted lines instead of solid lines for the shape of the holes in the upper, which very well would have changed the undersigned's claim construction and infringement analysis. Furthermore, while Complainant makes repeated reference to Respondents' failure to proffer any expert testimony on infringement, the undersigned agrees that expert testimony is not necessary in this investigation, as is the case with many design patents.<sup>365</sup>

As for Complainant's elaborate comparison of the number of differences in this investigation compared with the number of differences in *L.A. Gear* and *Braun*, the undersigned finds those arguments to be unavailing because the issue of design patent infringement is one of fact. A

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<sup>363</sup> *Mann*, 861 F.2d at 1582.

<sup>364</sup> CX-3 (the '789 patent).

<sup>365</sup> See *Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406, Comm'n Op. at 14 (June 2, 1999) (expert testimony, which is a more exacting level of proof, is not required to prove design patent infringement) ("*Certain Lens-Fitted Film*").

comparison of the amount of similarities or differences from one case to another is not appropriate because a determination of infringement is made by comparing the application drawings in the design patent and the accused products.

## 2. Points of Novelty

Complainant asserts that all of the Respondents' accused products, as well as dozens of third-party products, infringe the '789 patent because they incorporate the three points of novelty of the '789 patent. Specifically, Complainant asserts that the three points of novelty of the '789 patent include the "Eye of Sauron," the "ring of fire," and "rounded out curviness." Complainant argues that the '789 patent design and its points of novelty are ornamental, not functional. According to Complainant, the undersigned ruled in Order No. 32 that the strap and connectors are not functional.<sup>366</sup>

The "Eye of Sauron" is depicted by Complainant below:<sup>367</sup>

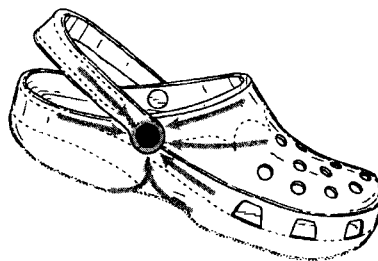


FIG. 1

Complainant describes this point of novelty as a design feature that

results from a synergistic interaction between a particular strap/rivet assembly and the clog base. The large rivet is surrounded by the bulging end of the strap, which creates a wrench-head effect that draws the eye. The rivet is also specifically placed on the clog where multiple major design lines and curves converge, including the

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<sup>366</sup> CIB 73 citing *L.A. Gear*, 988 F.2d at 1123.

<sup>367</sup> See CDX-499 and CDX-499a.



strap itself. This creates a distinctive visual focal point that was simply absent in the prior art clog.<sup>368</sup>

The “Ring of Fire” is depicted by Complainant below:<sup>369</sup>

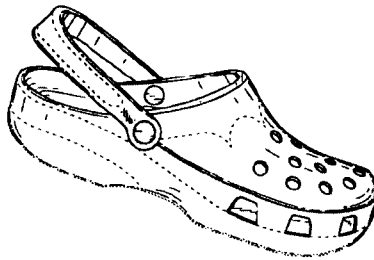


FIG.1

Complainant describes this point of novelty as a design feature that

results from the strap’s placement on the shoe in a specific location so that it interacts synergistically with the distinct and well-defined sidewall of the clog base to create a visually continuous ring that encircles the entire shoe, almost like the rings of Saturn. Significantly, the strap in the ‘789 design is approximately the same width as the sidewall, which enhances this “ring of fire.”<sup>370</sup>

“Rounded out curviness” is depicted by Complainant below:<sup>371</sup>

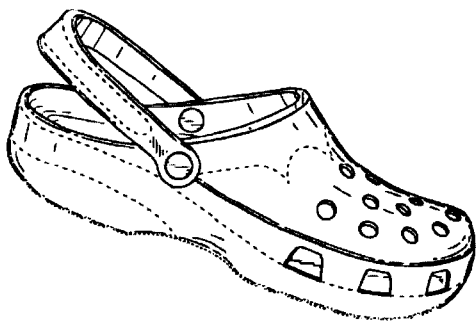


FIG.1

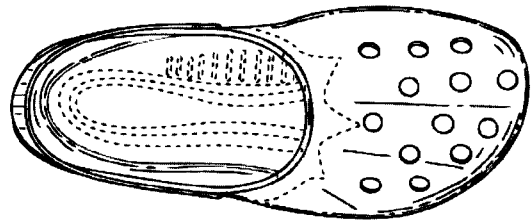


FIG.6

Complainant describes this point of novelty as a design feature that creates a

“visual harmony” of rounded curves and ellipses, including: the elliptical foot

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<sup>368</sup> CIB 68 citing CX-657C (Whatley Direct) at Q. 1000.

<sup>369</sup> See CDX-498 and CDX-498a.

<sup>370</sup> CIB 68 citing CX-657C (Whatley Direct) at Q. 999.

<sup>371</sup> See CDX-497 and CDX-497a.

opening, the ellipse formed by the U-shaped strap and the front part of the foot opening, the curved scallops on the sides of the sole, and other curved and rounded features. . . The U-shaped curve of the strap and its rounded ratchet-head attachments enhance this visual harmony of the shoe through a synergistic interaction with rounded and elliptical design features in the prior art clog.<sup>372</sup>

Respondents assert that Complainant’s points of novelty are invalid because the ‘789 patent does not contain any points of novelty at all. First, Respondents assert that Complainant’s points of novelty are ambiguous because the terms “visual harmonies” and “visual continuities” are merely general design themes and concepts.<sup>373</sup> According to Respondents, the Federal Circuit has held that courts must look to “specific novel features” that distinguish the claimed design from the prior art and that it is legal error to find that “the essence of the product’s design” serves as a point of novelty.<sup>374</sup> Respondents assert that Complainant’s points of novelty fall into the category of “design essence” rather than specific features. Further, Respondents assert that Complainant’s approach equates points of novelty with overall design, which is improper.<sup>375</sup>

According to Respondents, Complainant’s points of novelty all depend upon the visual relationship between the strap and the base. Respondents assert that, if a point of novelty is claimed to have existed in a combination of prior art design elements, the combination must be a “non-trivial advance over the prior art.”<sup>376</sup> Furthermore, Respondents assert that all of Complainant’s points of novelty are dependent upon the strap being in an intermediate position, which is not a static design aspect. According to Respondents, if the strap is pivoted to fold over the vamp of the upper, all three

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<sup>372</sup> CIB 68-69 citing CX-657C (Whatley Direct) at Q. 168, 998; Whatley, Tr. 302-03.

<sup>373</sup> RIB 95.

<sup>374</sup> RIB 96 citing *Sun Hill Indus. v. Easter Unlimited*, 48 F.3d 1193, 1197 (Fed. Cir. 1995) (“*Sun Hill*”).

<sup>375</sup> RIB 97.

