

In the Matter of

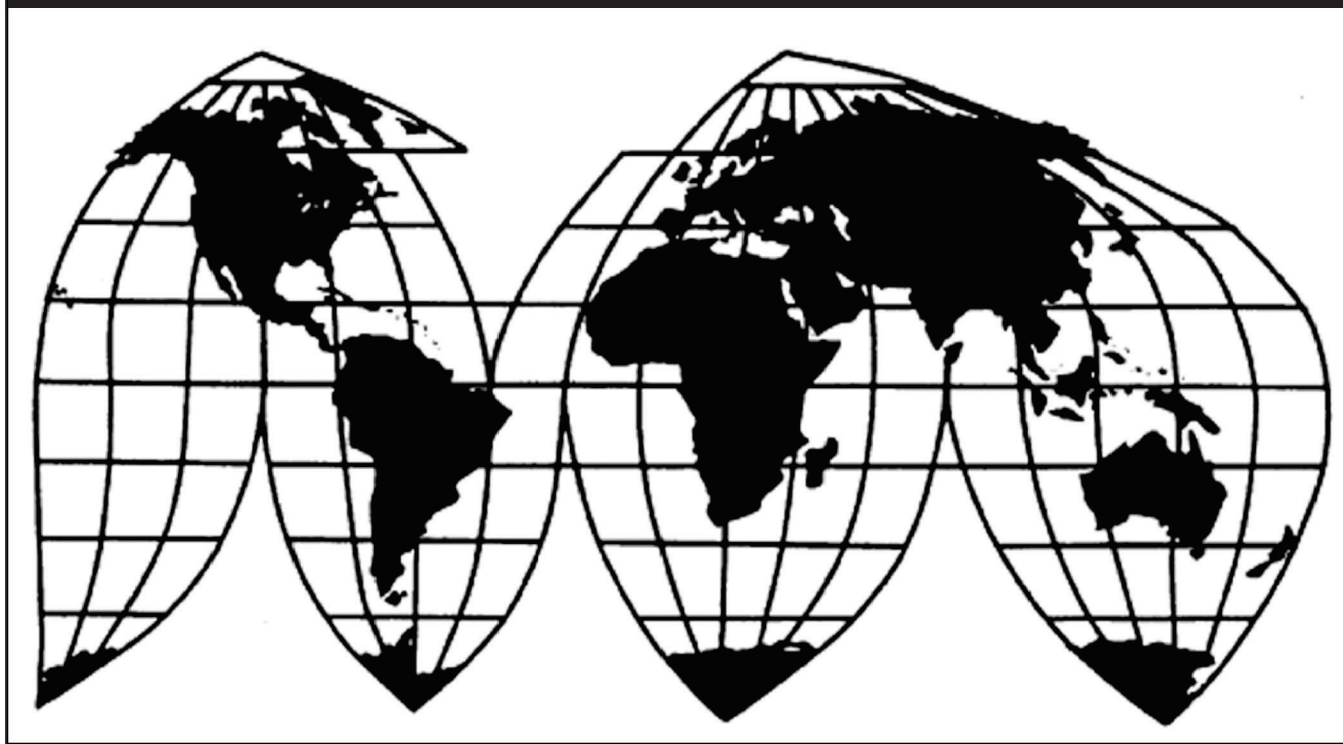
**CERTAIN CONVERTIBLE SOFAS AND
COMPONENTS THEREOF**

337-TA-1122

Publication 5079

June 2020

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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U.S. International Trade Commission

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In the Matter of

CERTAIN CONVERTIBLE SOFAS AND COMPONENTS THEREOF

337-TA-1122



UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

**CERTAIN CONVERTIBLE SOFAS
AND COMPONENTS THEREOF**

Investigation No. 337-TA-1122

**NOTICE OF A COMMISSION DETERMINATION NOT TO REVIEW THE FINAL
INITIAL DETERMINATION FINDING NO VIOLATION OF SECTION 337;
TERMINATION OF THE INVESTIGATION**

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission (the "Commission") has determined not to review the 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. 337 ("Section 337"). The investigation is hereby terminated.

FOR FURTHER INFORMATION CONTACT: Carl P. Bretscher, Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205-2382. 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 SW, Washington, DC 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<https://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's Electronic Docket Information System ("EDIS") (<https://edis.usitc.gov>). Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal, telephone (202) 205-1810.

SUPPLEMENTARY INFORMATION: On July 13, 2018, the Commission instituted the present investigation based on a complaint filed by Sauder Manufacturing Co. of Archbold, Ohio. 83 FR 32686 (July 13, 2018). The complaint alleges a violation of Section 337 has occurred through the importation into the United States, sale for importation, and sale within the United States after importation of certain convertible sofas that purportedly infringe Sauder's U.S. Design Patent No. D716,576 ("the D'576 patent"). *Id.* The Commission's notice of investigation named Krug, Inc. ("Krug") of Kitchener, Ontario, Canada, as the sole respondent. *Id.* The Office of Unfair Import Investigations was not named as a party. *Id.*

The presiding administrative law judge (“ALJ”) set the target date for completion of this investigation for November 13, 2019 (16 months). Order No. 3 (July 27, 2018). The ALJ scheduled the evidentiary hearing for March 18-22, 2019 and the deadline for issuing the final ID for July 12, 2019. Order No. 4 (Aug. 3, 2018). The parties, in response to an inquiry from the ALJ, subsequently agreed that the issues in this investigation could be resolved with a hearing on the briefs rather than a live evidentiary hearing. *See* Joint Statement Stipulating to a Hearing on the Briefs and Corresponding Proposed Procedural Schedule (Nov. 9, 2018). The ALJ adopted their recommendations, with some revisions, and scheduled a hearing for March 19, 2019, to hear the parties’ arguments on their submissions. Order No. 5 (Nov. 19, 2018). The ALJ did not change the deadline for issuing the final ID or the target date for completion of the investigation. *Id.*

On July 12, 2019, the ALJ issued the final ID, which finds that: (1) the accused Krug convertible sofas do not infringe the D’576 patent; (2) prosecution history estoppel bars Sauder from accusing Krug sofas with soft top arms of infringing the D’576 patent; and (3) the D’576 patent claim is invalid under 35 U.S.C. 112 for lack of written description. ID at 18, 34, 54, 58. The ID concludes that importation of the accused Krug products does not violate Section 337. *Id.* at 1, 58.

No party filed a petition to review the subject ID. The Commission has determined not to review the subject ID. The investigation is hereby 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 CFR Part 210).

By order of the Commission.




Lisa R. Barton
Secretary to the Commission

Issued: August 19, 2019

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **NOTICE** has been served by hand upon the following parties as indicated, on **August 19, 2019**.



Lisa R. Barton, Secretary
U.S. International Trade Commission
500 E Street, SW, Room 112
Washington, DC 20436

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PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of

**CERTAIN CONVERTIBLE SOFAS AND
COMPONENTS THEREOF**

INV. NO. 337-TA-1122

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

Administrative Law Judge Clark S. Cheney

(July 12, 2019)

Appearances:

For the Complainant Sauder Manufacturing Company.:

Thomas N. Young, Esq. and Michelle W. Klancnik, Esq. of Young Basile Hanlon & MacFarlane, P.C. of Troy, Michigan.

For the Respondent Krug, Inc.:

John E. Carlson, Esq., Steven Susser, Esq., Timothy J. Murphy, Esq., and Jessica Zilberberg, Esq., of Carlson Gaskey & Olds, PC, of Birmingham, Michigan.

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TABLE OF ABBREVIATIONS

COB	Complainant's Opening Brief
CMB	Complainant's Opening <i>Markman</i> Brief
CRB	Complainant's Reply Brief
CRMB	Complainant's Reply <i>Markman</i> Brief
CX	Complainant's exhibit
CXM	Complainant's <i>Markman</i> exhibit
Dep.	Deposition
PTO	Patent and Trademark Office
ROB	Respondent's Opening Brief
RMB	Respondent's Opening <i>Markman</i> Brief
RRB	Respondent's Reply Brief
RRMB	Respondent's Reply <i>Markman</i> Brief
RX	Respondent's exhibit
RXM	Respondent's <i>Markman</i> exhibit
Tr.	Evidentiary Hearing Transcript
VR	Respondent's Verified Response to the Complaint

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of

**CERTAIN CONVERTIBLE SOFAS AND
COMPONENTS THEREOF**

INV. NO. 337-TA-1122

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

Administrative Law Judge Clark S. Cheney

(July 12, 2019)

Pursuant to the Notice of Investigation, 83 Fed. Reg. 32686 (July 13, 2018), this is the final Initial Determination in the matter of *Certain Convertible Sofas and Components*, Investigation No. 337-TA-1122. 19 C.F.R. §§ 210.10(b), 210.42(a)(1)(i).

For the reasons stated herein, I have determined that no violation of section 337 of the Tariff Act of 1930, as amended, has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain convertible sofas and components thereof alleged to infringe U.S. Design Patent No. 716,576 (“the ’576 patent”).

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I. INTRODUCTION

A. Procedural History

On June 7, 2018, complainant Sauder Manufacturing Company (“Sauder”) filed a complaint alleging violations of section 337 based upon the importation into the United States, the sale for importation, and the sale within the United States after importation of certain convertible sofas and components thereof by reason of infringement of U.S. Design Patent No. 716,576 (“the ’576 patent”). 83 Fed. Reg. 27627 (Jun. 13, 2018).

On July 13, 2018, the Commission instituted this investigation to determine whether there is a violation of subsection (a)(1)(B) of section 337 based on infringement of the ’576 patent and whether an industry in the United States exists as required by subsection (a)(2) of section 337. 83 Fed. Reg. 32686.

The named respondent is Krug, Inc. (“Krug”), of Kitchener, Ontario, Canada. *See id.*

The Commission investigative staff is not a party to this investigation.

On November 9, 2018, the parties jointly stipulated to receive a final initial determination based on argument and evidence submitted in the form of briefs and exhibits, without live testimony. EDIS Doc. ID 661505. I convened a hearing on March 19, 2019, in accordance with the parties’ stipulation. At the hearing, counsel for both parties presented arguments, discussed the evidence, and answered questions concerning the allegedly infringing convertible sofas and legal issues raised in the pleadings.

B. The Parties

1. Complainant Sauder Manufacturing Company.

Complainant Sauder is an Ohio corporation, with its principle place of business located at 930 West Barre Road, Archbold, Ohio, 43502. Compl. at ¶ 17. Sauder is the owner by assignment

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of the asserted patents in this investigation. *See* CX-0001 (“the ’576 patent”) at Cover; CX-0002 at SMC-007646 (assignment record).

2. Respondent Krug, Inc.

Krug, Inc, is a corporation organized under the laws of the Province of Ontario, with places of business at 111 Ahrens Street and 421 Manitou Drive in Kitchener, Ontario, Canada N2C 1L5. *See* VR at ¶ 23.

C. The Asserted Patent

Sauder asserts one patent in this investigation: U.S. Design Patent No. 716,576. The ’576 patent, entitled “Sofa with Adjustable Table,” issued to Blair Wieland and Joel D. Alberda on November 4, 2014. The patent issued from Application Number 29/406,320, filed on November 11, 2011, and claims priority to application No. 13/168,438, filed on June 24, 2011. The patent, on its face, is assigned to Sauder. ’576 patent at cover; *see also* CX-0002 at SMC-007646 (assignment record).

The ’576 patent is directed to the ornamental design for a sofa with an adjustable table. *See, e.g.*, ’576 patent at Abstract. The claim comprises 9 figures. The following figures are representative of the claim:

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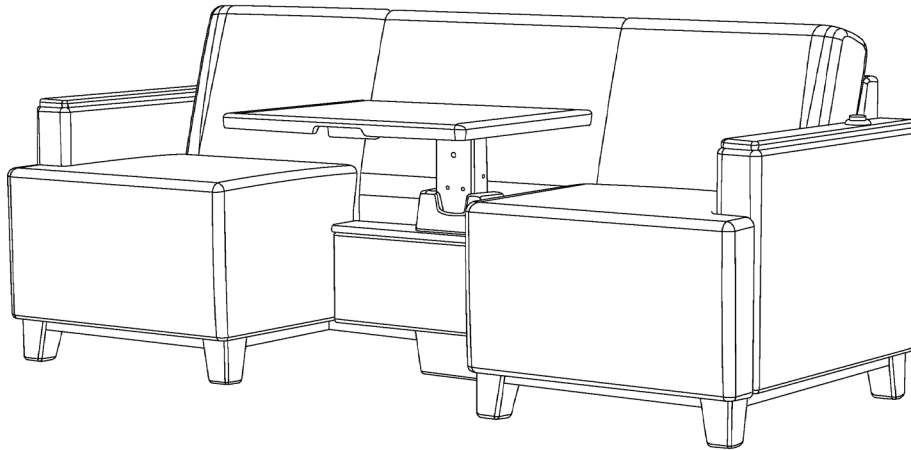


Fig.3

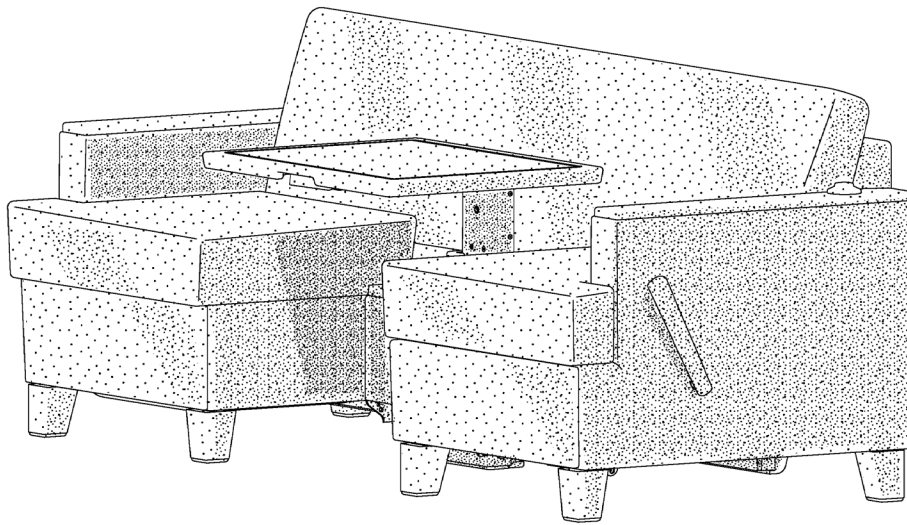


Fig.8

'576 patent at Figs. 3, 8.¹

¹ In an apparent error by the Patent Office, the '576 patent issued with a selection of the originally filed drawings, not certain amended drawings the applicant submitted during prosecution. At Sauder's request, the Patent Office issued a Certificate of Correction with the amended drawings. '576 patent at SMC-007875-007879 (request for Certificate of Correction) and SMC-007879-007901 (Certificate of Correction).

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D. The Accused Products

The accused products are the Amelio line of sofas manufactured by respondent Krug. 83 Fed. Reg. 32686 (July 13, 2018). The accused sofas “include the unitary combination of two upholstered seating areas, each bordered on the lateral end with a vertical armrest, such areas being separated by a flat table member that can be placed substantially level with the seating areas as well as raised above the level of the seating areas to various degrees to provide an open space beneath the table and for the full width of the table.” *Id.* In addition, the accused products include “a full width integral backrest that can be folded down on top of the seats and table to provide a sleep/rest surface.” *Id.* The following photograph of a Krug Amelio sofa is exemplary:



CX-0004.

