

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

CERTAIN FOOTWEAR PRODUCTS

Investigation No. 337-TA-936

**NOTICE OF A COMMISSION DECISION TO AFFIRM-IN-PART, REVERSE-IN-PART,
AND VACATE CERTAIN PORTIONS OF A FINAL INITIAL DETERMINATION
FINDING A VIOLATION OF SECTION 337; ISSUANCE OF GENERAL EXCLUSION
ORDER; 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 determined to affirm-in-part, reverse-in-part, and vacate certain portions of a final initial determination (“ID”) of the presiding administrative law judge (“ALJ”) finding a violation of section 337 in the above-captioned investigation, and has issued a general exclusion order directed against infringing footwear products. The Commission has terminated the 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 November 17, 2014, based on a complaint filed on behalf of Converse Inc. of North Andover, Massachusetts. 79 *Fed. Reg.* 68482-83. The complaint alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, by reason of infringement of certain U.S. Trademark Registration Nos.: 4,398,753 (“the ’753 trademark”); 3,258,103 (“the ’103 trademark”); and 1,588,960 (“the ’960 trademark”). The complaint further alleges violations of section 337 based upon unfair competition/false designation of origin, common law trademark infringement and unfair competition, and trademark dilution, the threat or effect of which is to destroy or substantially injure an industry in the United States. The Commission’s notice of

investigation named numerous respondents including Wal-Mart Stores, Inc. of Bentonville, Arkansas; Skechers U.S.A., Inc. of Manhattan Beach, California; and Highline United LLC d/b/a Ash Footwear USA of New York City, New York. The Office of Unfair Import Investigations (“OUII”) is also a party to the investigation. *Id.* New Balance Athletic Shoe, Inc. (“New Balance”) of Boston, Massachusetts was subsequently added as a respondent-intervenor. *See* Order No. 36 (unreviewed, Comm’n Notice Feb. 19, 2015). Only these four respondents remain active in the investigation. All other respondents, as detailed below, have been found in default or have been terminated from the investigation based on good cause or settlement and/or consent order stipulation.

On February 10, 2015, the Commission determined not to review an ID (Order No. 32) granting a joint motion of complainant and Skeanie Shoes, Inc. (“Skeanie”) of New South Wales, Australia terminating the investigation as to Skeanie Shoes based on settlement and consent order stipulation. On the same date, the Commission determined not to review an ID (Order No. 33) granting a joint motion of complainant and PW Shoes, Inc. (“PW Shoes”) of Maspeth, New York terminating the investigation as to PW Shoes based on settlement and consent order stipulation. Also on the same date, the Commission determined not to review an ID (Order No. 34) granting a joint motion of complainant and Ositos Shoes, Inc. (“Ositos Shoes”) of South El Monte, California terminating the investigation as to Ositos Shoes based on settlement agreement and consent order stipulation. On March 4, 2015, the Commission determined not to review an ID (Order No. 52) granting a joint motion of complainant and Ralph Lauren Corporation (“Ralph Lauren”) of New York City, New York terminating the investigation as to Ralph Lauren based on settlement agreement and consent order stipulation. On March 12, 2015, the Commission determined not to review an ID (Order No. 55) granting a joint motion of complainant and OPPO Original Corp. (“OPPO”) of City of Industry, California terminating the investigation as to OPPO based on settlement agreement and consent order stipulation. On the same date, the Commission determined not to review an ID (Order No. 57) granting a joint motion of complainant and H & M Hennes & Mauritz LP (“H & M”) of New York City, New York terminating the investigation as to H & M based on settlement agreement and consent order stipulation. On March 24, 2015, the Commission determined not to review an ID (Order No. 59) granting a joint motion of complainant and Zulily, Inc. (“Zulily”) of Seattle, Washington terminating the investigation as to Zulily based on settlement agreement and consent order stipulation. On March 30, 2015, the Commission determined not to review an ID (Order No. 65) granting a joint motion of complainant and Nowhere Co. Ltd. d/b/a Bape (“Nowhere”) of Tokyo, Japan terminating the investigation as to Nowhere based on settlement agreement and consent order stipulation. On the same date, the Commission determined not to review an ID (Order No. 67) granting a joint motion of complainant and The Aldo Group (“Aldo”) of Montreal, Canada terminating the investigation as to Aldo based on settlement agreement and consent order stipulation.