<sup>376</sup> RIB 97 citing *Egyptian Goddess*, 498 F.3d at 1357 (vacated, 2007 WL 4179111); RRB 52-53.

points of novelty vanish. Likewise, Respondents assert that if the strap is pivoted down to the base of the shoe, all three points of novelty vanish as well.<sup>377</sup>

Respondents assert that, based on Federal Circuit caselaw, Complainant may not combine elements from the prior art to create any points of novelty.<sup>378</sup> Respondents specifically assert that Complainant's points of novelty must exclude all design elements from the prior art, including the Aqua Clog,<sup>379</sup> the Aguerre '249 patent,<sup>380</sup> the Hawker '040 patent,<sup>381</sup> and the Quillot patent.<sup>382</sup>

Complainant, in response, asserts that *Lawman* merely states that a point of novelty cannot be the overall appearance of the design. According to Complainant,<sup>383</sup> its points of novelty are specific combinations of discrete design elements, including some that were admittedly in the prior art, but that “interact synergistically to create new, dominant design features.”<sup>384</sup> In addition, Complainant asserts that each of the three points of novelty are distinct from one another and involve different design elements and, therefore, cannot relate to the “overall design” of the '789 patent.<sup>385</sup> As to Respondents' argument that the strap can be placed in different positions and is therefore functional, Complainant asserts that an element in a design patent is “functional” only if its design is dictated by function, not merely if the element has a function.<sup>386</sup>

Respondents, in the alternative, assert that if there are any points of novelty, they are very

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<sup>377</sup> RIB 98; RRB 55-56.

<sup>378</sup> RIB 95 citing *Lawman Armor Corp. v. Winner Int'l, LLC*, 449 F.3d 1190, 1192 (Fed. Cir. 2006) (“*Lawman*”); RRB 53-55.

<sup>379</sup> RPX-30 (the Aqua Clog).

<sup>380</sup> JX-44 (the Aguerre '249 patent).

<sup>381</sup> RX-52 (the Hawker '040 patent).

<sup>382</sup> JX-77 (the Quillot patent).

<sup>383</sup> CIB 69-70. See *Egyptian Goddess, supra.*, vacated.

<sup>384</sup> CIB 69.

<sup>385</sup> CRB 59.

<sup>386</sup> CRB 60 citing *L.A. Gear*, 988 F.2d at 1123.

narrow and related solely to the strap and the attachment for the strap. Respondents describe the strap as being straight, of uniform width between two round connectors, and extending to the rear perimeter of the shoe. According to Respondents, the strap and connectors of Respondents differ from the strap and connectors in the '789 patent and therefore do not meet the point of novelty test.<sup>387</sup>

While Staff originally disagreed with both Complainant's and Respondents' arguments on points of novelty, based on the evidence presented at trial, Staff now agrees with Complainant's three points of novelty. Staff concedes that while Complainant's three points of novelty were in the prior art, the points of novelty "are more than the sum of their discrete parts" and therefore are a "non-trivial advance over the prior art."<sup>388</sup>

The undersigned does not agree with Complainant or Staff that there are three points of novelty in the '789 patent. The undersigned finds that a point of novelty should be limited to design features that were not in the prior art, including the Aqua Clog.<sup>389</sup> Therefore, at best, the point of novelty would include the strap and connectors, which was not on the prior art Aqua Clog. Complainant's point of novelty that most closely describes the strap and connectors is labeled as the "Eye of Sauron." Complainant's elaborate definition of the "Eye of Sauron," however, goes too far. While the undersigned agrees that the large rivet, which is surrounded by the bulging end of the strap that creates a wrench-head effect which draws the eye, is a point of novelty, the undersigned does not agree with the other aspects of Complainant's "Eye of Sauron" point of novelty because they describe general design themes and concepts, rather than a specific point of novelty. Accordingly,

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<sup>387</sup> RIB 99.

<sup>388</sup> SIB 65 citing Whatley, Tr. 451.

<sup>389</sup> See *Goodyear*, 162 F.3d at 1118 ("Similarity of overall appearance is an insufficient basis for a finding of infringement, unless the similarity embraces the points of novelty of the patented design . . . The points of novelty relate to differences from prior designs . . .").

the undersigned finds that the point of novelty in the '789 patent is “a large rivet, which is surrounded by the bulging end of the strap that creates a wrench-head effect which draws the eye,” which is hereinafter referred to as the “Eye of Sauron.” Based on a review of the accused products, it appears that all of the accused products contain such a “rivet . . . which draws the eye” and therefore meet the point of novelty test.<sup>390</sup>

The undersigned finds no merit to Complainant’s points of novelty including the “ring of fire” or “rounded out curviness.” Looking at the '789 patent, the undersigned is not persuaded that the “ring of fire” or the “rings of Saturn” is anything other than a general design theme. And while there does appear to be what is described as “rounded out curviness,” this same design feature existed in the prior art Aqua Clog, and the undersigned is not persuaded that the “rounded out curviness” is a non-trivial advance over the prior art. Accordingly, the undersigned rejects Complainant’s “ring of fire” and “rounded out curviness” points of novelty.

### **3. Holey Soles**

Complainant asserts that Holey Soles’ accused shoes meet both the ordinary observer and point of novelty tests.<sup>391</sup> Staff agrees.<sup>392</sup> Respondents assert that Holey Soles’ accused shoes do not meet either the ordinary observer or point of novelty tests.<sup>393</sup>

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<sup>390</sup> See CX-3 (the '789 patent), CPX-13 and RPX-9 (Explorer Shoe), CPX-14 (Explorer Redesign), CPX-15 (Cricket), CPX-10 and RPX-6 (Waldies AT), RPX-35 (Waldies AT Redesign), CPX-11 (Komodo shoe), CPX-12 (Komodo Redesign), CPX-7 (Original Beach DAWGS), CPX-8 and RPX-17 (Redesigned Beach DAWGS), CPX-9 (Groovy/Big DAWGS ), RPX-18 (Groovy Dawg), RPX-19 (Big Dawg), RPX-1 (Airwalk Compel I), CPX-4 and RPX-2 (Airwalk Compel II), RPX-3 and CPX-5 (Airwalk Compel III), RPX-4 (Airwalk Compel IIIA), RPX-5 (Airwalk Compel IIIB).

<sup>391</sup> CIB 76.

<sup>392</sup> SIB 67-68.

<sup>393</sup> RIB 79-80.

**a. Explorer**

Complainant asserts that Holey Soles' Explorer shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Explorer shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>394</sup> Complainant also argues that the Explorer shoe includes the three points of novelty of the '789 patent.<sup>395</sup>

Respondents assert that the Explorer presents a different visual impression than the '789 patent because: (1) the holes in the sidewall are shaped and spaced differently, (2) there are no ventilator holes in the sidewall in the front of the shoe, (3) the strap widens at the heel, and is not of uniform thickness, (4) the strap does not reach the heel of the shoe, (5) the attachment point of the strap is round, rather than flat, (6) the toe and heel of shoe are far less upturned, and (7) the slope of the upper is steeper.<sup>396</sup>

Complainant counters that the differences cited by Holey Soles are virtually nonexistent or significant enough to detract from the substantial similarity of the overall visual impression of the Explorer and the '789 design.<sup>397</sup>

While undersigned finds that there are similarities between the Explorer and the '789 patent, there are differences that an ordinary observer would discern and therefore he/she would not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the strap is not of uniform thickness nor does it extend to the

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<sup>394</sup> CIB 76 citing CFF 1770-1813, 1822-1826; CX-3 (the '789 patent), CPX-13 (Explorer Shoe).