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E. The Domestic Industry Products

Sauder contends that its *sleepToo*® sofas practice the design claimed in the '576 patent in satisfaction of the technical prong of the domestic industry requirement. COB at 30-34. The following photograph shows a *sleepToo*® sofa:



CX-0006.

II. JURISDICTION & IMPORTATION

A. Subject Matter Jurisdiction

Section 337 confers subject matter jurisdiction on the Commission to investigate, and if appropriate, to provide a remedy for, unfair acts and unfair methods of competition in the importation, the sale for importation, or the sale after importation of articles into the United States. *See* 19 U.S.C. §§ 1337(a)(1)(B) and (a)(2). Sauder filed a complaint alleging a violation of section 337(a). Accordingly, the Commission has subject matter jurisdiction over this investigation under section 337 of the Tariff Act of 1930. *See Amgen, Inc. v. Int'l. Trade Comm'n*, 902 F.2d 1532, 1536 (Fed. Cir. 1990).

B. Personal Jurisdiction

Krug has appeared and participated in this investigation. The Commission therefore has personal jurisdiction over Krug. *See, e.g., Certain Optical Disk Controller Chips & Chipsets &*

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Prods. Containing Same, Including DVD Players & PC Optical Storage Devices, Inv. No. 337-TA-506, ID at 4-5 (May 16, 2005) (unreviewed in relevant part).

C. In Rem Jurisdiction

Krug does not dispute that the Commission has *in rem* jurisdiction over the accused Krug Amelio sleep sofas that have been imported into the United States. See VR at ¶ 24. Accordingly, the Commission has *in rem* jurisdiction over the accused Krug Amelio sleep sofas. See *Sealed Air Corp. v. Int'l Trade Comm'n*, 645 F.2d 976, 985-86 (C.C.P.A. 1981) (noting that the Commission has jurisdiction over imported goods); *Certain Crawler Cranes and Components Thereof*, Inv. No. 337-TA-887, Comm'n Op. at 17 (May 6, 2015) (an article “sold for importation” can confer jurisdiction on the Commission for that article).

D. Importation

Krug has admitted that it “imports and/or arranges for the importation of [the accused products] into the United States . . . for . . . sale.” VR at ¶ 24. Accordingly, the importation requirement is satisfied as to the accused Krug Amelio sleep sofas.

E. Standing

The evidence of record demonstrates that Sauder has standing to bring its complaint based on its ownership by assignment of the asserted patents. See '576 patent at Cover; CX-0002 at SMC-007646. This is undisputed by Krug. See VR at ¶ 28. Accordingly, I find that Sauder has standing in this investigation.

III. LEGAL PRINCIPLES

A. Claim Construction

“An infringement analysis 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 accused of infringing.” *Markman v. Westview Instruments, Inc.*,

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52 F.3d 967, 976 (Fed. Cir. 1995) (*en banc*) (internal citations omitted), *aff'd*, 517 U.S. 370 (1996). Claim construction resolves legal disputes between the parties regarding claim scope. *See Eon Corp. IP Holdings v. Silver Spring Networks*, 815 F.3d 1314, 1319 (Fed. Cir. 2016).

The meaning of a design patent claim “is better represented by an illustration than it could be by any description and a description would probably not be intelligible without the illustration.” *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679 (Fed. Cir. 2008) (*en banc*). For a design patent claim comprising line drawings, the claimed ornamental features are depicted in full black lines (*i.e.*, solid lines). *Application of Blum*, 374 F.2d 904, 906 (C.C.P.A. 1967); 37 C.F.R. § 1.152 (providing design patent drawing conventions). Broken and dotted lines are generally disclaimed, reflecting “an immaterial part of the design as to specific shape or configuration” or general environment. *Blum*, 374 F.2d at 906; *see also Contessa Food Prod., Inc. v. Conagra, Inc.*, 282 F.3d 1370, 1378 (Fed. Cir. 2002) (“If features appearing in the figures are not desired to be claimed, the patentee is permitted to show the features in broken lines to exclude those features from the claimed design, and the failure to do so signals inclusion of the features in the claimed design.”) (internal citations omitted) (abrogated on other grounds).

While “the preferable course ordinarily will be for a ... court not to attempt to ‘construe’ a design patent claim by providing a detailed verbal description of the claimed design,” a “court’s decision regarding the level of detail to be used in describing the claimed design is a matter within the court’s discretion” and is not reversible error absent a showing of prejudice. *Egyptian Goddess*, 543 F.3d at 680. Although the Federal Circuit has made clear that wordy construction of a design claim is disfavored, it may be helpful for a factfinder in a bench trial to describe “various features of the claimed design as they relate to the accused design” when explaining an infringement analysis. *Id.*

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When evaluating the scope of a patent's claims, evidence intrinsic to the application, prosecution, and issuance of a patent is the most significant source of the legally operative meaning of a claim. *See Bell Atl. Network Servs., Inc. v. Covad Commc'ns Grp., Inc.*, 262 F.3d 1258, 1267 (Fed. Cir. 2001). The intrinsic evidence includes the patent claim, the specification, and the prosecution history. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (*en banc*); *see also Markman*, 52 F.3d at 979.

“It is a ‘bedrock principle’ of patent law that ‘the claims of a patent define the invention to which the patentee is entitled the right to exclude.’” *Phillips*, 415 F.3d at 1312 (quoting *Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004)). For a design patent, “it is the drawings of the design patent that provide the description of the invention.” *In re Daniels*, 144 F.3d 1452, 1456 (Fed. Cir. 1998).

When the intrinsic evidence does not establish the meaning of a claim, then extrinsic evidence (*i.e.*, all evidence external to the patent and the prosecution history, including dictionaries, inventor testimony, expert testimony, and learned treatises) may be considered. *Phillips* at 1317. Extrinsic evidence is generally viewed as less reliable than the patent itself and its prosecution history in determining how to define claim terms. *Id.* “The court may receive extrinsic evidence to educate itself about the invention and the relevant technology, but the court may not use extrinsic evidence to arrive at a claim construction that is clearly at odds with the construction mandated by the intrinsic evidence.” *Elkay Mfg. Co. v. Ebco Mfg. Co.*, 192 F.3d 973, 977 (Fed. Cir. 1999).

B. Validity

A patent is presumed valid. *See* 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). A respondent who has raised patent invalidity as an affirmative defense

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has the burden of overcoming this presumption by clear and convincing evidence. *See Microsoft*, 131 S. Ct. at 2242.

1. Written Description and New Matter

Since the Patent Act of 1793, the patent laws have required a patent specification to contain a written description of the invention in full, clear, concise, and exact terms. *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1561 (Fed. Cir. 1991). The written description requirement persists today in 35 U.S.C. § 112. The test for sufficiency of the written description “is the same for either a design or a utility patent.” *In re Owens*, 710 F.3d 1362, 1366 (Fed. Cir. 2013). The factfinder must determine “whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date.” *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (*en banc*). In design patents, the drawings provide the written description of the invention. *In re Daniels*, 144 F.3d at 1456; *In re Klein*, 987 F.2d 1569, 1571 (Fed. Cir. 1993) (“[U]sual[ly] in design applications, there is no description other than the drawings.”).

The written description requirement “most often comes into play where claims not presented in the application when filed are presented thereafter.” *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1560 (Fed. Cir. 1991). If the original disclosure found in a patent application at the time of filing is not sufficiently detailed to enable one of skill in the art to recognize that the applicant invented what is claimed, the claim is invalid for an inadequate written description. *TurboCare Div. of Demag Delaval Turbomachinery Corp. v. Gen. Elec. Co.*, 264 F.3d 1111, 1119-20 (Fed. Cir. 2001). Compliance with the “written description” requirement of § 112 is a question of fact. *Vas-Cath Inc.*, 935 F.2d at 1563.

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C. Infringement

In a section 337 investigation, the complainant bears the burden of proving infringement of the asserted patent claims by a preponderance of the evidence. *See Spansion, Inc. v. International Trade Com'n*, 629 F.3d 1331, 1349 (Fed. Cir. 2010). This standard “requires proving that infringement was more likely than not to have occurred.” *Warner-Lambert Co. v. Teva Pharm. USA, Inc.*, 418 F.3d 1326, 1341 n.15 (Fed. Cir. 2005).

To show infringement of a design patent, the patentee must show that the accused product practices a design that is “substantially the same” as the patented design according to an “ordinary observer.” *Egyptian Goddess*, 543 F.3d at 670 (citing *Gorham Co. v. White*, 81 U.S. 511, 528 (1871)). For purposes of design patents, an “ordinary observer” is one who is familiar with the prior art. *Egyptian Goddess*, 543 F.3d at 677.

This test requires consideration of whether, “in the eye of an ordinary observer, giving such attention as a purchaser usually gives,” the two designs “are substantially the same.” *Id.* Infringement occurs when the resemblance of the two designs “is such as to deceive such an observer and sufficient to induce him to purchase one supposing it to be the other.” *Id.* Such deception must be “by reason of the common features in the claimed and accused designs which are ornamental.” *See OddzOn Prods. v. Just Toys*, 122 F.3d 1396, 1405 (Fed. Cir. 1997) (emphasis added). When an element of a design serves a functional purpose, the fact finder should not focus on the particular design of the functional element when determining infringement, but rather focus on what the functional element contributes to the design’s overall ornamentation. *Sport Dimension, Inc. v. Coleman Co.*, 820 F.3d 1316, 1323 (Fed. Cir. 2016); *see also Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1336 (Fed. Cir. 2015) (“because each . . . component[] has a functional aspect, the underlying elements must be excluded from the scope of the design claims at this general conceptual level.”); *Richardson v. Stanley Works, Inc.*, 597 F.3d

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1288, 1293-94 (Fed. Cir. 2010) (“If the patented design is primarily functional rather than ornamental, the patent is invalid. However, when the design also contains ornamental aspects, it is entitled to a design patent whose scope is limited to those aspects alone and does not extend to any functional elements of the claimed article.”) (internal citations omitted).

D. Domestic Industry

For 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.” 19 U.S.C. § 1337(a)(2). This domestic industry requirement of section 337 is often described as having an economic prong and a technical prong. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 707 F.3d 1295, 1298 (Fed. Cir. 2013); *Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586, Comm’n Op. at 12-14, USITC Pub. No. 4120 (Dec. 2009). The complainant bears the burden of establishing that the domestic industry requirement is satisfied. *John Mezzalingua Assocs., Inc. v. Int’l Trade Comm’n*, 660 F.3d 1322, 1331 (Fed. Cir. 2011).

1. Economic Prong

Section 337(a)(3) sets forth the following economic criteria for determining the existence of a domestic industry in such investigations:

(3) For purposes of paragraph (2), 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, copyright, trademark, mask work, or design 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.

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19 U.S.C. § 1337(a)(3). Given that the statutory criteria are listed in the disjunctive, satisfaction of any one of them will be sufficient to meet the economic prong of the domestic industry requirement. *See Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, Comm'n Op. at 15, USITC Pub. 3003 (Nov. 1996).

2. Technical Prong

The technical prong of the domestic industry requirement is satisfied when the complainant in a patent-based section 337 investigation establishes that it is practicing or exploiting the patents at issue. *See* 19 U.S.C. § 1337(a)(2) and (3); *Certain Microsphere Adhesives, Process for Making Same and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op. at 8 (Jan. 16, 1996). “The test for satisfying the ‘technical prong’ of the industry requirement is essentially [the] same as that for infringement, *i.e.*, a comparison of domestic products to the asserted claims.” *Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1375 (Fed. Cir. 2003). To prevail, the patentee must establish by a preponderance of the evidence that the domestic product practices one or more claims of the patent. *See Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Comm'n Op. at 38 (Aug. 1, 2007).

IV. THE '576 DESIGN PATENT

A. Level of Ordinary Skill in the Art

Krug’s expert opined that a person of ordinary skill in the art in the relevant field “would have (1) at least a B.A. degree in design, art, or equivalent degree, and (2) at least two years’ experience designing, developing or testing furniture, such as sofas.” CX-0040 (Expert Report of Ronald Kemnitzer) at SMC-008678. Sauder’s employee Mr. Wieland contended that “the relevant art is convertible sleep sofas for the healthcare field,” CX-0013 at SMC-008019, while Sauder’s expert Mr. Gallant opined it was “upholstered furniture design and particularly the design of furniture including sofas for the healthcare field.” CX-0015 at SMC-008042. Neither party has

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argued that the level of skill is material to any dispute between the parties. To the extent that it is material, I adopt the level of skill advanced by Krug because it is reasonable.

B. Claim Construction

I will follow “the preferable course” and not attempt a detailed verbal construction of the design patent here, as the meaning of the ’576 patent claim “is better represented by [the] illustration than it could be by any description and a description would probably not be intelligible without the illustration.” *See Egyptian Goddess*, 543 F.3d at 679. I will, however, “point out . . . various features of the claimed design as they relate to the accused design” to articulate my infringement, validity, and domestic industry analyses below. *Id.* at 680.

C. Infringement

Sauder asserts that the Krug Amelio sofa model infringes the design patent claim of the ’576 patent. COB at 10-28. Krug disagrees. ROB at 32-49. As explained below, I find that Sauder has not proved infringement.

1. Comparing the Two Designs

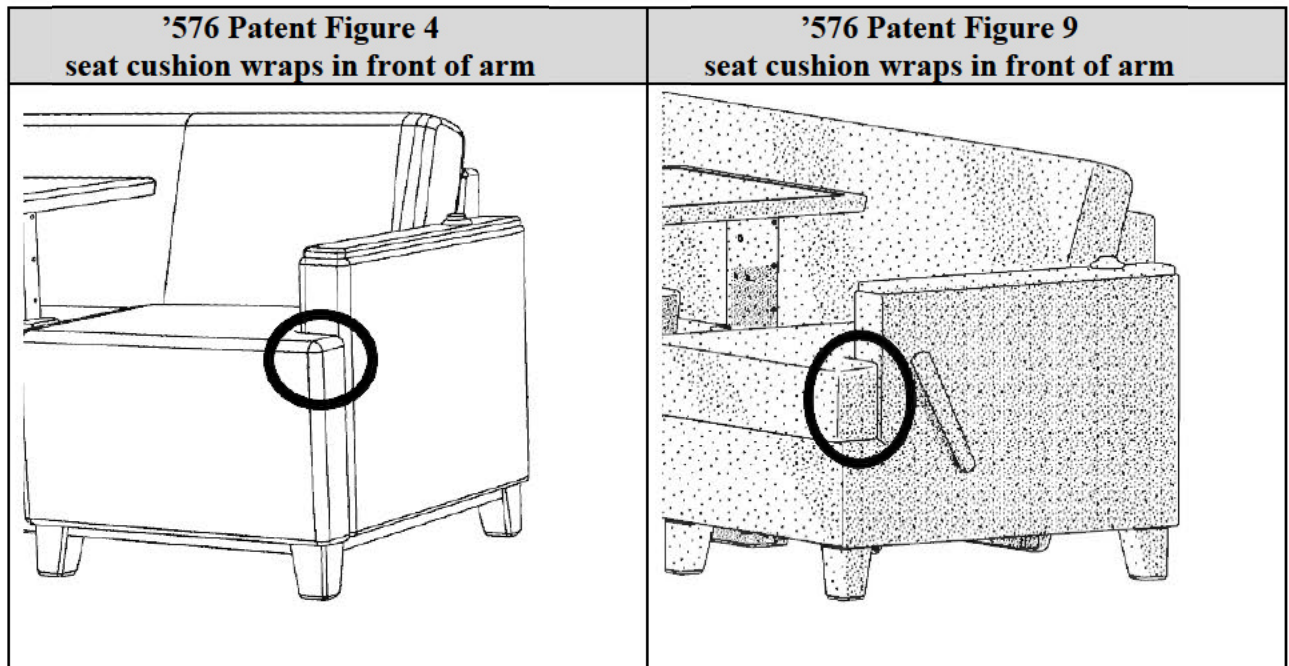
Sauder bears the burden of showing infringement of its design patent under the standard laid out in *Gorham Co. v. White*, 81 U.S. 511, 528 (1871). This requires a showing that “in the eye of an ordinary observer” familiar with the prior art, “giving such attention as a purchaser usually gives” the accused design and the claimed design “are substantially the same.” *Egyptian Goddess*, 543 F.3d at 670 and 677. Sauder “must establish that an ordinary person would be deceived by reason of the common features in the claimed and accused designs which are ornamental.” *OddzOn Prod., Inc.*, 122 F.3d at 1405. As the finder of fact, I must undertake this comparison as the ordinary observer familiar with the prior art. *Egyptian Goddess*, 543 F.3d at 677. The ordinary person relevant here would be a buyer of hospital furniture, often an interior designer hired by a hospital for the purpose of furnishing patient rooms. *See* CX-0016 at ¶ 2-5.

