

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of
CERTAIN CASUAL FOOTWEAR
AND PACKAGING THEREOF

Investigation No. 337-TA-1270

NOTICE OF A COMMISSION DETERMINATION TO REVIEW IN PART A FINAL INITIAL DETERMINATION FINDING NO VIOLATION; REQUEST FOR WRITTEN SUBMISSIONS ON THE ISSUES UNDER REVIEW, 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 (“Commission”) has determined to review in part a final initial determination (“ID”) issued by the presiding administrative law judge (“ALJ”) finding no violation of section 337 and to solicit briefing from the parties on the issues under review, as well as briefing from the parties, interested government agencies, and any other interested parties on the issues of remedy, bonding, and the public interest.

FOR FURTHER INFORMATION CONTACT: Carl P. Bretscher, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street S.W., Washington, D.C. 20436, telephone (202) 205-2382. Copies of non-confidential documents filed in connection with this investigation may be viewed on the Commission’s electronic docket (EDIS) at <https://edis.usitc.gov>. For help accessing EDIS, please email EDIS3Help@usitc.gov. General information concerning the Commission may also be obtained by accessing its Internet server at <https://www.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 July 9, 2021, based on a complaint filed by Crocs, Inc. of Broomfield, Colorado (“Crocs”). 86 FR 36303-304 (July 9, 2021). The complaint, as supplemented, alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337 (“section 337”), in the importation into the United States, sale for importation, or sale in the United States after importation of certain casual footwear and packaging thereof by reason of infringement, false designation of origin, and dilution of one of more of U.S. Trademark Registration Nos. 5,149,328; 5,273,875 (collectively, the “3D Marks”); and 3,836,415 (“the Word Mark”) (all collectively, “the Asserted Marks”). *Id.* The complaint alleges that a domestic industry exists, and that the threat or effect of certain alleged violations is to destroy or substantially injure an industry in the United States. *Id.*

The Commission’s notice of investigation named numerous respondents, including: Hobby Lobby Stores, Inc. of Oklahoma City, Oklahoma (“Hobby Lobby”); Quanzhou ZhengDe

Network Corp. d/b/a Amoiji of Quanzhou, Fujian Province, China (“Amoiji”); Skechers USA, Inc. of Manhattan Beach, California (“Skechers”); SG Footwear Meser Grp. Inc. a/k/a S. Goldberg & Co. of Hackensack, New Jersey (“SG Footwear”); Cape Robbin Inc. of Pomona, California (“Cape Robbin”); Dr. Leonard’s Healthcare Corp. d/b/a Carol Wright of Edison, New Jersey (“Dr. Leonard’s”); Fullbeauty Brands Inc. d/b/a Kingsize of New York, New York (“Fullbeauty”); Legend Footwear, Inc. d/b/a/ Wild Diva of City of Industry, California (“Wild Diva”); Fujian Huayuan Well Import and Export Trade Co., Ltd. of Fuzhou, Fujian Province, China (“Fujian”); Yoki Fashion International LLC of New York, New York (“Yoki”); Bijora, Inc. d/b/a Akira of Chicago, Illinois (“Akira”); Hawkins Footwear, Sports, Military & Dixie Store of Brunswick, Georgia (“Hawkins”); Shoe-Nami Inc. of Gretna, Louisiana (“Shoe-Nami”); PW Shoes, Inc. a/k/a P&W of Maspeth, New York (“PW”); 718Closeouts of Brooklyn, New York (“718Closeouts”); Crocsky of Austin, Texas (“Crocsky”); Hobibear Shoes and Clothing Ltd. of Brighton, Colorado (“Hobibear”); Ink Tee of Los Angeles, California (“Ink Tee”); Maxhouse Rise Ltd. of Hong Kong, China (“Maxhouse”); La Modish Boutique of West Covina, California (“La Modish”); Loeffler Randall Inc. of New York, New York (“Loeffler Randall”); Star Bay Group Inc. of Hackensack, New Jersey (“Star Bay”); and Royal Deluxe Accessories, LLC of New Providence, New Jersey (“Royal Deluxe”). The Office of Unfair Import Investigations (“OUII”) was named as a party.

On November 17, 2021, the Commission amended the complaint and notice of investigation to add certain new respondents, including Orly Shoe Corp. of New York, New York (“Orly”); Mould Industria de Matrizas Ltda. d/b/a/ Boaonda of Brazil (“Boaonda”); Dongguan Eastar Footwear Enterprises Co., Ltd. of Guangzhou City, China (“Eastar”); KGS Sourcing Ltd. of Hong Kong, China (“KGS”); Fujian Wanjiaxin Industrial Developing, Inc. a/k/a Fujian Wanjiaxin Light Industrial Developing, Inc. of Quanzhou City, China (“Wanjiaxin”); Jinjiang Anao Footwear Co., Ltd. (“Anao”); Walmart Inc. of Bentonville, Arkansas (“Walmart”); and Huizhou Xinshunzu Shoes Co., Ltd. of Huizhou City, China (“Huizhou”), and to terminate the investigation with respect to Crocsky, Hobibear, and Ink Tee. Order No. 30 (Oct. 21, 2021), *unreviewed by* Comm’n Notice (Nov. 17, 2021).