<sup>395</sup> CIB 77 citing CFF 1814-21, CX-3 (the '789 patent), CPX-13 (Explorer Shoe).

<sup>396</sup> RIB 79 citing CX-3 (the '789 patent) and RPX-9 (Explorer).

<sup>397</sup> CRB 51-52.

heel of the shoe.<sup>398</sup> Accordingly, the undersigned finds that the Explorer does not infringe the ‘789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty “Eye of Sauron,” has been met.

**b. Explorer Redesign**

Complainant asserts that Holey Soles’ Explorer Redesign shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Explorer Redesign shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the ‘789 patent from the perspective of an impulse-buy purchaser.<sup>399</sup> Complainant also argues that the Explorer Redesign shoe includes the three points of novelty of the ‘789 patent.<sup>400</sup>

Respondents assert that the Explorer Redesign shoe also presents a different visual impression than the ‘789 patent for the same reasons expressed above for the Explorer. According to Respondents, the Explorer Redesign shoe contains the same design features as the Explorer and that the only difference between them is the size of the washer.<sup>401</sup>

Complainant counters, based on the same arguments above with regard to the Explorer.<sup>402</sup>

The parties do not dispute that the Explorer Redesign is visually identical to the Explorer and that the only difference between the models is the presence and/or size of a washer placed between the strap and body of the shoe, which does not affect its appearance. As the undersigned has ruled above that the Explorer does not infringe the ‘789 patent, and the parties agree that the visual

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<sup>398</sup> See CX-3 (the ‘789 patent), CPX-13 and RPX-9 (Explorer Shoe).

<sup>399</sup> CIB 77 citing CFF 1835, CX-3 (the ‘789 patent), CPX-14 (Explorer Redesign Shoe).

<sup>400</sup> CIB 78 citing CFF 1877-85, CX-3 (the ‘789 patent), CPX-14 (Explorer Redesign Shoe).

<sup>401</sup> RIB 12-13. Specifically, the Explorer Redesign incorporates a larger washer at the pivot point that prevents direct contact between the strap and the base. See RX-167C (Walter Direct) at Q. 37-39.

<sup>402</sup> CRB 51-52.

appearance of the Explorer Redesign is identical, the undersigned finds that the Explorer Redesign does not infringe the '789 patent as well for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.<sup>403</sup>

### **c. Cricket**

Complainant asserts that the Cricket shoe infringes the '789 patent for the same reasons stated above for the Explorer shoes.<sup>404</sup> Respondents assert that the Cricket also presents a different visual impression than the '789 patent for the same reasons expressed above for the Explorer. According to Respondents, the Cricket contains the same design features as the Explorer and that the only difference between them is that the Cricket is a children's version of the Explorer.<sup>405</sup>

The parties do not dispute that the Cricket is visually identical to the Explorer and that the only difference between the models is that the Cricket is a children's version of the Explorer. As the undersigned has ruled above that the Explorer does not infringe the '789 patent, and the parties agree that the visual appearance of the Cricket is identical, the undersigned finds that the Cricket does not infringe the '789 patent as well for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.<sup>406</sup>

## **4. Effervescent**

Complainant asserts that Effervescent's accused shoes meet both the ordinary observer and

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<sup>403</sup> See CX-3 (the '789 patent), CPX-14 (Explorer Redesign).

<sup>404</sup> CRB 51.

<sup>405</sup> RIB 12 citing RX-167C (Walter Direct) at Q.23-24.

<sup>406</sup> See CX-3 (the '789 patent), CPX-15 (Cricket).



point of novelty tests.<sup>407</sup> Staff agrees.<sup>408</sup> Respondents assert that Effervescent's accused shoes do not meet either the ordinary observer or point of novelty tests.<sup>409</sup>

**a. Waldies AT**

Complainant asserts that Effervescent's Waldies AT shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Waldies AT shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>410</sup> Complainant also argues that the Waldies AT shoe includes the three points of novelty of the '789 patent.<sup>411</sup>

Respondents assert that the Waldies AT presents a different visual impression than the '789 patent because: (1) the strap is wavy, with a series of bends, rather than of uniform width, (2) the strap does not reach the heel of the shoe, (3) the attachment point of the strap is round, rather than flat, (4) the holes in the upper are an organized arcing pattern of progressively larger square to rectangular holes that are not round and form a web pattern, (5) the holes in the sidewall are rectangular, not trapezoidal, (6) the top of shoe is far less upturned, and (6) there are no ventilator holes in the sidewall in the front of the shoe.<sup>412</sup>

Complainant counters that the differences cited by Effervescent are so minor that they do not negate the substantial similarity of the overall designs.<sup>413</sup>

While undersigned finds that there are similarities between the Waldies AT and the '789

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<sup>407</sup> CIB 88-89.

<sup>408</sup> SIB 66-67.

<sup>409</sup> RIB 77-80.

<sup>410</sup> CIB 89 citing CFF 2461; CX-3 (the '789 patent), CPX-10 (Waldies AT).

<sup>411</sup> CIB 90 citing CFF 2499-2507, CX-3 (the '789 patent), CPX-10 (Waldies AT).

<sup>412</sup> RIB 77 citing CX-3 (the '789 patent) and RPX-6 (Waldies AT).

<sup>413</sup> CRB 51.

patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are square to rectangular, not round, and the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>414</sup> Accordingly, the undersigned finds that the Waldies AT does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

**b. Waldies AT Redesign**

Complainant asserts that Effervescent's Waldies AT Redesign shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Waldies AT Redesign shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>415</sup> Complainant also argues that the Waldies AT Redesign shoe includes the three points of novelty of the '789 patent.<sup>416</sup>

Respondents assert that the Waldies AT Redesign also presents a different visual impression than the '789 patent for the same reasons expressed above for the Waldies AT. According to Respondents, these two models contain the same design features and the only difference among them is that the Waldies AT Redesign incorporates a curved outsole and has an enlarged washer at the point of attachment.<sup>417</sup>

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<sup>414</sup> See CX-3 (the '789 patent), CPX-10 and RPX-6 (Waldies AT).

<sup>415</sup> CIB 90 citing CFF 2461; CX-3 (the '789 patent), RPX-35 (Waldies AT Redesign).

<sup>416</sup> CIB 91 citing CFF 2499-2507, CX-3 (the '789 patent), RPX-35 (Waldies AT Redesign).

<sup>417</sup> RIB 11-12 citing RX-166C (Hearn Direct) at Q. 40-41, RIB 77 citing RPX-6 (Waldies (continued...))

Complainant counters, based on the same arguments above with regard to the Waldies AT.<sup>418</sup>

While undersigned finds that there are similarities between the Waldies AT Redesign and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are square to rectangular, not round, and the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>419</sup> Accordingly, the undersigned finds that the Waldies AT Redesign does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

## **5. Gen-X**

Complainant asserts that Gen-X's accused shoes meet both the ordinary observer and point of novelty tests.<sup>420</sup> Staff agrees.<sup>421</sup> Respondents assert that Gen-X's accused shoes do not meet either the ordinary observer or point of novelty tests.<sup>422</sup>

### **a. Komodo**

Complainant asserts that Gen-X's Komodo shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Komodo shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the

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<sup>417</sup>(...continued)

AT) and RPX-35 (Waldies AT Redesign).