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Where, as here, the claimed design includes several elements, I must consider “similarities in overall designs, not similarities of ornamental features in isolation.” *Ethicon*, 796 F.3d at 1335. I am also mindful, however, that I must articulate the basis for my factual findings to allow the Commission the opportunity for meaningful review. *See* 5 U.S.C. § 557(c). Pointing out various features of the claimed and accused designs will help to illustrate my reasoning. *See Egyptian Goddess*, 543 F.3d at 680. My ultimate conclusion, however, results from consideration of the patented design as a whole and the accused design as a whole.

a) Different Arm Lengths, Seat Cushion Shapes, and End Profiles

Every figure of the asserted patent claim shows a design with arms that do not extend to the front surface of the sofa. The front face of the arm is set back some distance from the front face of the seat. The seat cushions are L-shaped and wrap around the front of the arms. Figures 4 and 9 of the '576 patent are exemplary:



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The design of the accused Krug sofa is quite different. The arms extend all the way to the front face of the seat. The seat cushions are rectangular, not L-shaped, and the cushions do not wrap around the front face of the arm, as illustrated below:



CX-0004 at SMC-000045-56.

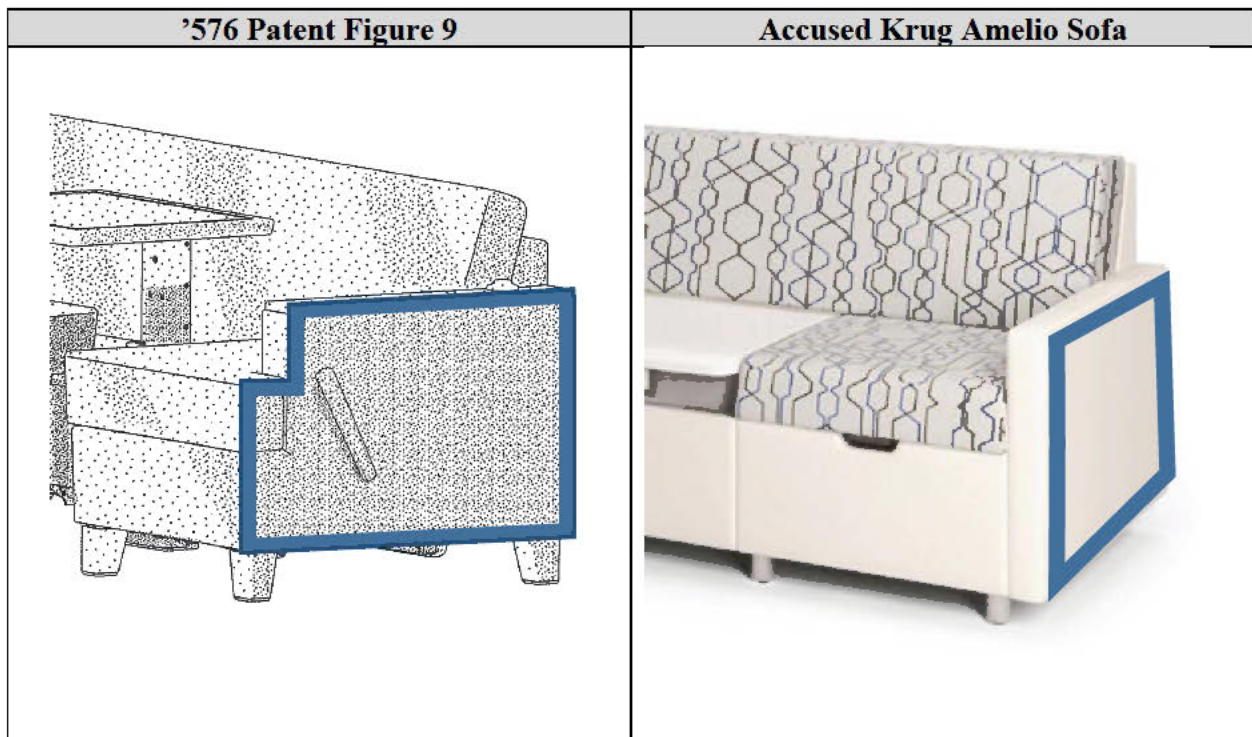
Sauder asserts that the different arm and cushion configuration “essentially disappears when the sofas are viewed from the front.” CMB at 15. I reject that contention for several reasons. First, an ordinary observer would not view a sofa only from the front. In fact, a sofa is most often viewed from above; its features are lower than the eye level of a standing observer and of a user seated on it. When viewed from above, the difference in seat shape between the two designs is quite prominent. An L-shaped cushion is visually quite different from a rectangular cushion. One inventor, Mr. Wieland, opined at some length in this investigation about the shape of the cushion in the patented design. CX-0013 at ¶¶ 24-29. Sauder’s expert Mr. Gallant also stated that shape is important to understanding a design. CX-0015 at ¶ 7; CX-0043 at ¶¶ 7, 13. Although Sauder claims the difference disappears, I find an ordinary observer would be aware of the prominent difference in cushion shape.

The difference in arm length between the two designs is also quite noticeable as viewed—again most often from above—by an ordinary observer. The patented design shows the arm is set

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back from the front edge of the sofa by a substantial proportion of the total arm length. Sauder’s witnesses Mr. Wieland and Mr. Gallant both stated that proportion is important to understanding a design. *See, e.g.*, CX-0013 at ¶¶ 32-33; CX-0015 at ¶ 7; CX-0043 at ¶¶ 7, 13. The difference in arm length would not disappear.

The arm and cushion configuration of the two designs also creates a different end-view profile. In the patented design, the end-view profile is L-shaped, while in the accused design the end-view profile is a rectangular shape. These differences are highlighted in the figures below:

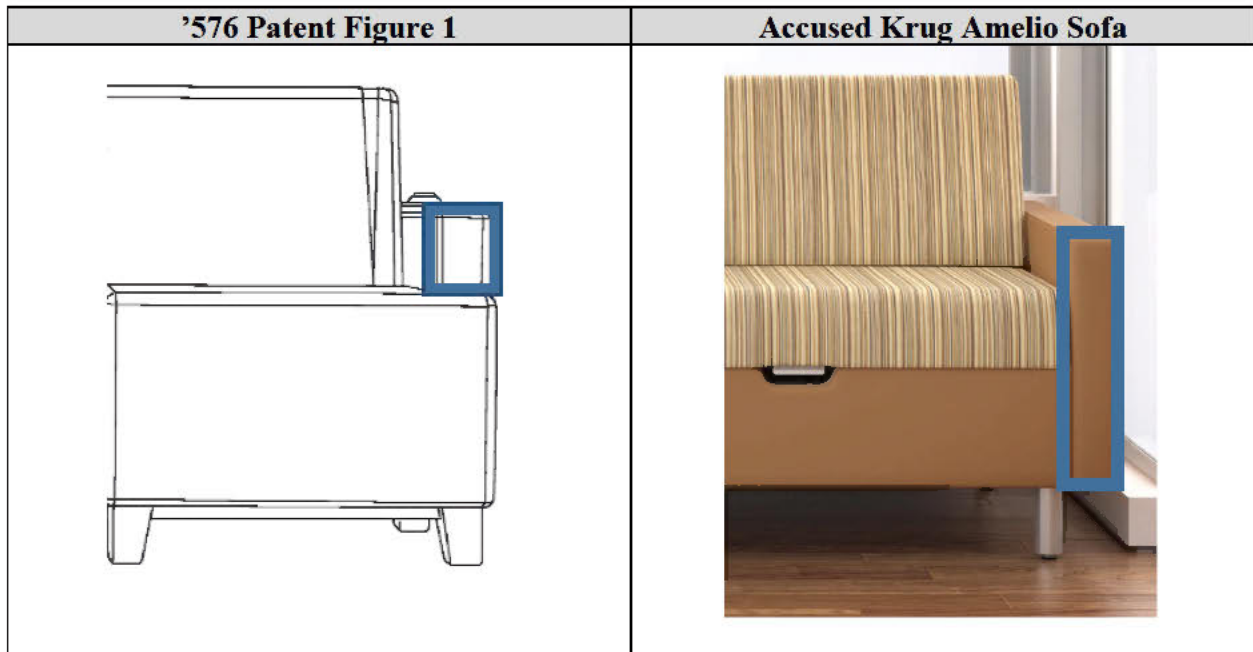


The profile of a piece of furniture is a significant part of its design. An ordinary observer would notice that a sofa of the patented design and the accused Krug sofas have different end-view profiles. Those differences would not disappear.

The angle where the differences in arm length and cushion shape might be least noticeable is a straight frontal view at a height much lower than eye level. Figure 1 of the patent shows such a view. But even in that view of the patented design, the vertical field of the arm area is interrupted

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by the cushion line, creating a subdivision of form that the accused Amelio sofa lacks. These differences are highlighted in the figures below:



So, even if a viewer were kneeling down to look at the sofa head on, the difference in the arm design would not disappear.

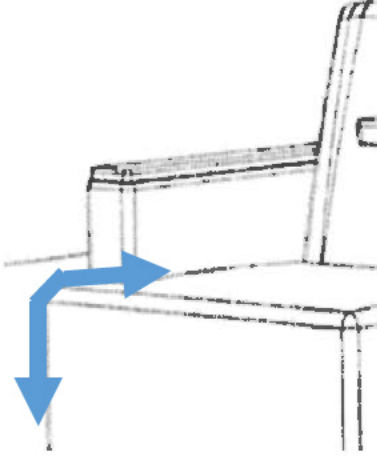
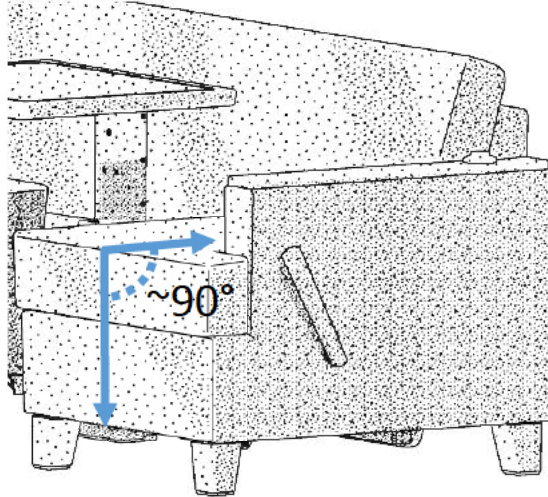
b) Different Leg Shapes

Every drawing of the patented design shows a sofa with tapered legs having a square cross-section. In contrast, the accused products all have either cylindrical, non-tapered legs or caster wheels. CX-0004 at SMC-000053. In fact, customers can choose different finishes on the cylindrical Krug legs and select between two different styles of caster wheels. The fact that a consumer can choose a design with a cylindrical leg or a design with a caster wheel indicates that an ordinary observer would pay attention to a sofa's legs when making a purchasing decision. This difference between the patented design and the accused design is significant.

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c) Different Seat Edge

Every figure of the asserted design patent claim shows a front seat cushion with a relatively sharp edge, as highlighted below:

'576 Patent Figure 4 Beveled Edge	'576 Patent Figure 9 Sharp Edge
	

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In contrast, the accused Krug sofa has gradual, round transition between the top of the seats and the front of the seat panels, which is known in the field as a “waterfall” edge:



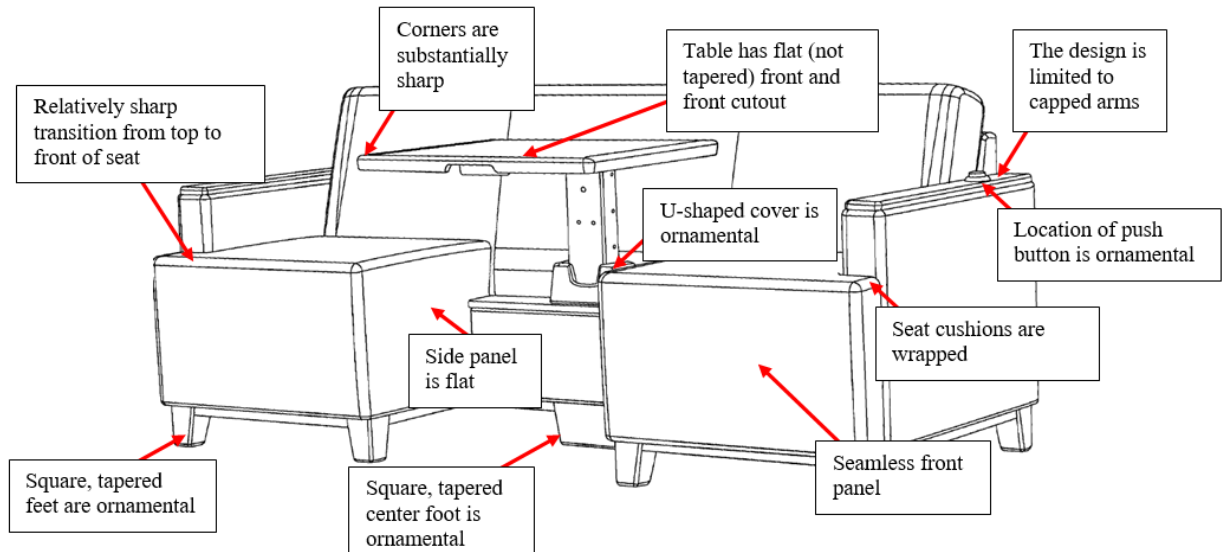
CX-0041 at ¶ 92.

I find an ordinary observer would notice the quite dramatic difference in the profile of the seat cushion front edge.