On April 1, 2015, the Commission determined not to review an ID (Order No. 69) granting a joint motion of complainant and Gina Group, LLC (“Gina Group”) of New York City, New York terminating the investigation as to Gina Group based on settlement agreement and consent order stipulation. On the same date, the Commission determined not to review an ID (Order No. 70) granting a joint motion of complainant and Tory Burch LLC (“Tory Burch”) of New York City,

New York terminating the investigation as to Tory Burch based on settlement agreement and consent order stipulation. On April 24, 2015, the Commission determined not to review an ID (Order No. 73) granting a joint motion of complainant and Brian Lichtenberg, LLC (“Brian Lichtenberg”) of Los Angeles, California terminating the investigation as to Brian Lichtenberg based on settlement agreement and consent order stipulation. On the same date, the Commission determined not to review an ID (Order No. 80) granting a joint motion of complainant and Fila U.S.A., Inc. (“Fila”) of Sparks, Maryland terminating the investigation as to Fila based on settlement agreement and consent order stipulation. On May 4, 2015, the Commission determined not to review an ID (Order No. 86) granting a joint motion of complainant and Mamiye Imports LLC d/b/a Lilly of New York located in Brooklyn, New York and Shoe Shox of Seattle, Washington (collectively, “Mamiye Imports”) terminating the investigation as to Mamiye Imports based on settlement agreement and consent order stipulation.

On May 6, 2015, the Commission determined not to review an ID (Order No. 83) granting New Balance’s motion to terminate the investigation as to New Balance’s accused CPT Hi and CPT Lo model sneakers based on a consent order stipulation. On May 13, 2015, the Commission determined not to review an ID (Order No. 93) granting a joint motion of complainant and Iconix Brand Group, Inc. (“Iconix”) of New York City, New York terminating the investigation as to Iconix based on settlement agreement and consent order stipulation. On June 4, 2015, the Commission determined not to review an ID (Order No. 108) granting a joint motion of complainant and A-List, Inc. d/b/a Kitson (“Kitson”) of Los Angeles, California terminating the investigation as to Kitson based on settlement agreement and consent order stipulation. On June 12, 2015, the Commission determined not to review an ID (Order No. 114) granting a joint motion of complainant and Esquire Footwear LLC (“Esquire”) of New York City, New York terminating the investigation as to Esquire based on settlement agreement, consent order stipulation, and consent order. On July 15, 2015, the Commission determined not to review an ID (Order No. 128) granting a joint motion of complainant and Fortune Dynamic, Inc. (“Fortune Dynamic”) of City of Industry, California terminating the investigation as to Fortune Dynamic based on settlement agreement and consent order stipulation. On August 12, 2015, the Commission determined not to review an ID (Order No. 154) granting a joint motion of complainant and CMerit USA, Inc. (“CMerit”) of Chino, California terminating the investigation as to CMerit based on settlement agreement and consent order stipulation. On August 14, 2015, the Commission determined not to review an ID (Order No. 155) granting a joint motion of complainant and Kmart Corporation (“Kmart”) of Hoffman Estates, Illinois terminating the investigation as to Kmart based on settlement agreement and consent order stipulation.

Also, on March 12, 2015, the Commission determined not to review an ID (Order No. 58) finding Dioniso SRL of Perugia, Italy; Shenzhen Foreversun Industrial Co., Ltd. (a/k/a Shenzhen Foreversun Shoes Co., Ltd.) (“Foreversun”) of Shenzhen, China; and Fujian Xinya I&E Trading Co. Ltd. of Jinjiang, China in default. Similarly, on June 2, 2015, the Commission determined not to review an ID (Order No. 106) finding Zhejiang Ouhai International Trade Co. Ltd. and Wenzhou Cereals Oils & Foodstuffs Foreign Trade Co. Ltd., both of Wenzhou, China, in default. Further, on March 25, 2015, the Commission determined not to review an ID (Order No. 68) granting the motion of Orange Clubwear, Inc. of Westminster, California to terminate the

investigation as to itself based on a consent order stipulation. On May 12, 2015, the Commission determined not to review an ID terminating the investigation as to Edamame Kids, Inc. of Alberta, Canada for good cause and without prejudice.