<sup>418</sup> CRB 51.

<sup>419</sup> See CX-3 (the '789 patent), RPX-35 (Waldies AT Redesign).

<sup>420</sup> CIB 83.

<sup>421</sup> SIB 69.

<sup>422</sup> RIB 91-94.

'789 patent from the perspective of an impulse-buy purchaser.<sup>423</sup> Complainant also argues that the Komodo shoe includes the three points of novelty of the '789 patent.<sup>424</sup>

Respondents assert that the Komodo presents a different visual impression than the '789 patent because: (1) the strap is not of a uniform width across the heel portion, (2) the strap does not reach the heel of the shoe, (3) the strap has a large circular area at each end to provide a contact surface for the round head of the connector rivet, rather than a wrench-head shape, and (4) the ventilator holes in the sidewall are not evenly spaced because they do not extend around the front perimeter of the shoe.<sup>425</sup>

Complainant counters that the differences cited by Gen-X are non-existent, and to the extent that any differences exist, are so minor and isolated that they do not negate the substantial similarity of the overall designs.<sup>426</sup>

While undersigned finds that there are similarities between the Komodo and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>427</sup> Accordingly, the undersigned finds that the Komodo does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

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<sup>423</sup> CIB 83 citing CFF 2147; CX-3 (the '789 patent), CPX-11 (Komodo shoe).

<sup>424</sup> CIB 84 citing CFF 2190-97, CX-3 (the '789 patent), CPX-11 (Komodo shoe).

<sup>425</sup> RIB 91-94 citing CX-3 (the '789 patent) and RX-162C (claim chart).

<sup>426</sup> CRB 55.

<sup>427</sup> See CX-3 (the '789 patent), CPX-11 (Komodo shoe).

**b. Komodo Redesign**

Complainant asserts that Gen-X's Komodo Redesign shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Komodo Redesign shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>428</sup> Complainant also argues that the Komodo Redesign shoe includes the three points of novelty of the '789 patent.<sup>429</sup>

Respondents assert that the Komodo Redesign also presents a different visual impression than the '789 patent for the same reasons expressed above for the Komodo. According to Respondents, all of these models contain the same design features and the only difference among them is the existence and size of a washer.<sup>430</sup>

Complainant counters, based on the same arguments above with regard to the Komodo.<sup>431</sup>

The parties do not dispute that the Komodo Redesign is visually identical to the Komodo and that the only difference between the models is the existence and size of a washer. As the undersigned has ruled above that the Komodo does not infringe the '789 patent, and the parties agree that the visual appearance of the Komodo Redesign is identical, the undersigned finds that the Komodo Redesign does not infringe the '789 patent as well for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.<sup>432</sup>

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<sup>428</sup> CIB 84 citing CFF 2213; CX-3 (the '789 patent), CPX-12 (Komodo Redesign).

<sup>429</sup> CIB 85 citing CFF 2253-60, CX-3 (the '789 patent), CPX-12 (Komodo Redesign).

<sup>430</sup> RIB 14-15. Specifically, the Komodo was redesigned to add a washer between the strap and the base.

<sup>431</sup> CRB 55.

<sup>432</sup> See CX-3 (the '789 patent), CPX-12 (Komodo Redesign).

## 6. DDD

Complainant asserts that DDD's accused shoes meet both the ordinary observer and point of novelty tests.<sup>433</sup> Staff agrees.<sup>434</sup> Respondents assert that DDD's accused shoes do not meet either the ordinary observer or point of novelty tests.<sup>435</sup>

### a. Original Beach DAWGS

Complainant asserts that DDD's Original Beach DAWGS shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Original Beach DAWGS shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>436</sup> Complainant also argues that the Original Beach DAWGS shoe includes the three points of novelty of the '789 patent.<sup>437</sup>

Respondents assert that the Original Beach DAWGS presents a different visual impression than the '789 patent because: (1) the holes in the upper have a web-shaped pattern that differs significantly from the systematic pattern of round holes, (2) the top of shoe is far less upturned, (3) the ventilator holes in the sidewall are not evenly spaced, (4) the strap is not of a uniform width across the heel portion, and (5) the strap does not reach the heel of the shoe.<sup>438</sup> Respondents also assert that the Original Beach DAWGS is distinguishable due to the logo on the rivets.<sup>439</sup>

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<sup>433</sup> CIB 85.

<sup>434</sup> SIB 68.

<sup>435</sup> RIB 81-91.

<sup>436</sup> CIB 85-86 citing CFF 2273; CX-3 (the '789 patent), CPX-7 (Original Beach DAWGS).

<sup>437</sup> CIB 86 citing CFF 2315-2322, CX-3 (the '789 patent), CPX-7 (Original Beach DAWGS).

<sup>438</sup> RIB 89-91 citing CX-3 (the '789 patent), RPX-20 (Original Beach DAWGS), RPX-29 (Original Beach DAWGS with plastic washer).

<sup>439</sup> RIB 91.

Complainant counters that the differences cited by the DDD are either negligible, undetectable, and immaterial when compared to the overwhelming similarity of the overall design.<sup>440</sup> As to DDD's argument regarding the logo on the rivets, Complainant asserts that this is contrary to design patent law.<sup>441</sup>

The undersigned agrees with Complainant that, to the extent DDD makes an argument that the logo on the rivet is a distinguishing characteristic, DDD's argument is rejected. Despite rejecting this argument of DDD and while finding that there are similarities between the Original Beach DAWGS and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are not round and are placed in a web-shaped pattern, rather than the systematic pattern of round holes in the '789 patent, and the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>442</sup> Accordingly, the undersigned finds that the Original Beach DAWGS does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

**b. Redesigned Beach DAWGS**

Complainant asserts that DDD's Redesigned Beach DAWGS shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the

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<sup>440</sup> CRB 52-53.

<sup>441</sup> CRB 53 citing *Payless Shoesource, Inc. v. Reebok Int'l, Ltd.*, 998 F.2d 985, 990 (Fed. Cir. 1993) ("*Payless*"); *L.A. Gear*, 988 F.2d at 1126; *Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof*, Inv. No. 337-TA-314, Initial Determination at Part 3.D, December 5, 1990 ("*Certain Ride-On Toys*").

<sup>442</sup> See CX-3 (the '789 patent), CPX-7, RPX-20, and RPX-29 (Original Beach DAWGS).