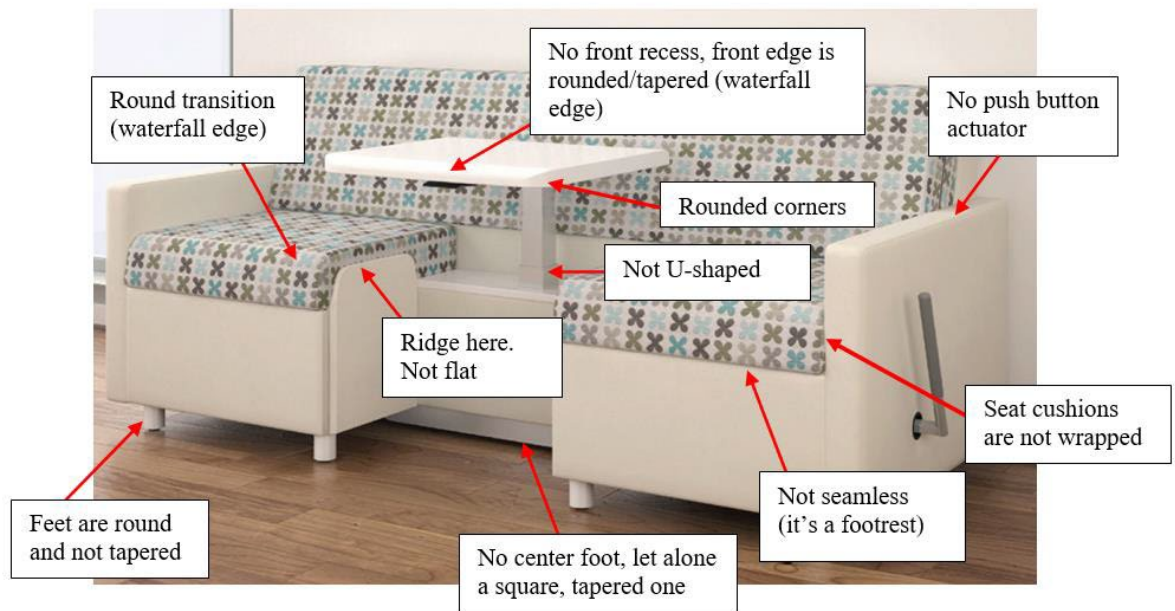
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d) Other Differences

Krug identifies other differences between the design of its Amelio sofa and the patented design with the following diagrams:



'576 patent, Figure 4 (annotations by Krug).



ROB at 36 (annotations by Krug). I have addressed above many of the differences identified by Krug in these annotated figures. Other differences identified by Krug that I have not yet addressed

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include the profile of the Amelio table edge, the lack of a handle recess in the Amelio table edge, the rounded corners of the Amelio table, the lack of a U-shaped cover on the Amelio table stem, the lack of a center foot under the center of the Amelio, the lack of an actuator button the sofa arm, and the inclusion of rigid vertical panels facing the area beneath the Amelio table. All of those differences would contribute to the perception of whole of the Krug design.²

e) Functional Elements of the Design

Much briefing and hearing argument was devoted to how I should evaluate elements of the design claimed in the '576 patent that serve a function. Specifically, Krug contends the following elements of the patented design are functional:

- the height-adjustable center table;
- the rectangular shape (*i.e.*, the depth and width) of the center table;
- the space beneath the center table;
- the central arrangement of the table between opposed seat cushions;
- the folding seat back; and
- the ottoman footrests and levers.

ROB at 17. Sauder admits that many of these elements are functional, but Sauder contends it would be legal error to “factor out” these elements entirely when performing an infringement

² I note that Krug also points to the junction line between the front face of the seat cushion and the lower front face of the accused sofa as a distinction from the patented design shown in Figures 1-5. I find that Figures 1-5 of the '576 patent show no seam or junction at the location where Krug's seat cushion has one. I observe, however, that Figures 6-9 of the patented design *do* show a junction between the front face of the seat cushion and the lower face of the sofa, a point not addressed by Krug. While potentially relevant in other contexts, this particular difference between the two sets of patent figures does not change my infringement analysis. The numerous and substantial differences discussed *infra* combine to render the whole of the Amelio design plainly dissimilar to the whole of the patented design, with or without consideration of a front cushion junction.

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analysis. RX-0003 at 2-3 (responses to requests for admission); CX-0043 at ¶ 3 (second expert report of Gallant); CRB at 2-3 (arguing functional elements cannot be “factored out” from an infringement analysis).

Fortunately, I need not spill much ink over this issue because, at the end of the day, all parties agree with Federal Circuit guidance that functional elements cannot be entirely factored out of a patented design when performing an infringement analysis. *See* CRB at 3; ROB at 31, 40 n.8. When considering the patented design as a whole, a fact finder cannot ignore “the depicted ornamental aspects” of functional elements appearing in the design claim, nor the “specific relative positions and orientations” of those functional elements. *See Ethicon*, 796 F.3d at 1334.

As Krug admits, there are ornamental aspects to the design elements it has characterized as functional. For example, while Krug contends that the adjustable-height table shown in the patent claim is functional, Krug also admits that the table has ornamental aspects, including the thickness of the table surface, a groove in the table surface circling its perimeter, a recess in the front edge of the table aligned with a handle for adjusting the table height, and a U-shaped cover at the base of the table stem. ROB at 21-14. Similarly, while Krug contends the adjustment button shown on the right armrest in the patent claim is functional, Krug also admits the shape and arrangement of that button is ornamental. *Id.* at 25-26. In my infringement analysis, I considered the ornamental aspects of every element that Krug has characterized as functional when evaluating the disclosed design as a whole, including “specific relative positions and orientations” of those functional elements. *See Ethicon*, 796 F.3d at 1334.

f) Viewing Each Design as a Whole

On a general, conceptual level, both the patented design and the accused products are sofas with a height-adjustable center table disposed between opposed seat cushions. But similarities at

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the general, conceptual level are “not sufficient to demonstrate infringement” of the claimed design. *See Ethicon*, 796 F.3d at 1336. Such conceptual similarities also do not foreclose a conclusion that the patented design and the accused design are “plainly dissimilar.” *See id.*

And, in fact, the two designs at issue here are plainly dissimilar. As demonstrated above, the differences between the patented design and the accused design are both numerous and substantial. I have considered those differences “in the context of the claimed design as a whole, and not in the context of separate elements in isolation.” *Ethicon*, 796 F.3d at 1335.

While I have illustrated my infringement analysis with a version of the Amelio sofa most similar to the design shown in the '576 patent figures, *see id.* at SMC-000045, I have considered every Krug design in the record in my infringement analysis. Other Krug designs are even more plainly dissimilar to the patented design than Amelio version with a center table. For example, some Krug Amelio sofas lack a center table. *See, e.g., id.* at SMC-000045, -47, -48, -49, -52, -53. Others lack arms. *Id.* at SMC-000054-55. Still others have arms that are noticeably wider than the narrow arms in the claimed design. *Id.* at SMC-000047. An ordinary observer looking at these alternative designs would find each of them to be plainly dissimilar to the patented design.

Krug also notes that some versions of the Amelio sofa have no arm caps, while every figure of the patented design includes arm caps. I address arm caps in more detail in a separate section of this determination, but it is sufficient here that I find that an ordinary observer would understand the whole of the Amelio design is not substantially similar to the whole of the patented design with or without consideration of arm caps. This is because the other differences between the two designs identified above render the two designs “plainly dissimilar.” *See Egyptian Goddess*, 543 F.3d at 678. Those Amelio sofa models without arm caps are even *more* dissimilar than the patented design.

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Viewing the patented design as a whole, I find that the accused designs are not “substantially the same.” *See Egyptian Goddess*, 543 F.3d at 677.

2. Anecdotal Evidence of Confusion

In comparing the patented design to the accused design, I have been mindful that the resemblance between the two must be “such as to deceive such an observer and sufficient to induce him to purchase one supposing it to be the other.” *Egyptian Goddess*, 543 F.3d at 677. To bolster its infringement claim, Sauder has submitted hearsay and anecdotal evidence that it characterizes as evidence of consumer confusion between the two designs. *See* CX-0007C, Bontrager Declaration at SMC-007923 (collecting double hearsay comments noting similarity in design); CX-0008, Schneider Declaration at 3; CX-0009, Bontrager Declaration Attachments 2 and 3, at SMC-007987-007988; CX-0016, Gish Declaration at ¶ 6. Sauder also offers statements from its employees and a design expert retained for litigation that ordinary observers would likely confuse the two designs. *See* CX-007C at SMC-007923; CX-0009, CX-0011 at ¶ 5, CX-0016 at ¶ 5. I have considered that evidence in formulating my infringement findings, but, for the reasons explained below, it does not weigh in favor of a finding of infringement.

First, statements made to Sauder saying that Krug’s products have “a very similar aesthetic to” Sauder’s products, or that Krug’s products are “knock offs” of Sauder’s products demonstrate that the authors of those statements understood that Krug’s products were *not* Sauder’s. The authors were able to distinguish the two designs and were not “deceived” sufficiently to “purchase one supposing it to be the other.” *Egyptian Goddess*, 543 F.3d at 677. Second, the record contains no indicia that Sauder’s hearsay evidence is reliable, and I decline to credit it as reliable. Third, Sauder’s hearsay evidence is anecdotal and does not represent a full spectrum of possible evidence. Specifically, the communications Sauder provided only noted *similarity*. That makes some sense,

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because Sauder likely would never receive emails from ordinary buyers who found the Krug and Sauder products to be *dissimilar*. Expert market analysis or a quantitative study of consumer confusion could have provided more reliable evidence, but no such analysis was provided in this investigation. Fourth, I give little weight to the statements of Sauder’s employees and retained experts because they appear to be interested persons. For example, although Sauder calls Mr. Wieland an “expert witness” (COB at 34), he is actually a long-time Sauder employee with a line of Sauder furniture named after him. Tr. at 107:18-108:23.

The best evidence of confusion Sauder musters is an email from an interior designer, Melissa Hall, containing a solicitation for bids to provide furniture to Goshen Hospital Circle of Caring Birthplace. See CX-0045. The email specified many different pieces of furniture that should be included in the bid, from sofas to chairs to tables. In text, the solicitation stated that Sauder’s Wieland *sleepToo*® sofa should be included in bids, but one of the images in that section of the document is a photograph of Krug’s Amelio Modular sofa. CX-0045 atSMC-008861. This evidence is at best ambiguous. No one deposed Ms. Hall. No one asked her whether she made a cut-and-paste error when constructing a document with dozens of pictures of different kinds of furniture or whether she genuinely believed that the Krug Amelio Modular sofa *was* the Sauder *sleepToo*® sofa. A Sauder employee, Stanley W. Schneider, submitted a conclusory statement that it was his belief that Ms. Hall was confused into thinking one design was the other. CX-0046. But Mr. Schneider provides no basis for his belief, and I give his statement no evidentiary weight.

Even if I could draw a conclusion that Ms. Hall was actually confused, the record contains no evidence as to whether Ms. Hall was conflating the two products on functional or ornamental grounds. See *OddzOn*, 122 F.3d at 1407 (“‘actual confusion’ evidence is of little probative value because it does not establish whether the [the confusion was] because [of functional similarity] or

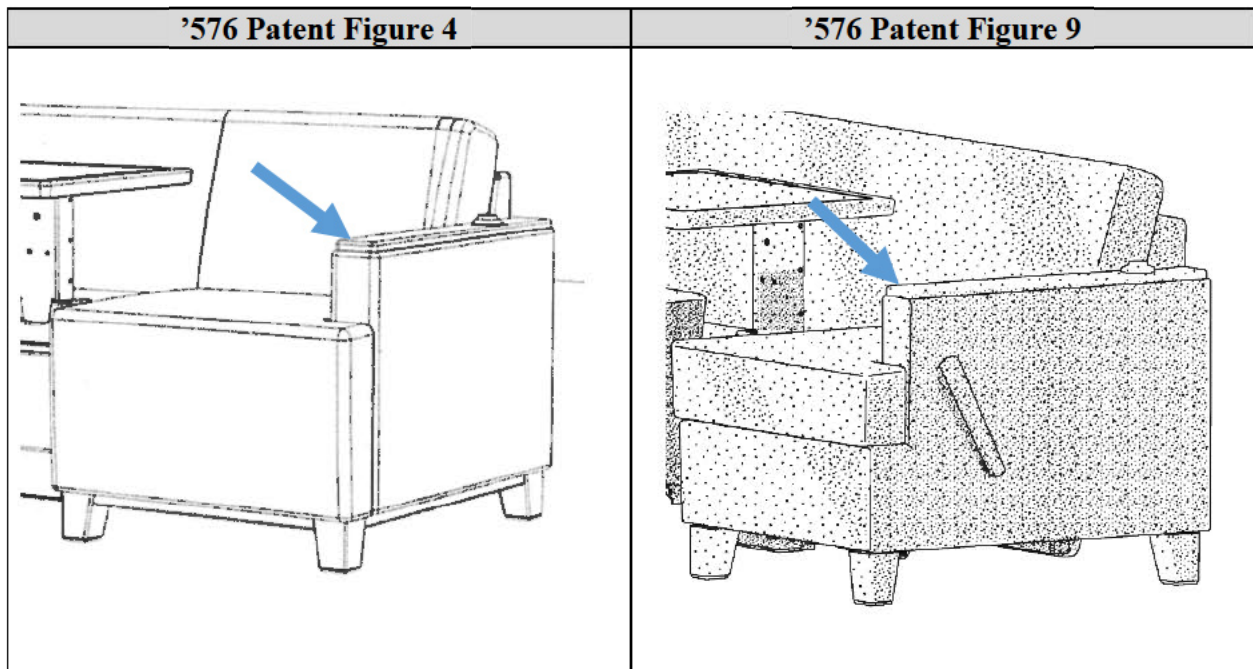
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because they have an ornamental design similar to that of the patented design”). For all of these reasons, I find the Hall email does not weigh in favor of a conclusion of infringement.

In sum, Sauder has not shown that an ordinary observer would find the accused products to be so similar in ornamental design to the claimed design that such an observer would believe the accused products to be the products practicing the design. *Egyptian Goddess*, 543 F.3d at 677.

3. Prosecution History Estoppel

It is undisputed that every figure of the asserted design patent claim shows arm caps on the sofa arms. COB at 28-29. Figures 4 and 9 of the '576 patent are exemplary:



Sauder’s original design patent application included designs without arm caps as well, which Sauder described as a sofa with “soft top arms.” See, e.g., CX-0003 at SMC-007660. But Sauder cancelled during prosecution every figure showing a sofa design without arm caps. See CX-0003 at SMC-007829-29; see also, e.g., SMC-007765, -68, -69, -72, -73, -87, -88, -92.

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Krug argues that because Sauder amended its original design patent claim to eliminate sofa designs with soft top arms and left only figures showing sofas with arm caps, Sauder surrendered any claim to a sofa design with soft top arms. ROB at 8-9. Krug contends that Sauder is therefore estopped from asserting that the '576 patent covers Amelio sofas with soft top arms. *Id.* Sauder responds that the “only conclusion” to be drawn from the cancellation of all figures disclosing soft-top arms “is that the attorney made the logical choice to show arm caps and delete the other drawings to save space.” COB at 29.