The Commission subsequently terminated the investigation with respect to various respondents on the basis of settlement agreements or consent orders. *See* Order No. 12 (Aug. 11, 2021) (terminating Skechers), *unreviewed by* Comm’n Notice (Aug. 24, 2021); Order No. 16 (Aug. 26, 2021) (SG Footwear) and Order No. 17 (Aug. 26, 2021) (Cape Robbin), *unreviewed by* Comm’n Notice (Sept. 24, 2021); Order No. 20 (Sept. 1, 2021) (Dr. Leonard’s), *unreviewed by* Comm’n Notice (Sept. 29, 2021); Order No. 22 (Sept. 9, 2021) (Fullbeauty) and Order No. 23 (Sept. 9, 2021) (Wild Diva), *unreviewed by* Comm’n Notice (Oct. 7, 2021); Order No. 24 (Sept. 17, 2021) (Fujian), *unreviewed by* Comm’n Notice (Oct. 7, 2021); Order No. 25 (Sept. 22, 2021) (Yoki), *unreviewed by* Comm’n Notice (Oct. 7, 2021); Order No. 26 (Sept. 28, 2021) (Akira), *unreviewed by* Comm’n Notice (Oct. 27, 2021); Order No. 27 (Oct. 6, 2021) (Hawkins), *unreviewed by* Comm’n Notice (Oct. 29, 2021); Order No. 32 (Nov. 1, 2021) (Shoe-Nami) and Order No. 33 (Nov. 1, 2021) (PW), *unreviewed by* Comm’n Notice (Nov. 29, 2021); Order No. 34 (Nov. 10, 2021) (718 Closeouts), *unreviewed by* Comm’n Notice (Dec. 6, 2021); Order No. 39 (Jan. 11, 2022) (Eastar), *unreviewed by* Comm’n Notice (Feb. 4, 2022); Order No. 46 (March

3, 2022) (Maxhouse, Wanjiaxin), *unreviewed by* Comm'n Notice (March 18, 2022); Order No. 49 (March 15, 2022) (Boaonda), *unreviewed by* Comm'n Notice (April 1, 2022); Order No. 54 (April 22, 2022) (Royal Deluxe), *unreviewed by* Comm'n Notice (May 17, 2022); Order No. 56 (May 6, 2022) (Loeffler Randall), *unreviewed by* Comm'n Notice (May 27, 2022); Order No. 81 (Sept. 28, 2022) (Walmart), *unreviewed by* Comm'n Notice (Oct. 20, 2022). The Commission also terminated the investigation with respect to KGS for good cause. Order No. 40 (Feb. 1, 2022), *unreviewed by* Comm'n Notice (Feb. 22, 2022).

On June 10, 2022, the Commission found respondents La Modish, Star Bay, Huizhou, and Anao (“Defaulting Respondents”) were in default and waived their rights to appear, to be served with documents, and to contest the allegations in this investigation, pursuant to 19 CFR 210.16(b), 210.17(h). Order No. 58 (May 20, 2022), *unreviewed by* Comm'n notice (June 10, 2022).

On September 13-16, 2022, the ALJ held an evidentiary hearing. On September 30, 2022, Crocs, OUII, and the participating respondents (Orly, Hobby Lobby, and Amoji) filed their respective initial post-hearing briefs. On October 7, 2022, the parties filed their post-hearing reply briefs.

On January 9, 2023, the ALJ issued the subject ID finding no violation of section 337 because: (1) Crocs failed to prove that any of Respondents infringes the 3D Marks; (2) Crocs failed to prove that Orly or Hobby Lobby infringes the Word Mark; (3) Crocs did not prove that any of Respondents has falsely designated the origin (source) of their accused products or caused unfair competition; (4) Crocs did not prove that any of the Respondents diluted any of the Asserted Marks, either by blurring or tarnishment; (5) the 3D Marks are invalid for lack of secondary meaning; and (6) Crocs waived its infringement contentions against Defaulting Respondents. ID at 71-72, 83-86, 148-49. The ID also finds that Crocs has satisfied both the technical and economic prongs of the domestic industry (“DI”) requirement, and it takes no position on injury. *Id.* at 130, 149. The ID further finds that Respondents failed to prove the 3D Marks are invalid as functional or the Word Mark is invalid as generic, and it takes no position on Respondents’ “fair use” defense. *Id.* at 128-29, 149.

On January 23, 2023, Crocs filed a petition for review of the ID’s findings. On the same date, Respondents Orly and Hobby Lobby (“the Orly Respondents”) filed a contingent petition for review of certain findings should the Commission determine to review the ID. Amoji did not join in the Orly Respondents’ contingent petition for review or file a petition of its own.