Redesigned Beach DAWGS shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>443</sup> Complainant also argues that the Redesigned Beach DAWGS shoe includes the three points of novelty of the '789 patent.<sup>444</sup>

Respondents assert that the Redesigned Beach DAWGS presents a different visual impression than the '789 patent because: (1) the holes in the upper are not round, but contains one D-shaped hole and rows of rectangular shaped holes, (2) the holes in the upper have a web-shaped pattern that differs significantly from the systematic pattern of round holes, (3) the ventilator holes in the sidewall are rectangular, rather than trapezoid-shaped, (4) the ventilator holes in the sidewall are not evenly spaced because they do not extend around the front perimeter of the shoe, (5) the top of shoe is far less upturned, (6) tread pattern covers the entire sole and is not separated into two distinct portions, (7) the strap is not of a uniform width across the heel portion, and (8) the strap does not reach the heel of the shoe.<sup>445</sup>

Complainant counters that, in addition to the reasons cited above for the Original Beach DAWGS, the additional differences in the Redesigned Beach DAWGS are extremely minor and are not noticeable.<sup>446</sup> As to DDD's specific argument regarding the tread pattern covering the entire sole, Complainant asserts that DDD's argument is legally inadmissible.<sup>447</sup>

While the undersigned rejected DDD's arguments regarding a logo on the rivets, the

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<sup>443</sup> CIB 86-87 citing CFF 2326; CX-3 (the '789 patent), CPX-8 (Redesigned Beach DAWGS).

<sup>444</sup> CIB 87 citing CFF 2369-76, CX-3 (the '789 patent), CPX-8 (Redesigned Beach DAWGS).

<sup>445</sup> RIB 81-85 citing CX-3 (the '789 patent) and RPX-17 (Redesigned Beach DAWGS).

<sup>446</sup> CRB 53-54.

<sup>447</sup> CRB 53.



undersigned does not find that the arguments regarding the tread pattern should also be rejected. Specifically, the undersigned's claim construction did not address any ornamentation on the rivets, because none was claimed in the '789 patent. A difference was made, however, with regard to the tread pattern. The undersigned's claim construction construed the '789 patent as not requiring any tread pattern, but that "if tread exists, [it] does not cover the entire sole." In light of this claim construction, the undersigned rejects Complainant's argument that DDD's tread pattern argument is legally inadmissible.

While undersigned finds that there are similarities between the Redesigned Beach DAWGS and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are not round and are placed in a web-shaped pattern, rather than the systematic pattern of round holes in the '789 patent, the tread pattern covers the entire sole, and the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>448</sup> Accordingly, the undersigned finds that the Redesigned Beach DAWGS does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

**c. Groovy/Big DAWGS**

Complainant asserts that DDD's Groovy/Big DAWGS shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Groovy/Big DAWGS shoe creates substantially the same visual impression as the overall design depicted in the

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<sup>448</sup> See CX-3 (the '789 patent), CPX-8 and RPX-17 (Redesigned Beach DAWGS).

seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>449</sup> Complainant also argues that the Groovy/Big DAWGS shoe includes the three points of novelty of the '789 patent.<sup>450</sup>

Respondents assert that the Groovy/Big DAWGS shoe presents a different visual impression than the '789 patent because: (1) the holes in the upper are not round but are either pentagons or hexagons, (2) that the printed pattern obscures the visual perception of the top holes, (3) the ventilator holes in the sidewall are alternating oval and triangular, not trapezoid and not evenly spaced because they do not extend around the front perimeter of the shoe, (4) the top of shoe is far less upturned, (5) tread pattern covers the entire sole and is not separated into two distinct portions, (6) the strap is not of a uniform width across the heel portion, and (7) the strap does not reach the heel of the shoe.<sup>451</sup>

Complainant counters that the differences cited by the DDD are minor when compared to the overwhelming similarity of the overall design.<sup>452</sup>

While undersigned finds that there are similarities between the Groovy/Big DAWGS and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are pentagons and hexagons, rather than round, the tread pattern covers the entire sole, and the strap is not of uniform thickness nor does it

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<sup>449</sup> CIB 87-88 citing CFF 2380; CX-3 (the '789 patent), CPX-9 (Groovy/Big DAWGS ).

<sup>450</sup> CIB 88 citing CFF 2423-31, CX-3 (the '789 patent), CPX-9 (Groovy/Big DAWGS ).

<sup>451</sup> RIB 85-89 citing CX-3 (the '789 patent), RPX-18 (Groovy Dawg), and RPX-19 (Big Dawg).

<sup>452</sup> CRB 54-55.

extend to the heel of the shoe.<sup>453</sup> Accordingly, the undersigned finds that the Groovy/Big DAWGS does not infringe the ‘789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty “Eye of Sauron,” has been met.

## **7. CLI/Payless**

Complainant asserts that CLI’s accused shoes meet both the ordinary observer and point of novelty tests.<sup>454</sup> Staff agrees.<sup>455</sup> Respondents assert that CLI’s accused shoes do not meet either the ordinary observer or point of novelty tests.<sup>456</sup>

### **a. Airwalk Compel I**

Complainant asserts that CLI’s Airwalk Compel I shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Airwalk Compel I shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the ‘789 patent from the perspective of an impulse-buy purchaser.<sup>457</sup> Complainant also argues that the Airwalk Compel I shoe includes the three points of novelty of the ‘789 patent.<sup>458</sup>

Respondents assert that the Airwalk Compel I presents a different visual impression than the ‘789 patent because: (1) the holes in the upper are octagonal/daisy-cut, not round, (2) the strap widens at the heel, and is not of uniform thickness, (3) the strap does not reach the heel of the shoe, (4) the attachment point of the strap is round, rather than flat, (5) the top of shoe is far less upturned,

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<sup>453</sup> See CX-3 (the ‘789 patent), CPX-9 (Groovy/Big DAWGS), RPX-18 (Groovy Dawg), and RPX-19 (Big Dawg).

<sup>454</sup> CIB 78-79.

<sup>455</sup> SIB 65-66.

<sup>456</sup> RIB 73-76.

<sup>457</sup> CIB 79 citing CFF 1958; CX-3 (the ‘789 patent), RPX-1 (Airwalk Compel I).

<sup>458</sup> CIB 80 citing CFF 1997-2004, CX-3 (the ‘789 patent), RPX-1 (Airwalk Compel I).

and (6) there are no ventilator holes in the sidewall in the front of the shoe.<sup>459</sup>

Complainant counters that the differences cited by the CLI Respondents are either negligible, undetectable, and immaterial when compared to the overwhelming similarity of the overall design.<sup>460</sup>

While undersigned finds that there are similarities between the Airwalk Compel I and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are octagonal/daisy-cut, not round, and the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>461</sup> Accordingly, the undersigned finds that the Airwalk Compel I does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

**b. Airwalk Compel II**

Complainant asserts that CLI's Airwalk Compel II shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Airwalk Compel II shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>462</sup> Complainant also argues that the Airwalk Compel II shoe includes the three points of novelty of the '789 patent.<sup>463</sup>

Respondents assert that the Airwalk Compel II presents a different visual impression than the '789 patent because: (1) the holes in the upper are diamonds, not round, (2) the holes in the

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<sup>459</sup> RIB 73 citing CX-3 (the '789 patent) and RPX-1 (Airwalk Compel I).

<sup>460</sup> CRB 49-50.

<sup>461</sup> See CX-3 (the '789 patent), RPX-1 (Airwalk Compel I).

<sup>462</sup> CIB 80 citing CFF 2014; CX-3 (the '789 patent), CPX-4 (Airwalk Compel II).