Under Federal Circuit precedent, cancelling design drawings from a design patent claim during prosecution can result in prosecution history estoppel. The leading case examining the issue is *Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 739 F.3d 694 (Fed. Cir. 2014). Application of the doctrine turns on a three-part inquiry: (1) whether there was a surrender of claim scope; (2) whether the surrender was for reasons of patentability; and (3) whether the accused design is within the scope of the surrender. *Id.* at 702. If the answer to all three questions is affirmative, prosecution history estoppel bars the infringement claim.³

To answer the first question about claim scope, I reviewed the figures of the originally filed design claim and the applicants' amendments to those figures during prosecution. Although many of the original figures were unclear, as I discuss later, there is no dispute that the original design claim disclosed sofa designs with soft top arms and sofa designs with capped arms. *See* CX-0003 at SMC-007655-99; COB at 28-29. The inventors cancelled figures showing sofas with soft top arms at two different times during prosecution. *See* CX-0003 at SMC-007836 (examiner's

³ In the utility patent context, prosecution history estoppel limits application of the doctrine of equivalents and is not invoked in cases concerned only with literal infringement. *Pac. Coast Marine Windshields*, 739 F.3d at 700. But because every infringement analysis for a design patent claim “involves the concept of equivalents,” prosecution history estoppel is always a potential defense in the design patent context. *See id.* at 701.

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summary of amendments). At the same time the inventors cancelled figures of sofas with soft top arms, the inventors also amended the description of the figures to remove references to soft top arms. *See, e.g.*, SMC-007745. In the end, the issued design claim consisted exclusively of figures showing a sofa design with arm caps. Because the inventors' claim as originally filed included a sofa design with soft top arms, but the issued claim of the '576 patent did not, I find there was a surrender of claim scope.

The second question I must answer is whether the inventors surrendered claim scope “in order to secure the patent.” *Pac. Coast Marine Windshields*, 739 F.3d at 703. The first time the inventors cancelled figures during prosecution was in response to a restriction requirement by the examiner. CX-0003 at SMC-007754-56. The Federal Circuit has held that cancelling design figures in response to a restriction requirement is a surrender of claim scope to secure the patent. *Pac. Coast Marine Windshields*, 739 F.3d at 703.

The second time the inventors cancelled drawings was in response to an office action objecting to the drawings on formal grounds and rejecting the drawings on statutory grounds. CX-0003 at SMC-007802-03. Specifically, the examiner objected to a patent claim containing both photographs and figures. *Id.* The examiner also rejected the drawings under 35 U.S.C. § 112 for failing to particularly point out and distinctly claim the invention:

The claim is indefinite and non-enabling because the drawings are too light in some areas and too dark in other areas to clearly define the claimed subject matter. For example, but not limited thereto, the shadows are so dark they obscure some structure, some areas are so light that they do not clearly define edge lines or the like, and the hardware on various elements is not clearly defined. The Applicant is cautioned the originally filed drawings may be fatally defective because of these issues and is cautioned about submitting new matter into the application in response to this rejection.

Id. After receiving this rejection based on potentially “fatally defective” figures, the inventors cancelled all photographs, leaving only line drawings depicting sofa designs with arm caps. The applicant told the examiner that by cancelling that second set of figures “the Examiner's objections

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to the print quality of the design drawings is overcome.” *Id.* at SMC-007828-29. Based on this record, I find that the inventors cancelled the second set of figures in an effort to secure the patent. The second prong of the estoppel test is satisfied because the amendments to the design patent claim were made in order to secure the patent.

The third question is whether the accused Krug sofas are within the scope of the subject matter the inventors surrendered. The answer is some are and some are not. The record shows that Krug offers sofas with soft top arms and sofas with arm caps. *See* CX-0004 at SMC-000046, -50, -55. The Krug sofas with soft top arms are within the scope of the subject matter the inventors surrendered.

Krug has proved the three elements necessary for estoppel for at least those accused sofas with soft top arms. Sauder is therefore barred from an infringement claim against Krug designs with soft top arms.

4. Conclusion

In light of the foregoing evidence and the record as a whole, I find that Sauder has not demonstrated infringement of the '576 design patent claim.

D. Validity

1. Written Description

Krug asserts that the '576 patent is invalid because the design claim, as issued, includes new matter not present in the original patent application, in violation of the written description requirement of 35 U.S.C. § 112. Particularly, Krug contends that certain solid lines appearing in issued Figures 6 through 9 were added during prosecution and comprise ornamental elements not apparent to one of skill in the art from the originally filed application. ROB at 51-63. Sauder responds with legal and factual arguments. On the legal front, Sauder contends that the patent is entitled to a presumption of validity and characterizes the addition of new lines as “procedural

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lapses” with no bearing on validity. CRB at 16-17. Factually, Sauder asserts that the originally filed drawings provide written description support for the issued design claim. CRB at 15 n.9.

I begin by addressing Sauder’s legal contentions. Sauder argues that a patent claim cannot be found invalid under § 112 in an infringement suit based upon the addition of new matter to that claim during prosecution. Sauder argues that new matter case law applies § 112 only to prevent an applicant from relying on an earlier priority date. CRB at 16-17. That argument ignores the statutory mandate of the Patent Act, which provides that “invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 . . . of this title” shall be a defense to infringement. 35 U.S.C. § 282(3). Sauder’s argument is also contrary to a great body of case law invalidating amended claims under § 112 during infringement litigation because the claims were not supported by the original application. *See, e.g., Synthes USA, LLC v. Spinal Kinetics, Inc.*, 734 F.3d 1332, 1341-45 (Fed. Cir. 2013); *TurboCare Div. of Demag Delaval Turbomachinery v. Gen. Elec. Co.*, 264 F.3d 1111, 1120 (Fed. Cir. 2001); *Purdue Pharma L.P. v. Faulding Inc.*, 230 F.3d 1320, 1324 (Fed. Cir. 2000); *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1479-80 (Fed. Cir. 1998). The Patent Act and case law clearly state that these principles apply with equal force to design patents. 35 U.S.C. § 171; *see also Owens*, 710 F.3d at 1366 (noting the written description test “is the same for either a design or a utility patent” and sustaining a rejection of a design patent claim under § 112); *Daniels*, 144 F.3d at 1456 (“the drawings of the design patent are viewed in terms of the ‘written description’ requirement of § 112”).

Sauder particularly relies on a district court slip opinion in *H.W.J. Designs for Agribusiness, Inc. v. Rethceif Enters., LLC*, 2018 WL 4657221 (E.D. Cal. Sep. 26, 2018) to argue that a patent claim cannot be held invalid for failure to comply with the written description requirement. CRB at 16-17. Sauder’s argument fails for several reasons. First, the court in *H.W.J.*

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Designs did not address binding Federal Circuit precedent in cases like *Synthes USA*, *TurboCare*, *Purdue Pharma*, and *Gentry Gallery*, all of which invalidated patent claims under § 112 during litigation because new matter was added during prosecution. Whatever the rule stated by the court in *H.W.J. Designs*, it need not be followed here to the extent it contradicts those superior authorities.

Next, Sauder is incorrect that new matter added to a patent claim during prosecution amounts to no more than a “procedural lapse” that has no effect on validity. CRB at 16-17. The discussion of “procedural lapses” in the *H.W.J. Designs* opinion relies on three Federal Circuit opinions completely inapposite from the new matter arguments here. *H.W.J. Designs*, 2018 WL 4657221 at *4 (citing *Aristocrat Techs. Austl. Pty Ltd. v. Int’l Game Tech.*, 543 F.3d 657, 662 (Fed. Cir. 2008) (considering the effect of the Patent Office’s determination to revive an application deemed abandoned because a fee was received one day late); *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1329 (Fed. Cir. 2004) (considering misstatements made to an examiner in the context of an inequitable conduct defense); *Magnivision Inc. v. Bonneau Co.*, 115 F.3d 956, 960 (Fed. Cir. 1997) (considering the effect of an applicant’s failure to submit a written summary of an examiner interview)).

With respect to the written description defense at issue here, the *H.W.J. Designs* opinion correctly states that “a violation of Section 112 will result in the invalidity of an issued patent,” and determining whether new matter has been added in violation of § 112 is a question of fact. 2018 WL 4657221 at *5-6. The district court ultimately concluded that factual questions prevented summary judgment of invalidity for failure to comply with § 112. *Id.* at *6. For all of these reasons, Sauder’s reliance on *H.W.J. Designs* is misplaced.

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Sauder’s pre- and post-hearing briefs make no mention of the Federal Circuit case most on point to this dispute: *In re Owens*, 710 F.3d 1362 (Fed. Cir. 2013). *Owens* provides a useful illustration of how adding lines to an existing design drawing changes the scope of a design patent claim. The inventors in *Owens* filed a continuation design patent application claiming priority to an application with the following figure of a bottle design:

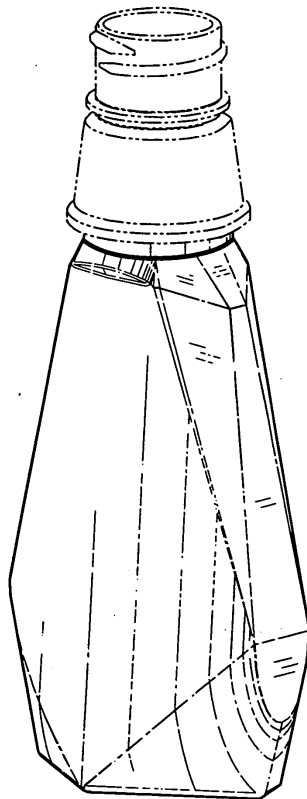


Fig. 1

Figure in the original application of Owens

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The continuation application contained the following figure:

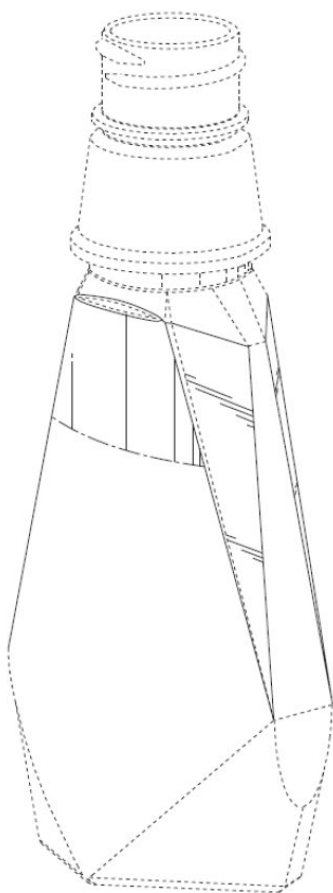


Fig. 1

Figure in the continuation application of Owens

To indicate the portion of the center area claimed in the continuation design, Owens bisected the top of his pentagonal panel with a broken line. 710 F.3d at 1365. The examiner rejected the continuation application for violating § 112. The examiner understood the new broken line as defining an entirely new trapezoidal-shaped surface that was considered new matter. *Id.*

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Owens appealed the final rejection to the Federal Circuit. Owens argued that the broken line across the front face delineated the area that was the focus of the claim. He contended that by long-standing Patent Office convention, a broken line is not part of a design, so adding the broken line added no new matter. *Id.* at 1366-67.⁴

The Federal Circuit sustained the rejection. It explained that satisfaction of the written description turns on “whether the original disclosure ‘clearly allow[s] persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed.’” *Id.* at 1368 (quoting *Ariad Pharm., Inc.*, 598 F.3d at 1351). The court noted that the original application disclosed a design for a bottle with an *undivided* pentagonal center-front panel; the original drawing did not distinguish the top trapezoidal portion of the panel from the rest of the pentagon in any way. *Id.* The court concluded that a skilled artisan would not recognize from the original application drawings that the trapezoidal top portion of the front panel might be claimed separately from the remainder of that area, so the written description requirement was not satisfied. *Id.*

Owens demonstrates how strict the written description rule can be with design patents. Nevertheless, written description questions are highly fact-specific. *Vas-Cath Inc.*, 935 F.2d at 1562. I therefore turn to Sauder’s contention that the figures filed with the original patent application provide written description support for the issued claim.

My fact finding begins with the prosecution history of the ’576 patent. Sauder’s original design patent application contained 40 figures. CX-0003 at SMC-007660-99. The original figures fall into three categories. First, 31 of the original figures were washed-out photographs of a Sauder sofa, like this one:

⁴ I also consulted the Federal Circuit briefs in *Owens* to understand better the issues in dispute and to see better illustrations of the drawings in question.

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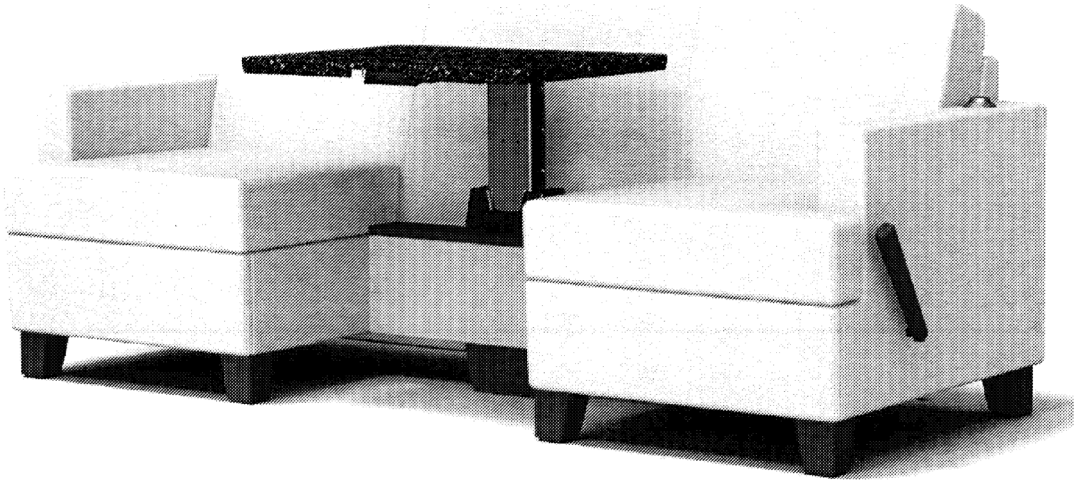


FIG. 1

See CX-003 at SMC-007660-007683, -007689-007695. For convenience, I will call the photographic figures Group A. Of particular relevance here, these photographs left the details of certain edges and corners ambiguous.

Second, five original figures were line drawings with two parallel lines at the front top edge of the seat cushion and at other surface edges:

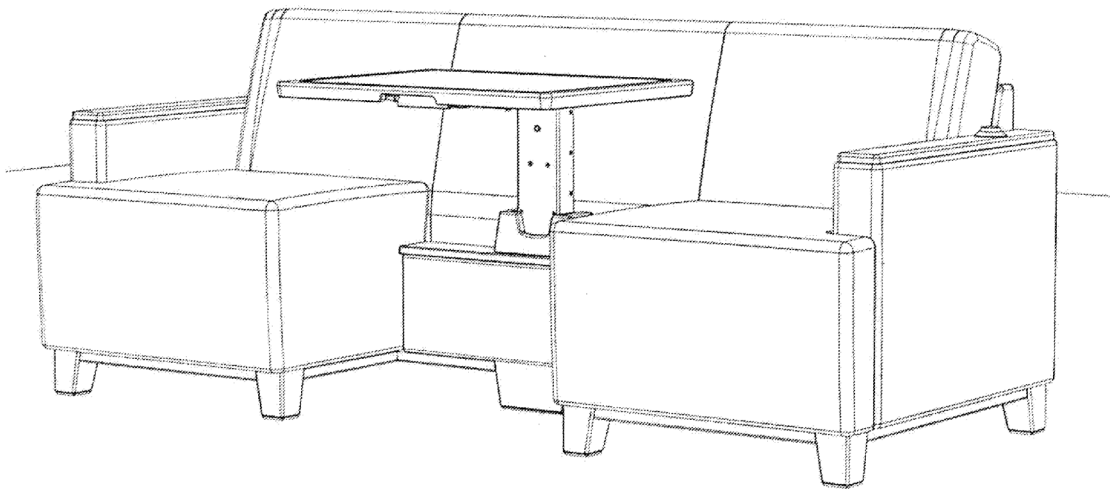


FIG. ~~28~~ 26

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See CX-003 at SMC-007684-007688. I will call these drawings Group B.

