

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

In the Matter of

CERTAIN FOAM FOOTWEAR

Investigation No. 337-TA-567

**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.

/s/
James R. Holbein
Secretary to the Commission

Issued: July 15, 2011