<sup>463</sup> CIB 81 citing CFF 2054-2061, CX-3 (the '789 patent), CPX-4 (Airwalk Compel II).

sidewall are triangles, not trapezoids, (3) the strap widens at the heel, and is not of uniform thickness, (4) the strap does not reach the heel of the shoe, (5) the attachment point of the strap is round, rather than flat, (6) the top of shoe is far less upturned, (7) there are no ventilator holes in the sidewall in the front of the shoe, and (8) the mid-portion of the outsole is substantially curved as an upward arch.<sup>464</sup>

Complainant counters that the differences cited by the CLI Respondents are minor, slight, and nonexistent when compared to the overall visual impression.<sup>465</sup>

While undersigned finds that there are similarities between the Airwalk Compel II and the '789 patent, there are differences that an ordinary observer would discern and therefore not be confused into purchasing each model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. Specifically, the holes in the upper are diamonds, not round, and the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>466</sup> Accordingly, the undersigned finds that the Airwalk Compel II does not infringe the '789 patent for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty "Eye of Sauron," has been met.

**c. Airwalk Compel III/IIIA/IIIB**

Complainant asserts that CLI's Airwalk Compel III/IIIA/IIIB shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Airwalk Compel III/IIIA/IIIB shoe creates substantially the same visual impression as the overall design

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<sup>464</sup> RIB 75 citing CX-3 (the '789 patent) and RPX-2 (Airwalk Compel II).

<sup>465</sup> CRB 50-51.

<sup>466</sup> See CX-3 (the '789 patent), CPX-4 and RPX-2 (Airwalk Compel II).

depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>467</sup>

Complainant also argues that the Airwalk Compel III/IIIA/IIIB shoe includes the three points of novelty of the '789 patent.<sup>468</sup>

Respondents assert that the Airwalk Compel III, IIIA, and IIIB also presents a different visual impression than the '789 patent for the same reasons expressed above for the Airwalk Compel II. According to Respondents, all of these models contain the same design features and the only difference among them is the existence and size of a washer.<sup>469</sup>

Complainant counters, based on the same arguments above with regard to the Airwalk Compel II.<sup>470</sup>

The parties do not dispute that the Airwalk Compel III, Airwalk Compel IIIA, and Airwalk Compel IIIB shoes are visually identical and that the only difference between the three models is the presence and/or size of a washer placed between the strap and body of the shoe, which does not affect its appearance.<sup>471</sup> As the undersigned has ruled above that the Airwalk Compel II does not infringe the '789 patent, and the parties agree that the visual appearance of the Airwalk Compel III,

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<sup>467</sup> CIB 81 citing CFF 2073; CX-3 (the '789 patent), RPX-3 (Airwalk Compel III), RPX-4 (Airwalk Compel IIIA), RPX-5 (Airwalk Compel IIIB), CPX-5 (Airwalk Compel III).

<sup>468</sup> CIB 82-83 citing CFF 2113-20, CX-3 (the '789 patent), RPX-3 (Airwalk Compel III), RPX-4 (Airwalk Compel IIIA), RPX-5 (Airwalk Compel IIIB), CPX-5 (Airwalk Compel III).

<sup>469</sup> RIB 10-11, 75. Specifically, the Compel I has a flat midsole and no washer at the connection between the strap and the upper. The Compel II changes from the Compel I included replacing the octagonal/daisy-shaped ventilation holes in the upper with diamond-shaped holes, changing the sidewall holes from arches to triangles, and changing the tread pattern into an outline of the Airwalk logo "A" pattern. The Compel III changes from the Compel II included the addition of a curved mid-section of the sole between the front and rear tread patterns. The Compel IIIA added a washer to separate the strap from the upper, and the Compel IIIB enlarged the size of the washer. See CX-3 (the '789 patent), RPX-3 and CPX-5 (Airwalk Compel III), RPX-4 (Airwalk Compel IIIA), RPX-5 (Airwalk Compel IIIB).

<sup>470</sup> CRB 50-51.

<sup>471</sup> CIB 81 citing CFF 2071, RIB 75.

Airwalk Compel IIIA, and Airwalk Compel IIIB shoes are identical, the undersigned finds that the Airwalk Compel III, Airwalk Compel IIIA, and Airwalk Compel IIIB do not infringe the ‘789 patent as well for failure to meet the ordinary observer/substantial similarity test. The undersigned finds, however, that the single point of novelty “Eye of Sauron,” has been met.<sup>472</sup>

#### **D. Domestic Industry - Technical Prong**

Complainant assert that its Beach, Cayman, Kids Cayman, as well as other shoes, practice the ‘789 patent and therefore have satisfied the technical prong of the domestic industry requirement. According to Complainant, its Beach, Cayman, and Kids Cayman shoes represent approximately 85% of Complainant’s sales of the domestic industry products.<sup>473</sup>

Staff agrees that the uncontested evidence presented at the hearing demonstrates that Complainant practices the ‘789 patent.<sup>474</sup>

Respondents dispute that Complainant meets the technical prong of domestic industry.<sup>475</sup>

Complainant counters that, while Respondents assert that the Beach shoe does not meet the technical prong, that Respondents also assert that the Beach shoes anticipate the ‘789 patent, which are inconsistent positions.<sup>476</sup>

##### **1. Beach**

Complainant asserts that its Beach shoe meets both the ordinary observer test and point of

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<sup>472</sup> CX-3 (the ‘789 patent), RPX-3 (Airwalk Compel III), RPX-4 (Airwalk Compel IIIA), RPX-5 (Airwalk Compel IIIB), CPX-5 (Airwalk Compel III).

<sup>473</sup> CIB 92 citing CX-657C (Whatley Direct) at Q. 2461, CPX-39 (Beach shoe), CPX-34 (Cayman shoe), CPX-35 (Kids Cayman shoe), CPX-37 (Motion shoe), CPX-38 (Cloud shoe), and CPX-40 (Silver Cloud shoe).

<sup>474</sup> SIB 70 citing CX-657C (Whatley Direct) at Q. 2494-2562.

<sup>475</sup> RIB 105.

<sup>476</sup> CRB 62-63.

novelty test. According to Complainant, the overall design of the Beach shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>477</sup> Complainant also argues that the Beach shoe includes the three points of novelty of the '789 patent.<sup>478</sup> Staff agrees.

Respondents dispute that Complainant's Beach model practices the '789 patent because it does not have trapezoid-shaped holes evenly spaced around the sidewall of the upper placed in a systematic pattern, including the front portion, because there is a gap in the spacing of the sidewall ventilators in the area of the big toe.<sup>479</sup>

Complainant counters that an examination in the figures of the '789 patent reveals a gap in spacing between the holes in the sidewall over the big toe, which can be seen by the perspective line and foreshortening effects.<sup>480</sup>

While undersigned finds that there are similarities between the Beach shoe and the '789 patent, the key difference between the Beach shoe and the '789 patent is that the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>481</sup> As to Complainant's argument that the '789 patent reveals a gap in the spacing between the holes, such arguments are rejected as being inconsistent with the undersigned's claim construction. Accordingly, the undersigned finds that the Beach shoe does not practice the technical prong of domestic industry.

## **2. Cayman**

Complainant asserts that its Cayman shoe meets both the ordinary observer test and point of

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<sup>477</sup> CIB 92 citing CFF 2533; CX-3 (the '789 patent), CPX-39 (Beach shoe).