The third group of figures (four in number) were also line drawings, which I will call Group C. These figures differed from the line drawings in Group B in several ways. The figures in Group C had no line at the front top part of the seat cushion:

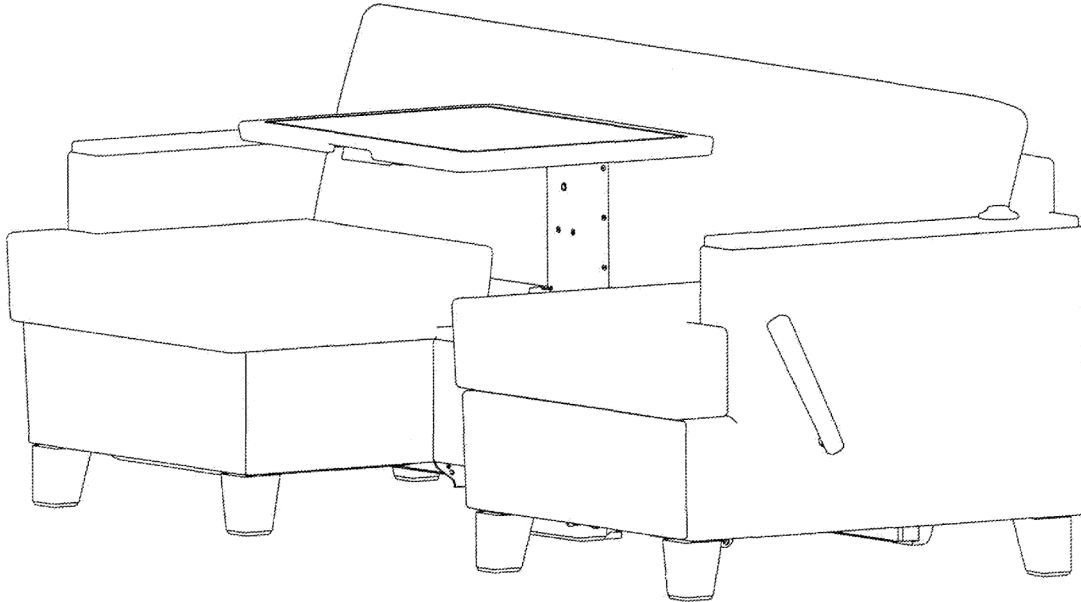


FIG. 40

See CX-003 at SMC-007696-007699. The figures in Group C also showed the front face of the seat area to have a division between the cushion and the base.

In response to a restriction finding that the 40 figures constituted twelve embodiments, divisible broadly into six patentably distinct groups, *id.* at SMC-007735-007738, Sauder elected a single patentably distinct group and cancelled 13 of the original photograph figures. *Id.*, Amendment beginning at SMC-007743. The line drawings in Groups B and C, and most of the photographs in Group A, remained.

The examiner subsequently issued an Office Action rejecting the design claim for being non-enabled and indefinite under 35 U.S.C. § 112. *Id.*, Office Action beginning at SMC-007800.

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The examiner noted that “the drawings are too light in some areas and too dark in other areas to clearly define the claimed subject matter . . . [f]or example . . . some areas are so light that they do not clearly define edge lines or the like.” *Id.* at SMC-007803. The examiner also objected to the drawings because photographs and line drawings cannot appear together in the same design patent application. *Id.* at SMC-007802.

In response to the rejection, Sauder cancelled all of the remaining photograph figures, leaving only the line drawings in Group B and Group C. *Id.*, Replacement sheets and Amendment beginning at SMC-007817. The original line drawings in Group B (those with two parallel lines at the front edge of the seat cushion) were renumbered as Figures 1-5. The original line drawings in Group C (those having no line at the front top part of the seat cushion) were renumbered Figures 6-9.

In light of Sauder’s amendment, the examiner withdrew the formal objection to the drawings, but maintained the substantive rejection based on indefiniteness under § 112. *Id.*, Office Action beginning at SMC-07835. Specifically, the examiner noted:

[T]he newly amended Figures 6-9 are replete with areas that are not clearly defined. There appear to be either lines missing or shading. These areas appear to have some contour that is not clearly defined with the straight line drawings that do not have surface shading. The drawing figures may need to be appropriately and adequately shaded to show clearly the character and/or contour of all surfaces represented. . . The Applicant is strongly cautioned against amending the drawings to include information that was not present in the originally filed drawings.

Id. at SMC-007837-007838.

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The examiner annotated the Group C Figures 6-9 to show the areas she found to be indeterminate:

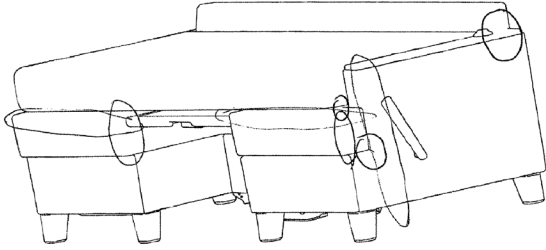


Fig.6

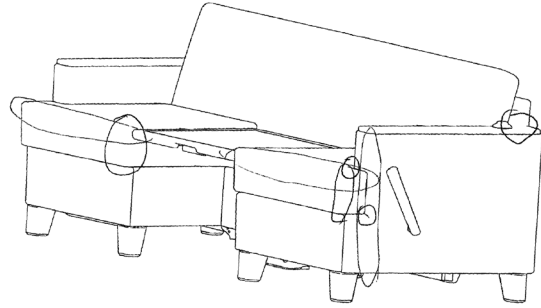


Fig.7

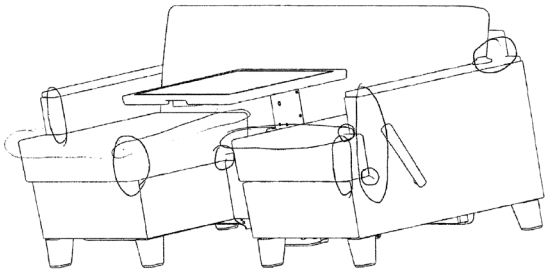


Fig.8

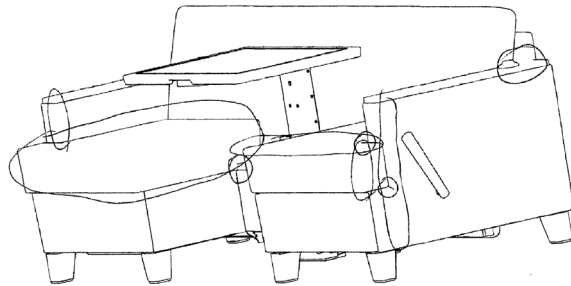


Fig.9

Id. at SMC-007840-007843. The examiner did not annotate the Group B Figures 1-5 (those that showed two parallel lines at the front top edge of the seat cushion).

In response, Sauder amended the Group C Figures 6-9. Sauder added new solid lines in many of the areas circled by the examiner *and* in several places *not* circled by the examiner. *See*

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id., Response to Office Action, at SMC-007846-007857. Sauder also added new shading. The amended Group C figures are reproduced below:

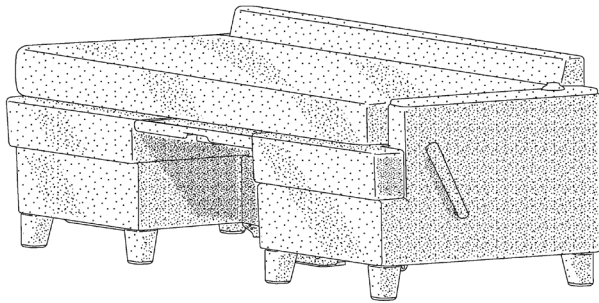


Fig. 6

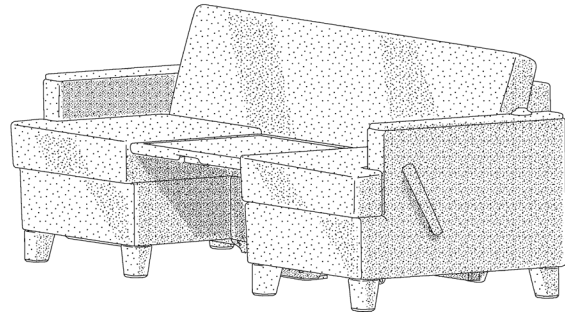


Fig. 7

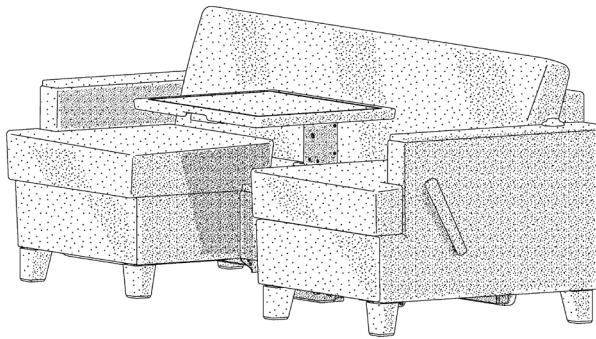


Fig. 8

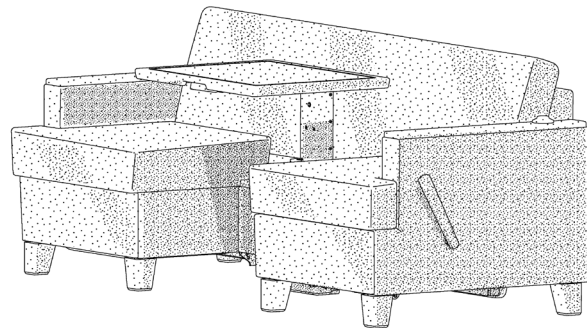
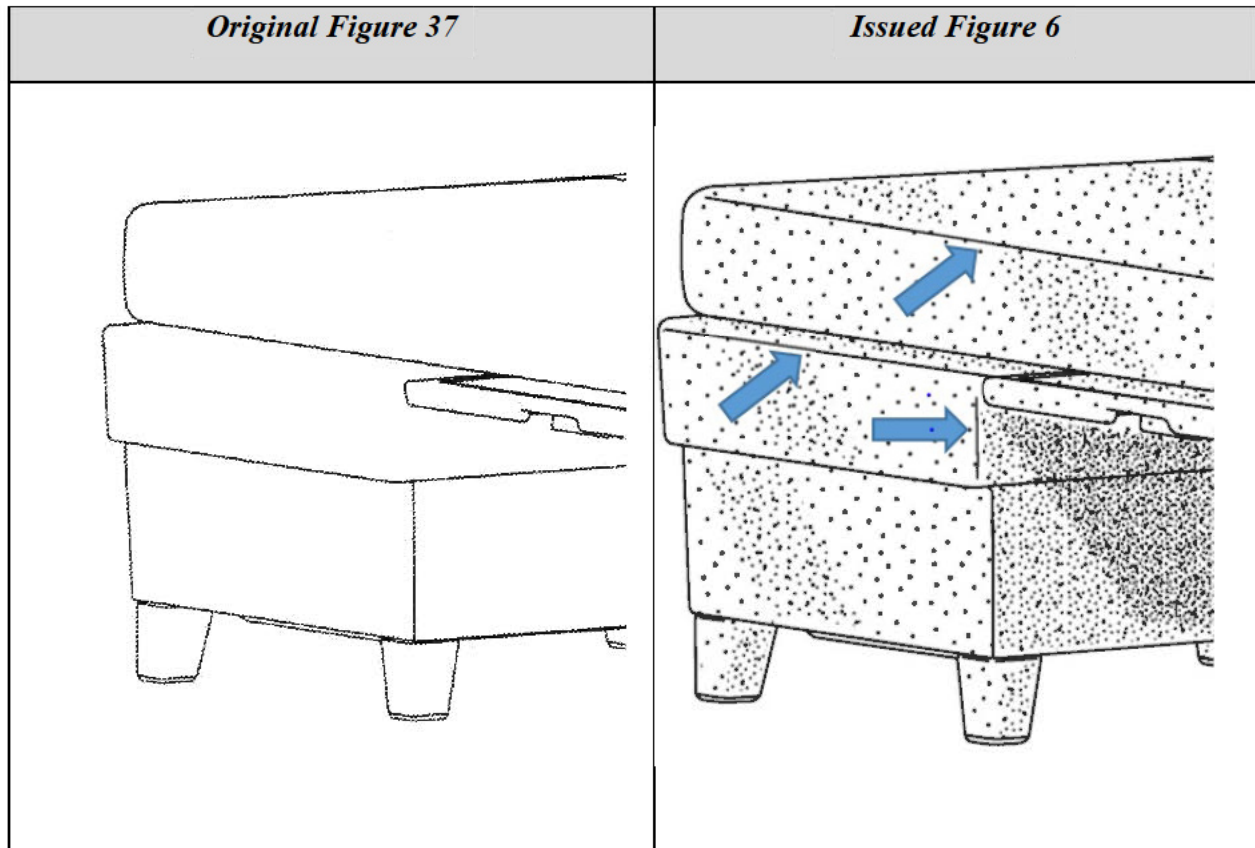


Fig. 9

Id.

Comparing the Group C figures annotated by the examiner to the amended Group C figures, it is evident that Sauder made several changes to Figures 6-9 after the § 112 rejection. In areas circled by the examiner, Sauder added a horizontal solid line across the top front of each seat cushion in each figure to define the top front edge of the cushion. For example, in Figure 6 (which corresponds to original Figure 37 in the application), Sauder added a solid horizontal line defining the shape of the top edge of the left-hand seat cushion of the sofa, a solid vertical line defining the right corner of the seat cushion, and a solid horizontal line defining the top edge of the back rest. A side-by-side comparison of these elements is below, with arrows pointing to the added lines:

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CX-0003 at SMC-007696; '576 patent at SMC-007641; CX-0040, Kenmitzer Expert Report, at SMC-008689.

In Figures 8 and 9, within areas circled by the examiner, Sauder added a solid line to each left seat cushion to define the top right edge of that cushion. Also in Figures 8 and 9, Sauder added a vertical line to the left arm of the sofa to define the right front corner of that arm, again in areas circled by the examiner. *Id.* Sauder also added solid lines in areas circled by the examiner on the right side of Figures 6, 7, 8, and 9. Specifically, Sauder added vertical solid lines to define the right front edge of each right arm and to define the right front corner of each right seat cushion.

Sauder also added new solid lines in several areas of Figures 6-9 that the examiner did not highlight. For example, in Figure 6, Sauder added a solid horizontal line defining the edge of the back cushion, extending from the left corner of the folded-down back cushion to the right side of

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the sofa. Sauder also added a short vertical line on the right side of the back cushion in Figure 6 to define the right corner of that cushion. Sauder further added a solid line defining the vertical right edge of the back cushion in Figures 7, 8, and 9. None of these latter solid lines were in areas identified by the examiner.⁵

Sauder made no amendments to Figures 1-5, the Group B figures that showed two parallel lines at the front top edge of the seat cushion. Those figures remained unchanged throughout prosecution.⁶

The examiner accepted Sauder's amended drawings and the patent issued. *Id.*, Notice of Allowance at SMC-007861; *see also supra* n. 1 (explaining subsequent correction).