The ALJ issued his final ID on November 17, 2015, finding a violation of section 337 as to certain accused products of each active respondent and as to all accused products of each defaulting respondent. Specifically, the ALJ found that the '753 trademark is not invalid and that certain accused products of each active respondent, and all accused products of each defaulting respondent, infringe the '753 trademark. The ALJ also found that: (1) Converse satisfied both the economic and technical prongs of the domestic industry requirement with respect to all asserted trademarks; (2) certain accused products of defaulting respondent Foreversun infringe both the '103 and '960 trademarks; and (3) a violation of section 337 with respect to the '103 and '960 trademarks by Foreversun. The ALJ also found no dilution of the '753 trademark. The ALJ also issued his recommendation on remedy and bonding during the period of Presidential review. He recommended a general exclusion order directed to footwear products that infringe the asserted trademarks, and recommended cease and desist orders directed against each active, remaining respondent found to infringe. On December 4, 2015, complainant, respondents, and the Commission investigative attorney ("IA") each filed a timely petition for review of the final ID. On December 14, 2015, each of these parties filed responses to the other petitions for review.

On February 3, 2016, the Commission issued notice of its determination to review: (1) the ID's finding of no invalidity of the '753 trademark; (2) the ID's findings regarding infringement of the '753 trademark; (3) the ID's finding of invalidity of the common law rights asserted in the design depicted in the '753 trademark; and (4) the ID's finding of no violation of section 337 with respect to the common law rights asserted in the designs depicted in the '103 and '960 trademarks. The Commission also determined not to review the remainder of the final ID. The determinations made in the ALJ's final ID that were not reviewed became final determinations of the Commission by operation of rule. *See* 19 C.F.R. § 210.43(h)(2). The Commission also requested the parties to respond to certain questions concerning the issues under review and requested written submissions on the issues of remedy, the public interest, and bonding from the parties and interested non-parties. 81 *Fed. Reg.* 6886-89 (Feb. 9, 2016).

On February 17 and 24, 2016, respectively, complainant, respondents, and the IA each filed a brief and a reply brief on all issues for which the Commission requested written submissions. Respondents' reply brief included a request for a Commission hearing to present oral argument under Commission rule 210.45(a). On February 29 and March 3, 2016, respectively, both Converse and the IA each filed a response to respondents' request, with each accompanied by a motion for leave to file a sur-reply to the request for oral argument. On March 1, 2016, respondents filed a motion for leave to submit a sur-reply to their request for oral argument. The Commission has determined to grant all motions for leave to file sur-replies submitted by the parties, and to deny respondents' request for a Commission hearing to present oral argument.

Having reviewed the record in this investigation, including the ALJ's final ID and the parties' written submissions, the Commission has determined to affirm-in-part, reverse-in-part,

and vacate certain portions of the final ID's findings under review. Specifically, the Commission has reversed the ALJ's finding that the '753 trademark is not invalid, and instead has found the trademark invalid based on lack of secondary meaning. The Commission has also affirmed the ALJ's finding that there is a likelihood of confusion with respect to the '753 trademark for specific accused footwear products if the trademark was not invalid. The Commission has also affirmed the ALJ's finding that there is no likelihood of confusion with respect to the '753 trademark for specific accused footwear products regardless of invalidity. Further, the Commission has affirmed the ALJ's finding that the asserted common law rights in the '753 trademark are invalid. Accordingly, the Commission has determined that there is no violation of section 337 with respect to the '753 trademark. The Commission has vacated the ALJ's finding that the asserted common law rights in the designs depicted in the '103 and '960 trademarks are invalid. The Commission has determined that this finding with respect to these common law rights is moot in view of the Commission's finding of a violation with respect to the federally-registered rights in the '103 and '960 trademarks since the scope of the common law and federally-registered rights in these trademarks is co-extensive. See Comm'n Notice (Feb. 3, 2016); ID at 107-08, 121-26, 128-29, 131-32.

Having found a violation of section 337 as to the '103 and '960 federally-registered trademarks, 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 a general exclusion order prohibiting the unlicensed entry of footwear products that infringe the '103 or '960 trademarks.

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. Finally, the Commission determined that a bond of 100 percent of the entered value (per pair) of the covered products is required to permit temporary importation during the period of Presidential review (19 U.S.C. § 1337(j)). The Commission has also issued an opinion explaining the basis for the Commission's action. The Commission's order and opinion were delivered to the President and to the United States Trade Representative on the day of their issuance. The investigation is terminated.

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 Part 210 of the Commission's Rules of Practice and Procedure, 19 C.F.R. Part 210.

By order of the Commission.



Lisa R. Barton
Secretary to the Commission

Issued: June 23, 2016