<sup>478</sup> CIB 93 citing CFF 2569-2577, CX-3 (the '789 patent), CPX-39 (Beach shoe).

<sup>479</sup> RIB 105.

<sup>480</sup> CRB 63-64.

<sup>481</sup> See CX-3 (the '789 patent), CPX-39 (Beach shoe).



novelty test. According to Complainant, the overall design of the Cayman shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>482</sup> Complainant also argues that the Cayman shoe includes the three points of novelty of the '789 patent.<sup>483</sup> Staff agrees. Respondents take no position as to the Complainant's Cayman shoe in their post-hearing briefs.

While undersigned finds that there are similarities between the Cayman shoe and the '789 patent, the key difference between the Cayman shoe and the '789 patent is that the strap is not of uniform thickness nor does it extend to the heel of the shoe.<sup>484</sup> Accordingly, the undersigned finds that the Cayman shoe does not practice the technical prong of domestic industry.

### **3. Kids Cayman**

Complainant asserts that its Kids Cayman shoe meets both the ordinary observer test and point of novelty test. According to Complainant, the overall design of the Kids Cayman shoe creates substantially the same visual impression as the overall design depicted in the seven figures of the '789 patent from the perspective of an impulse-buy purchaser.<sup>485</sup> Complainant also argues that the Kids Cayman shoe includes the three points of novelty of the '789 patent.<sup>486</sup> Staff agrees. Respondents take no position as to the Complainant's Cayman shoe in their post hearing briefs.

While undersigned finds that there are similarities between the Kid Cayman shoe and the '789 patent, the key difference between the Kids Cayman shoe and the '789 patent is that the strap

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<sup>482</sup> CIB 92 citing CFF 2580; CX-3 (the '789 patent), CPX-34 (Cayman shoe).

<sup>483</sup> CIB 94 citing CFF 2616-2624, CX-3 (the '789 patent), CPX-34 (Cayman shoe).

<sup>484</sup> See CX-3 (the '789 patent), CPX-34 (Cayman shoe).

<sup>485</sup> CIB 94 citing CFF 2627; CX-3 (the '789 patent), CPX-35 (Kids Cayman shoe).

<sup>486</sup> CIB 94 citing CFF 2663-2671, CX-3 (the '789 patent), CPX-35 (Kids Cayman shoe).

is not of uniform thickness nor does it extend to the heel of the shoe.<sup>487</sup> Accordingly, the undersigned finds that the Kids Cayman shoe does not practice the technical prong of domestic industry.

#### **E. Validity**

Respondents assert that the ‘789 patent is invalid as obvious for the same reasons the ‘858 patent is invalid under the Supreme Court’s standard for obviousness in *KSR*.<sup>488</sup> Complainant asserts that, while Respondents raised many invalidity arguments for the ‘789 patent during the investigation, certain arguments have been waived.<sup>489</sup> Staff asserts that the discussions of validity in the context of the ‘858 patent also applies to the ‘789 patent.<sup>490</sup>

The undersigned finds that, while Respondents did not raise certain obviousness combinations specifically in their pre-trial brief, validity as to the ‘789 patent was sufficiently addressed to preserve Respondents arguments. For example, in Gen-X’s pretrial brief, Gen-X assert that the “proper question for obviousness invalidity in this investigation is whether a shoe designer of ordinary skill would have seen a benefit to upgrading the unpatented Aqua Clog by attaching a foam ankle strap with plastic rivets that hold the strap directly against the foam clog.”<sup>491</sup> While Respondents may not have made specific reference to prior art patents that included a strap such as the Aguerre ‘249 patent or the Quillot patent, Respondents did specifically refer to the Aqua Clog in combination with the concept of the strap. Accordingly, the undersigned finds that Respondents have sufficiently preserved this issue in their pre-trial briefs.

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<sup>487</sup> See CX-3 (the ‘789 patent), CPX-35 (Kids Cayman shoe).

<sup>488</sup> RIB 100; RRB 59.

<sup>489</sup> CIB 95-96.

<sup>490</sup> SIB 70.

<sup>491</sup> See Gen-X’s PTB 31; *see also* DDD’s PTB 45.

## 1. Ordinary Skill in the Art

The parties do not provide a different definition of one of ordinary skill in the art for the '789 patent as for the '858 patent. Accordingly, the same standard is adopted for the '789 patent as for the '858 patent as to one of ordinary skill in the art.

## 2. Priority Date

Complainant asserts that the priority date for the '789 patent is June 23, 2003. Although the '789 patent is based on U.S. Application No. 29/206,427 (“the ‘427 application”), which was filed on May 28, 2004, it claims priority to two applications which were filed on June 23, 2003. Specifically, the '789 patent claims priority as a continuation-in-part from Application No. 10/803,569 (“the ‘569 application”), filed on March 17, 2004, which claims priority as a continuation-in-art from two applications filed on June 23, 2003, including Application No. 10/603,126 (“the ‘126 application”) and Application No. 10/602,416 (“the ‘416 application”).<sup>492</sup> Staff agrees with Complainant that Complainant is entitled to the June 23, 2003 priority date.<sup>493</sup>

Respondents assert that the '789 patent is not entitled to the June 23, 2003 priority date because there are differences between the figures in the '789 patent and the figures in the prior applications.<sup>494</sup> Complainant counters that, even if there were some minor differences between the figures in the '789 patent and those disclosed in the continuation applications, the '789 patent is still entitled to claim priority to the earlier applications because the proper inquiry is whether the inventor had possession at the earlier date of what was claimed at the later date.<sup>495</sup> According to Complainant,

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<sup>492</sup> CIB 96 citing CX-3 (the '789 patent).

<sup>493</sup> SRB 9-10.

<sup>494</sup> RIB 101-04; RRB 62-63.

<sup>495</sup> CIB 97 citing *In re Daniels*, 144 F.3d 1452, 1456 (Fed. Cir. 1998) (“*Daniels*”).

the evidence shows that the subject matter of the '789 patent was disclosed in the '126 and '416 applications.<sup>496</sup>

The undersigned finds Complainant's and Staff's arguments to be persuasive. Although there are differences between the figures in the '789 patent and the figures in the prior applications, a design patent is entitled to the priority date of an earlier application if the design was disclosed in the prior application.<sup>497</sup> Based on a review of the figures in the prior applications,<sup>498</sup> it appears the general design was disclosed in the prior application. Therefore the '789 patent is entitled to the earlier priority date.

Because Respondents' anticipation arguments based on the '858 patent and the Complainant's Beach shoe are based on their arguments that the '789 patent is not entitled to the earlier priority date, which has been rejected, the undersigned also rejects Respondents' anticipation arguments.

### **3. Obviousness**

Complainant asserts that Respondents cannot meet their burden on invalidity because they have failed to cite a "primary reference" in order to render the design patent obvious.<sup>499</sup> Respondents counter that no court has applied or addressed the "primary reference" requirement since the Supreme Court's decision in *KSR*. Regardless, Respondents argue that the "primary reference" is the Aqua Clog.<sup>500</sup> The undersigned agrees with Respondents that they have sufficiently argued that the "primary reference" for obviousness purposes, is the Aqua Clog, and therefore rejects

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<sup>496</sup> CIB 98.