With this history in mind, I must determine whether a person of ordinary skill in the art would have understood the originally filed patent figures to demonstrate that the applicant had possession of the invention defined in the issued drawings. *See Ariad Pharm., Inc.*, 598 F.3d at 1351; *Daniels*, 144 F.3d at 1456. This question turns on the meaning of the solid lines the applicant added to the Group C figures. Solid lines, which the Manual of Patenting Procedure also calls “full” lines, designate the claimed design. *See Blum*, 374 F.2d at 907 (“parts of the design sought to be patented” should be represented with “full lines”); MPEP § 1503.02, III. Dotted Lines, Form ¶ 15.50.01 (“The ornamental design which is being claimed must be shown in solid lines in the drawing.”). Because “[d]esign patents have almost no scope,” adding or changing solid lines in

⁵ Other additions to and alterations of the original figures are catalogued and illustrated in the expert report of Ronald B. Kemnitzer, CX-0040.

⁶ Additionally, Sauder did not add lines in *every* location the examiner highlighted in the Group C figures. For example, the examiner circled an area just to the right of the lower right front corner in Figures 6, 7, and 9, apparently to highlight a question about a Y-shaped junction of lines appearing in that location in the original drawings. Sauder did not add any lines in that area.

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design patent drawings can change the scope of the design claim. *In re Mann*, 861 F.2d 1581, 1582 (Fed. Cir. 1988) (Rich, J.). This is because “[a] design is a unitary thing and *all of its portions are material* in that they contribute to the appearance which constitutes the design.” *In re Salmon*, 705 F.2d 1579, 1582 (Fed. Cir. 1983) (*quoting Blum*, 374 F.2d at 907) (emphasis added).⁷

The inventor Mr. Wieland⁸ and Sauder’s expert Mr. Gallant contend that the lines added to the Group C figures merely demarcate a transition between vertical and horizontal planes previously disclosed in the original photographs and line drawings. CX-0013, Rebuttal Report of Blair Wieland, at ¶¶ 24-27; CX-0015, Rebuttal Report of Dennis Gallant, at ¶¶ 6-8. Mr. Wieland contends that “the photographs that were originally filed with the application clearly show the edges of the cushions” and suggests that a skilled artisan would be able to infer the same details added to the Group C line drawings by reference to the Group A photographs. CX-0013 at ¶ 27. I note, however, Mr. Wieland does not identify specific elements in the photographs as corresponding to specific line drawing amendments made to the Group C figures. Mr. Wieland provides a summary conclusion that in 19 of the original 40 figures “the edges of the cushions are shown” and therefore a person of ordinary skill in the art could “predict exactly where the lines would be placed when revising” the Group C figures. *Id.*

Perhaps Mr. Wieland did not point to specific features of specific photographs from the original specification because those photographs do *not* show adequate detail of the design depicted in the issued figures. Indeed, during prosecution the examiner rejected the Group A photographs as indefinite and non-enabling precisely because “the shadows are so dark they

⁷ Even adding dotted lines can, in some circumstances, change the scope of a design patent claim. *See In re Owens*, 710 F.3d at 1368.

⁸ While Sauder refers to Mr. Wieland as an expert, he is hardly a disinterested expert. He is one of the inventors listed on the patent in suit and an employee of Sauder. CX-0012 at ¶ 2. He even has a line of furniture at Sauder named after him. Tr. at 107:18-108:23.

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obscure some structure, some areas are so light they do not clearly define edge lines or the like, and the hardware on various elements is not clearly defined.” CX-0003 at SMC-007803. I have examined the original Group A photographic figures in evidence. I find that a person of ordinary skill in the art would not be able to discern the design in the issued figures from examination of the original photographic figures in the application.

Even if Mr. Wieland is correct that the Group A photographs show that the inventors had possession of a design having some kind of seat cushion edges, such evidence does not demonstrate that the inventors possessed a design having the combination of specific edges depicted in issued Figures 6-9, along with all of the other elements shown in the issued drawings. By adding various solid black lines at the intersection of various planes in the Group C figures during prosecution, the inventors claimed not just the location of furniture edges but also the ornamental detail of those edges. The applicants could have added a broken line to denote the existence of an edge without claiming any specific ornamental design element of that edge, but the applicants did not. Similarly, the applicants could have added surface shading (as the examiner suggested) to show and claim a more rounded transition from the seat top surface to the seat front, but the applicants did not. To the extent that the Group A photographs reveal anything about the front edges of the seat cushions, the photographs do not show the sharp edges depicted by the solid lines added to the Group C figures. The photographs also do not show sharp edges at the other locations where solid lines were added to the Group C figures. In sum, I find that the Group A photographs do not provide written description support for the issued figures.

Mr. Wieland and Sauder’s expert Mr. Gallant also assert that the original Group C line drawings provide written description support for the drawing amendments in question. They opined that the straight solid line added to the front edge of the seat cushion “is simply denoting

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the change of horizontal and vertical surface planes,” and the original drawings showed a transition. *See, e.g.*, CX-0015 at ¶ 7. Both Mr. Wieland and Mr. Gallant reject Krug’s contention that the new solid line shows a sharp edge to the seat cushion. They contend the “pertinent” art for the asserted design patent is upholstered furniture, and that a person of skill in that art would know that upholstered furniture rarely, if ever, has sharp edges. *See* CX-0015 at ¶ 5-6 (“all upholstered cushions have some degree of roundness to the edges.”), CX-0013 at ¶ 29 (“the edges of upholstered sofa cushions are always soft to some extent unless they are beaded or welted”). They interpret the straight line as showing a “rounded” or “curved” or “contoured” edge. *See* CX-0015 at ¶ 7; CX-0013 at ¶ 25.

I do not credit the opinions of Mr. Wieland and Mr. Gallant that the straight lines added to the Group C figures represent something other than straight lines in an ornamental design. As for the argument that the patent design is for upholstered furniture, I note that the design patent application as originally filed was titled “Design for Sleep System” and made no mention of upholstery. CX-0003. It was the examiner that suggested “amending the title to Sofa or something like that.” *Id.* at SMC-007802. Even as issued, the patent does not mention upholstery. It is unclear, therefore, that the original application would suggest to a person of skill in the art that the inventive design in the Group C figures is necessarily executed in upholstery.

Even assuming, for the sake of argument, that a person of skill in the art would understand the original design in the Group C figures would be executed in upholstery, the record contradicts the conclusion by Mr. Wieland and Mr. Gallant that upholstered furniture edges are necessarily rounded. For example, the record contains evidence that a prior art sofa sold by respondent Krug is upholstered but has relatively sharp seat cushion edges, as shown below:

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CX-0041 at ¶ 103.

Mr. Wieland and Sauder’s expert Mr. Gallant particularly point to originally filed Figure 37 that was amended to become issued Figure 6. They contend that because the original Group C figure “clearly illustrate[d] curved or radiused corners,” a skilled designer “would know that the entire horizontal edge was correspondingly rounded.” *See* CX-0015 at ¶¶ 7-8; CX-0013 at ¶¶24-26. Those arguments fall short. Even if a person of skill would understand from the originally filed figures that some depicted corners of the seat cushions are rounded, such a person would not understand that the inventors considered the multiple edges not depicted in the figures to be part of the inventive design. If the inventors wanted to include the edge in the claimed design, they were required to clearly depict that edge in a manner that would be understood by those skilled in the art. *Blum*, 374 F.2d at 907 (“parts of the design sought to be patented” should be represented with “full lines”); MPEP § 1503.02, III. Dotted Lines, Form ¶ 15.50.01 (“The ornamental design which is being claimed must be shown in solid lines in the drawing.”). Additionally, the solid lines added to the Group C drawings specified a certain edge style, not just any edge. A person of

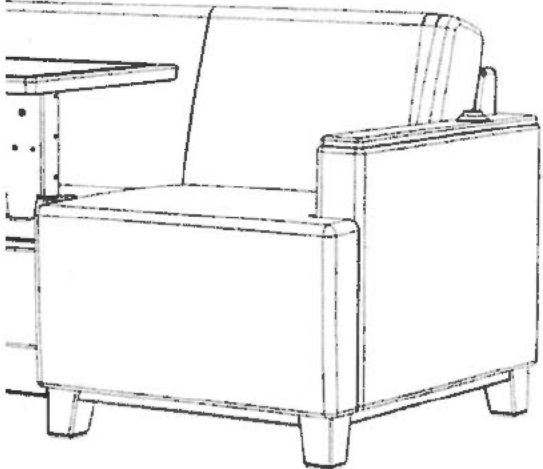
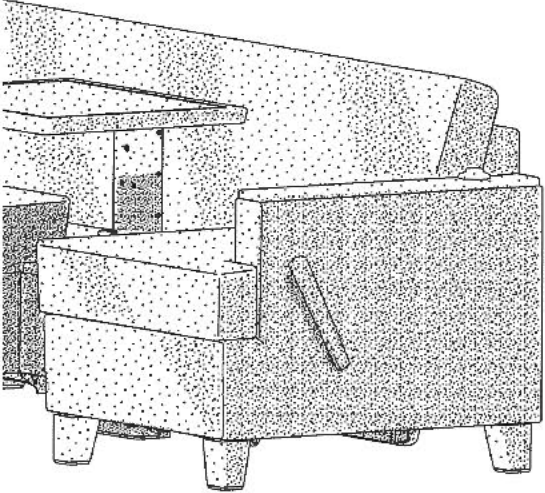
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skill in the art would not understand from the original Group C line drawings that the inventors possessed the entire ornamental design created by particular edges and other elements shown in issued Figures 6-9. *See id.*

The original Group C drawings did not claim any particular style of edge at the locations where the applicant later added solid lines. Similarly, the original Group A photographs did not contain sufficient clarity for a skilled artisan to understand the scope of the invention, particularly with respect to the ornamentation at the locations in question.

I now turn to the original Group B drawings, which depict the front edge of the seat cushion with double lines. At the hearing, I asked Sauder's counsel what the difference was between the double line at the front edge of the seat in the Group B figures and the single line in the same location in the Group C figures. Sauder's counsel replied "they are essentially the same." Tr. at 153:5-18. In other words, Sauder argues that the two figures below disclose the same ornamentation on the front edge and right corner of the seat cushion:

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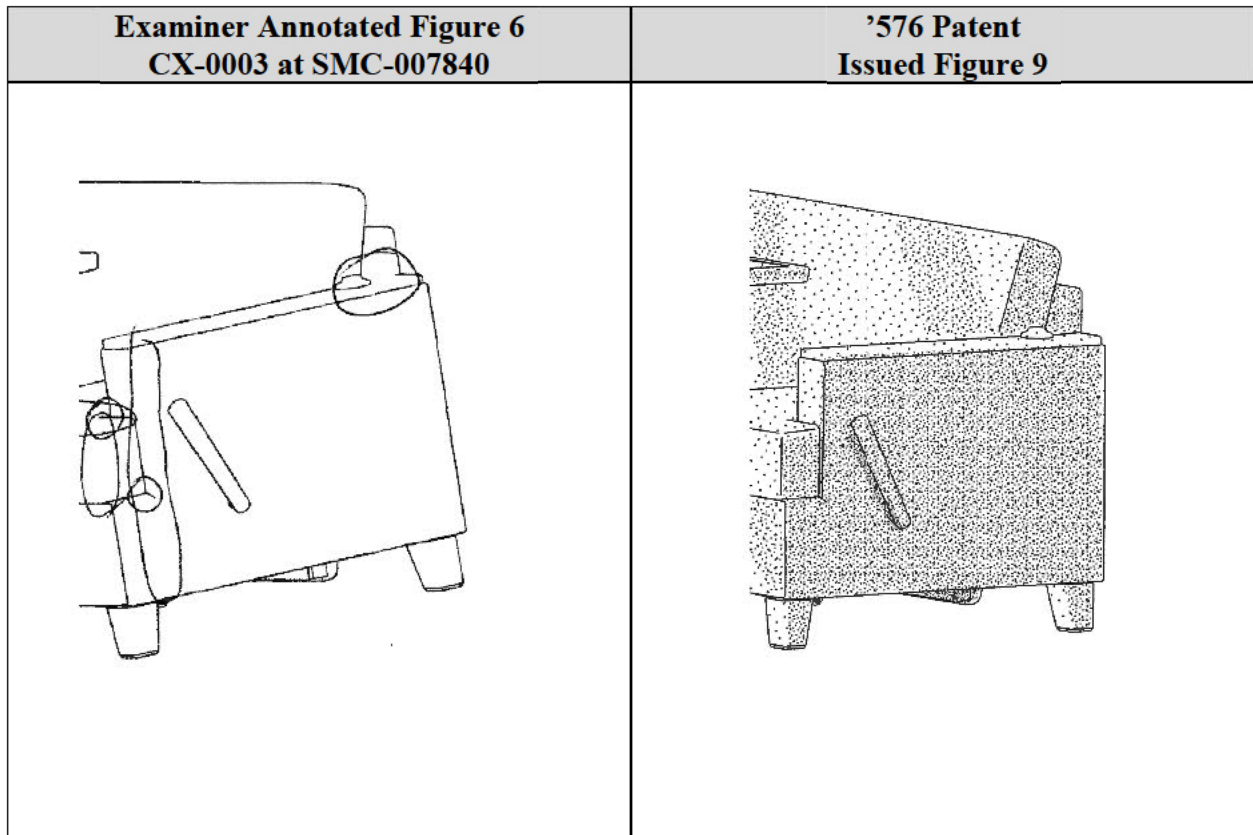
Application Figure CX-0003 at SMC-007685	'576 Patent Issued Figure 9
 <p>26</p>	 <p>Fig. 9</p>

CX-0003 at SMC-007685; '576 patent at SMC-007644.

I reject Sauder's contention. The ornamentation of the front seat cushion edge is plainly different in the two drawings above, and that difference changes the disclosed invention. *Salmon*, 705 F.2d at 1582 (“[a] design is a unitary thing and *all of its portions are material* in that they contribute to the appearance which constitutes the design.” (quoting *Blum*, 374 F.2d at 907) (emphasis added)); see Tr. at 42:23-:24 (admission that “Sauder knew how to show rounded edges and did so in the first six figures.”).

Sauder's contention that the new single line clearly represents a curved surface is belied by other straight lines in the drawings. For instance, Sauder does not contend that *all* of the straight lines in the line drawings represent curved, upholstered edges. Sauder added a line to a portion of the arm closest to the back rest after the examiner circled that area:

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CX-0003 at SMC-007840; '576 patent at SMC-007643. Sauder contends the new single line added to the arm represents a solid arm cap, not an upholstered curve. *See* COB at 28-29.

Additionally, Sauder argued in connection with issued Figure 9 that a person of skill in the art would not understand the solid vertical line below the right front corner of the right seat cushion to represent anything specific. He said the line “could represent a number of things,” including “a sewn fabric seam,” “a drawer that can be pulled out for storage purposes,” or “a footrest that swings up if somebody wants to have something to support their lower legs.” Tr. at 153:5-154:17. Sauder’s inconsistent arguments lead one to wonder how an observer would know that the straight line added to the seat cushion during prosecution represents a rounded, upholstered transition if such a person would not know what a similar straight line on the sofa corner means.