On January 31, 2023, Respondents Orly, Hobby Lobby, and Amoji filed a joint response to Crocs’ petition for review, and Crocs filed its response to the Orly Respondents’ contingent petition for review. On the same date, OUII filed a response to both of the petitions for review.

Having reviewed the record in this investigation, including the final ID, the parties’ petitions, and responses thereto, the Commission has determined to review the ID in part with respect to the ID’s findings regarding: (1) Crocs’s infringement contentions against the lined

versions of Orly's Gators were untimely and waived; (2) the 3D Marks lack secondary meaning, including application of the presumption of validity; (3) Crocs waived its infringement contentions with respect to the Defaulting Respondents; (4) subject matter jurisdiction; (5) likelihood of confusion; (6) false designation of origin; (7) dilution; and (8) the technical and economic prongs of domestic industry. The Commission has determined not to review the remaining findings in the ID.

The parties are asked to provide additional briefing on the following issues under review:

- (A) Explain whether the evidence of record demonstrates that the shoes that were allegedly the subject of Orly's first sale practiced the 3D Marks in question, and whether they were the same as the Orly "Gator" shoes presently at issue. Explain whether Orly's sales activities satisfies the requirements of a "first sale" in this context and its implications for the presumption of validity of the Asserted Marks and the burden of proof. Explain whether the evidence is sufficient to overcome the presumption of validity, if applicable.
- (B) Explain whether the infringement contention presented in Crocs' pre-hearing and post-hearing briefs provided sufficient notice and information that Crocs was accusing the lined version of the accused Orly Gator products of infringement. Identify any significant, relevant similarities or differences between the lined and unlined versions of the Orly Gator products for purposes of infringement.

The parties are requested to brief only the discrete issues identified above, with reference to the applicable law and evidentiary record. The parties are not to brief any other issues on review, which have already been adequately presented in the parties' previous filings.

In connection with the final disposition of this investigation, the statute authorizes issuance of: (1) an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) cease-and-desist orders that could result in the respondents being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. 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 Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843, Comm'n Op. at 7-10 (December 1994).

The statute requires the Commission to consider the effects of any remedy upon the public interest. The public interest factors the Commission will consider include the effect that an exclusion order and/or cease-and-desist order 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.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve, disapprove, or take no action on the Commission's action. *See* Presidential Memorandum of July 21, 2005. 70 FR 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 and prescribed by the Secretary of the Treasury. 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 this investigation are requested to file written submissions on the issues identified above in this notice. In addition, the parties, interested government agencies, and any other interested parties are requested to file written submissions on the issues of remedy, the public interest, and bonding. Such initial submissions should include views on the recommended determination by the ALJ on remedy and bonding.

In its initial submission, Complainant is requested to identify the remedy sought, and both Complainant and OUII are requested to submit proposed remedial orders for the Commission's consideration. Complainant is also requested to provide the HTSUS subheadings under which the accused products are imported. Complainant is further requested to supply the names of known importers of the Respondents' products at issue in this investigation. Complainant is also requested to identify and explain, from the record, articles that it contends are "packaging of" the subject products, and thus potentially covered by the proposed remedial orders, if imported separately from the subject products. *See* 86 FR 36303-304. Failure to provide this information may result in waiver of any remedy directed to "packaging of" the subject products, in the event any violation may be found.

The parties' written submissions and proposed remedial orders must be filed no later than the close of business on **April 19, 2023**. Reply submissions must be filed no later than the close of business on **April 26, 2023**. Opening submissions are limited to 50 pages. Reply submissions are limited to 30 pages. No further submissions on any of these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document electronically on or before the deadlines stated above. The Commission's paper filing requirements in 19 CFR 210.4(f) are currently waived. 85 FR 15798 (Mar. 19, 2020). Submissions should refer to the investigation number ("Inv. No. 337-TA-1270") in a prominent place on the cover page and/or first page. (*See Handbook for Electronic Filing Procedures*, https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf). Persons with questions regarding filing should contact the Secretary (202-205-2000).

Any person desiring to submit a document to the Commission in confidence must request confidential treatment by marking each document with a header indicating that the document

contains confidential information. This marking will be deemed to satisfy the request procedure set forth in Rules 201.6(b) and 210.5(e)(2) (19 CFR 201.6(b) & 210.5(e)(2)). Documents for which confidential treatment by the Commission is properly sought will be treated accordingly. All information, including confidential business information and documents for which confidential treatment is properly sought, submitted to the Commission for purposes of this Investigation may be disclosed to and used: (i) By the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel, solely for cybersecurity purposes. All contract personnel will sign appropriate nondisclosure agreements. All non-confidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

The Commission vote for this determination took place on April 5, 2023.

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 CFR Part 210).

By order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', enclosed within a large, loopy circular flourish.

Lisa R. Barton
Secretary to the Commission

Issued: April 5, 2023