<sup>497</sup> See *Daniels, supra*.

<sup>498</sup> See JX-1 (the '858 prosecution history) and JX-2 (the '789 prosecution history).

<sup>499</sup> CIB 101-02.

<sup>500</sup> RRB 59-60.

Complainant's argument that Respondents have failed to cite a "primary reference."

**a. The Aqua Clog in Combination with the Strap in the Aguerre '249 Patent and/or the Quillot Patent**

Respondents assert that the combination of the Aqua Clog and any number of prior art heel straps, such as the one in the Aguerre '249 patent and/or the Quillot patent, yields an entirely predictable result and would have been obvious to one of ordinary skill in the art. According to Respondents, the Aqua Clog is identical to the entire base of the '789 design and Complainant has disclaimed the ornamental patterning on the strap and connectors. Respondents assert that the Quillot patent discloses a strap of uniform width and round connectors. Further, Respondents assert that Complainant's expert admitted that wrench-head like strap ends are disclosed in the prior art.<sup>501</sup> Respondents argue that "[g]ranteeing patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value or utility."<sup>502</sup> As the Aqua Clog was never patented and its design was free for use by anyone, Respondents argue that granting protection to an obvious variation of the Aqua Clog would both retard progress and deprive prior inventions of value and utility.<sup>503</sup>

Complainant asserts that the '789 patent is valid. According to Complainant, the '789 patent lists over 60 cited prior art references, including the Aguerre '249 patent, the Hawker '040 patent, the Seidel '401 and '600 patents, the Quillot patent, and the Waldies version of the Aqua Clog, and

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<sup>501</sup> RIB 100 citing Whatley, Tr. 344.

<sup>502</sup> RIB 101 citing *KSR*, 127 S.Ct. at 1741.

<sup>503</sup> RIB 101.

is therefore entitled to a strong presumption of validity.<sup>504</sup> Complainant argues that Respondents' obviousness arguments are without merit because they do not cite any obviousness combination with a particular reference that has a strap. According to Complainant, it is not enough for Respondents to merely assert that the idea of adding a strap to the Aqua Clog is obvious.<sup>505</sup> Furthermore, Complainant asserts that even if the mere idea of a strap were relevant, there is no evidence that adding the idea of a strap to the Aqua Clog would have resulted in anything close to the '789 design.<sup>506</sup> In addition, Complainant asserts that Respondents have failed to identify any primary reference applicable to the '789 design and therefore cannot establish invalidity.<sup>507</sup>

Respondents counter that, if the difference between the '789 design and a combination of the Aqua Clog and the Aguerre '249 patent is significant enough to render the '789 patent nonobvious, then the patent, by necessity, must be so narrow that infringement is impossible.<sup>508</sup>

The undersigned agrees with Complainant that, because all of the prior art references discussed by Respondents were disclosed in the prosecution of the '789 patent, there is a strong presumption of validity. While it is undisputed that the base and the upper of the footwear described in the '789 patent is virtually identical to the prior art Aqua Clog, and that there existed in the prior art the concept of a strap with round connectors, Respondents have not shown, by clear and convincing evidence, that the '789 patent is invalid based on obviousness. While adding the strap depicted in the Aguerre '249 patent to the Aqua Clog may produce a somewhat similar visual

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<sup>504</sup> CIB 98 citing CX-3 (the '789 patent).

<sup>505</sup> CIB 99.

<sup>506</sup> CIB 100 citing CFF 2745-47, 2754.

<sup>507</sup> CIB 101-02; CRB 64-65.

<sup>508</sup> RRB 62.

image,<sup>509</sup> the image is not identical, or even substantially similar. “[I]n considering prior art references for purposes of determining patentability of ornamental designs, the focus must be on appearances and not uses.”<sup>510</sup> In the undersigned’s view, none of the combinations proposed by Respondents produces the footwear design in the ‘789 patent.

**b. Secondary Considerations**

Complainant asserts that there is overwhelming evidence of nonobviousness based on secondary considerations.<sup>511</sup> As the arguments as to the ‘789 patent are identical to the arguments raised above for the ‘858 patent, which the undersigned, with the exception of industry praise, did not find persuasive above, they are likewise rejected here. The discussion of industry praise is also adopted here.<sup>512</sup>

**c. Conclusion as to Obviousness**

Accordingly, based on the foregoing, the ‘789 patent is not invalid based on obviousness.

**F. Unenforceability - Inequitable Conduct**

Respondents asserts that the ‘789 patent is unenforceable due to inequitable conduct as a result of the manner in which the Aqua Clog was disclosed to the Examiner during prosecution.<sup>513</sup> As the undersigned has already found that none of the accused products infringe the ‘789 patent, there is no need to address Respondents’ allegations of inequitable conduct.

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<sup>509</sup> RRB 62.

<sup>510</sup> *In re Harvey*, 12 F.3d 1061, 1064 (Fed. Cir. 1993) (“*Harvey*”) citing *In re Glavas*, 230 F.2d 447, 450 (CCPA 1956) (“*Glavas*”).

<sup>511</sup> CIB 103.

<sup>512</sup> See Section III (E)(2)(b).

<sup>513</sup> RIB 104-05.

## V. Domestic Industry - Economic Prong

As stated above, on September 29, 2006, Complainant filed a motion for summary determination that it satisfies the domestic industry requirement of Section 337. On November 7, 2006, the undersigned issued Order No. 34, an initial determination granting in part Complainant's motion for summary determination. The undersigned granted Complainant's motion for summary determination that it satisfies the economic prong of domestic industry, but denied Complainant's motion for summary determination that it satisfies the technical prong. In addition, the undersigned noted that no determination was being made as to the '789 patent in light of Order No. 32. On November 27, 2006, the Commission issued a notice of decision not to review an initial determination.

Complainant asserts that the undersigned has already determined that Complainant satisfies the economic prong of the domestic industry requirement when ruling that "Crocs has demonstrated substantial domestic investment in plant and equipment, labor and capital, and engineering, development and exploitation with regard to its Beach, Cayman, Kids Cayman, Motion, Cloud, Silver Cloud, Endeavor, Professional, Highland, and Relief models."<sup>514</sup> Staff agrees that, based on the undersigned's initial determination granting summary determination on economic prong of domestic industry, that no further discussion is required.<sup>515</sup> Respondents do not address the economic prong of domestic industry in their post-hearing brief.

Although it is clear that the undersigned has already found that Complainant has met the economic prong of the domestic industry requirement as to the '858 patent, in the undersigned's

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<sup>514</sup> CIB 104 citing Order No. 34 at 7.

<sup>515</sup> SIB 71.



view, based on the statement made in Order No. 34 that the undersigned was making no determination as to the '789 patent in light of Order No. 32, it is not clear that a determination has been made that Complainant satisfies the economic prong of the domestic industry requirement as to the '789 patent. To the extent that such a determination has not yet been made, the undersigned finds that, for the same reasons that Complainant meets the economic prong of the domestic industry requirement for the '858 patent, as demonstrated by its Beach, Cayman, and Kids Cayman models, which constitute approximately 85% of Complainant's overall sales, Complainant also meets the economic prong of the domestic industry requirement for the '789 patent.