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Sauder's litigation-inspired explanations of which single lines represent curved upholstery and which single lines represent something else were not part of the original disclosure and deserve no weight in determining the scope of the original disclosure. The issued Figures 6-9, with a single line across the seat front, show a different design not depicted in any of the original drawings.

Finally, I address an issue raised by Krug. Krug contends that it is improper to mix and match features from different embodiments in the original drawings when evaluating the written description requirement. ROB at 62; Tr. at 78:14-17. Krug thus encourages me to look only to the original Group C line drawings to find support for the embodiment of the invention shown in issued Figures 6-9. Because "[a] design is a unitary thing" represented by all drawings in a single claim, *see Salmon*, 705 F.2d at 1582, it is debatable whether the written description requirement can be evaluated on an embodiment-by-embodiment basis in a design patent dispute. But what is clear here is that the amended Group C drawings are no less a part of the issued claim than the Group B drawings. I find that the amendments to the Group C drawings were not supported by *any* original figures, so those amendments changed the overall scope of the design patent claim.

In sum, I find that, even in light of the especially weighty presumption of validity in this context, *see Commonwealth Sci. & Indus. Research Org. v. Buffalo Tech. (USA), Inc.*, 542 F.3d 1363, 1380 (Fed. Cir. 2008), a person of ordinary skill in the art would not conclude from the four corners of the original patent application at issue here that the inventors possessed the full scope of the claimed invention. Particularly, the ornamentation represented by the solid lines added to Figures 6 -9 was not disclosed in the original application. Krug has established, by clear and convincing evidence, that the '576 patent is invalid under 35 U.S.C. § 112, first paragraph, for lack of written description.

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2. Prior Art

The parties dispute the admissibility of RX-0005/CX-0017, versions of an invoice alleged by Krug to be evidence of an invalidating prior art sale. ROB at 43. Sauder contends that because the invoice was produced late it is prejudicial and should not be admitted. *See* CRB at 10. Sauder, however, agreed to its admission in exchange for the opportunity to submit a supplemental expert report. *See* CX-0038 at SMC-008411-13; CX-0043. I find that Sauder would not be prejudiced by the admission of the invoice and had adequate opportunity to respond to it. Accordingly, I admit the invoice exhibits into the record. Ultimately, however, I do not find that the invoice contains sufficient detail of the design purportedly sold to be invalidating prior art.

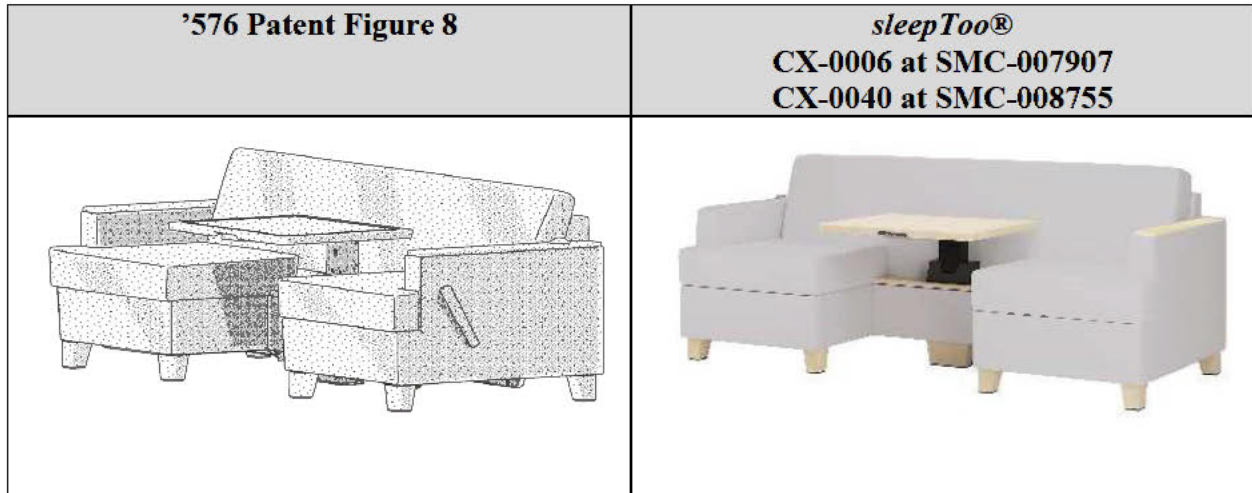
V. DOMESTIC INDUSTRY

“Section 337 requires that the domestic industry is related to an ‘article protected by the patent,’ and an invalid patent cannot protect any articles.” *Certain Vision-Based Driver Assistance Sys. Cameras, Components Thereof, & Prod. Containing the Same*, Inv. No. 337-TA-907, Comm’n Opinion (Dec. 1, 2015). As noted above, I find that the ’576 patent is invalid. Accordingly, there are no “articles protected by” it. *See* 19 U.S.C. §§ 1337(a)(2), (3). Sauder’s domestic industry case fails for at least this reason. In the event that a reviewing tribunal finds my invalidity conclusion to be incorrect, I provide factual findings on the so-called technical prong and economic prong of the domestic industry analysis.

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A. Technical Prong

Sauder asserts that its *sleepToo*® sofas practice the design claimed in the '576 patent. COB at 30-34. I start with a comparison of the patented design to the *sleepToo*® sofa:



The arm length, seat cushion shape, and end-view profiles are the same. The arm caps are the same. The junction between the seat cushion and the seat base is the same. The front of the seat edges are the same. The recess in the table edge near the handle is the same. The leg shapes are the same. The center foot is the same. Other views in the record show the groove around the table surface perimeter is the same and the U-shaped cover on the table stem is the same. CX-0006 at SMC-007905, -07. While the actuator button appears on the left in the figure above, other configurations place it on the right, in the same location as the patented design. *Id.* The shape of the button is the same in the two designs. Considering the two designs as a whole, and remaining mindful of the same issues I considered in my infringement analysis, I conclude an ordinary observer would find the version of the *sleepToo*® sofa illustrated above to be “substantially the same” as the patented design. *See Egyptian Goddess*, 543 F.3d at 670.

Krug’s major criticism of Sauder’s technical prong showing is that Sauder did not adequately articulate the scope of the patented design when comparing it to the *sleepToo*®

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domestic industry product. ROB at 63-64. But Sauder provided charts comparing images of the *sleepToo*® design to figures from the patent claim. COB at 30-34. Sauder averred that “the shape of the arms, backrest, cushions, and seats” in the two designs were the same, as were “the relative proportions, sizes, and positions of the design elements.” *Id.* at 33. Sauder provided sufficient evidence of the *sleepToo*® design to allow a meaningful analysis of its technical prong contentions. CX-0006. Viewing the record as a whole, Sauder has shown by a preponderance of the evidence that its *sleepToo*® practices the design that is the subject of the ’576 patent claim. I find that if that claim were valid, Sauder would have satisfied the technical prong of the domestic industry requirement.

B. Economic Prong

The parties are in agreement that, to the extent Sauder satisfies the technical prong with respect to the *sleepToo*® sofa, Sauder also satisfies the economic prong of the domestic industry requirement under 19 U.S.C. § 1337(a)(3)(A), (B), and (C). Tr. at 137:24-138:6.

I find that the record evidence shows that Sauder has made a significant investment in plant and equipment and a significant employment of labor in relation to articles alleged to be protected by the ’576 patent. Sauder operates three manufacturing facilities in the United States which carry out manufacturing, engineering, and product development activities related to *sleepToo*® sofas. CX-0007C at SMC-007927-8. Sauder has invested ██████████ in capital investments attributable to production of *sleepToo*® sofas. CX-0007C at SMC-007918. From 2012 to 2017, Sauder invested ██████████ in ongoing product manufacturing and engineering costs related to the *sleepToo*® sofa. CX-0007C at SMC-007942. Sauder has also invested ██████████ in materials and ██████████ in goods and services related to the *sleepToo*® sofa. *Id.* Sauder employs ████████ employees within the United States, with ████████ employees dedicated to manufacturing. A significant number of Sauder’s employees, necessarily, are involved in the production of

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sleepToo® sofas, as Sauder attributes \$ [REDACTED] in labor costs to production of those sofas. CX-0007C at SMC-007942.

In addition, Sauder has made a substantial investment in the exploitation of the '576 patent, including through engineering, research, and development activities. For example, Sauder has expended at least \$ [REDACTED] in research, development, and engineering related to the *sleepToo*® sofa. CX-0007C at SMC-007918.

If the '576 patent were not invalid, I would find that Sauder satisfied the economic prong of the domestic industry requirement.

VI. CONCLUSIONS OF LAW

1. The Commission has personal jurisdiction over the parties, subject-matter jurisdiction over the investigation, and *in rem* jurisdiction over the accused Krug Amelio sleep sofas.
2. The importation requirement of section 337 is satisfied as to the Krug Amelio sleep sofas.
3. U.S. Design Patent No. 716,576 is invalid under 35 U.S.C § 112 for lacking written description support.
4. Krug does not infringe the sole claim of U.S. Design Patent No. 716,576.
5. The record contains evidence sufficient to determine that the technical prong of the domestic industry requirement has been satisfied if U.S. Design Patent No. 716,576 were not invalid.
6. The record contains evidence sufficient to determine that the economic prong of the domestic industry requirement has been satisfied if U.S. Design Patent No. 716,576 were not invalid.

VII. RECOMMENDED DETERMINATION ON REMEDY & BOND

I must issue a recommended determination concerning the appropriate remedy in the event that the Commission finds a violation of section 337 and I must recommend the amount of bond

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to be posted by Krug during Presidential review of the Commission action. *See* 19 C.F.R. § 210.42(a)(1)(ii).

A. Findings of Fact Relevant to Remedy and Bond

As noted *supra*, I have found that Krug imported the accused Krug Amelio sleep sofas into the United States. *See supra* part II.D.

B. Limited Exclusion Order

Under section 337(d), the Commission may issue a limited exclusion order directed to a respondent's infringing products. *See* 19 U.S.C. § 1337(d). A limited exclusion order instructs the U.S. Customs Service to exclude from entry all articles that are covered by the patent at issue that originate from a named respondent in the investigation. *See Fuji Photo Film Co. Ltd. v. Int'l Trade Comm'n*, 474 F.3d 1281, 1286 (2007).

Because I do not find a violation here, a limited exclusion order is not appropriate. In the event the Commission finds a violation, I recommend that a limited exclusion order issue prohibiting the importation of the accused products found to infringe the asserted patent. No party has asked that the order be tailored in any way. To the extent that Krug's Amelio sofas are modular and may be arranged in infringing and non-infringing configurations, I recommend that the Commission specify that the order only applies to infringing configurations.

C. Cease and Desist Order

Under section 337(f)(1), the Commission may issue a cease and desist order in addition to, or instead of, an exclusion order. *See* 19 U.S.C. § 1337(f)(1). The Commission generally issues a cease and desist order directed to a respondent when there is a "commercially significant" amount of infringing, imported product in the United States that could be sold, thereby undercutting the remedy provided by an exclusion order. *See Certain Magnetic Data Storage and Tapes and Cartridges Containing the Same (II)*, Inv. No. 337-TA-1076, Comm'n Op. at 176 (Oct. 25 2018);

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Certain Crystalline Cefadroxil Monohydrate, Inv. No. 337-TA-293, USITC Pub. 2391, Comm'n Op. on Remedy, the Public Interest and Bonding at 37-42 (June 1991); *Certain Condensers, Parts Thereof and Prods. Containing Same, Including Air Conditioners for Automobiles*, Inv. No. 337-TA-334 (Remand), Comm'n Op. at 26-28, 1997 WL 817767, at *11-12 (U.S.I.T.C. Sept. 10, 1997).

Because I do not find a violation here, a cease and desist order is not appropriate. Even were the Commission to find a violation of section 337, however, a cease and desist order is not supported by the record.

Sauder accuses Krug of importing and stockpiling accused products “throughout this investigation . . . in anticipation of an adverse ruling and exclusion order.” *See* COB at 43. At the evidentiary hearing in this matter, however, Sauder’s counsel admitted that such allegations were without any supporting evidence. Tr. at 143:5-12. As Sauder itself notes in its brief, the accused products are “configured uniquely for each client.” *See* COB at 47; *see also* CX-0005 (Krug website noting that “every piece is custom-made to customer specifications”); CX-0007C at SMC-007912 (Declaration of Sauder’s President and Chief Executive Philip E. Bontrager stating “each [Sauder] order is manufactured to a customer’s unique specifications”). It is difficult to square record evidence showing that each imported article is a customized piece destined for a particular customer with evidence showing that products are being imported and stockpiled in bulk in order to fill future orders. In any event, because there is no evidence that more than a *de minimis* number of accused products is presently maintained within the United States by Krug, *see* Tr. at 151:4-17, a cease and desist order would not be supported by the record.

D. Bond During Presidential Review

Pursuant to section 337(j)(3), the administrative law judge and the Commission must determine the amount of bond to be required of a respondent during the 60-day Presidential review

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period following the issuance of permanent relief, in the event that the Commission determines to issue a remedy. *See* 19 U.S.C. §1337(j)(3). The purpose of the bond is to protect the complainant from any injury. *See* 19 C.F.R. § 210.42(a)(1)(ii), § 210.50(a)(3).

When reliable price information is available, the Commission has often set the bond by eliminating the differential between the domestic product and the imported, infringing product. *See Microsphere Adhesives, Processes for Making Same, and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, USITC Pub. 2949, Comm'n Op. at 24 (Dec. 8, 1995). In other cases, the Commission has turned to alternative approaches, especially when a reasonable royalty rate could be ascertained. *See, e.g., Certain Integrated Circuit Telecomm. Chips and Prods. Containing Same, Including Dialing Apparatus*, Inv. No. 337-TA-337, Comm'n Op. at 41, 1993 WL 13033517 at *24 (U.S.I.T.C. June 22, 1993). A 100 percent bond has been required when no effective alternative existed. *See, e.g., Certain Flash Memory Circuits and Prods. Containing Same*, Inv. No. 337-TA-382, USITC Pub. No. 3046, Comm'n. Op. at 26-27 (July 1997) (imposing a 100 percent bond when price comparison was not practical because the parties sold products at different levels of commerce, and the proposed royalty rate appeared to be *de minimus* and without adequate support in the record).

Here, Sauder asserts that a 100 percent bond rate is required because Krug's accused products and Sauder's domestic products are both customized and configured uniquely for each customer, rendering price comparisons unreliable. COB at 46-47; CX-0005 (Krug website noting that "every piece is custom-made to customer specifications"); CX-0007C at SMC-007912 (Declaration of Sauder's President and Chief Executive Philip E. Bontrager stating "each [Sauder] order is manufactured to a customer's unique specifications"). Sauder further argues that, because Sauder has never licensed the '576 patent, there are no readily ascertainable royalty rates (citing

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no record evidence). COB at 47. Finally, and again citing no evidence, Sauder argues that “Krug is making sales to clients who would otherwise buy from Sauder” and thus, according to Sauder, depriving Sauder of “one hundred percent (100%) of the sale to the client.” *Id.*

Contrary to Sauder’s contention, the record demonstrates that a price comparison was possible from readily available evidence. The record reflects multiple occasions Krug and Sauder directly competed for sales of their respective sofas in response to customer bid requests. *See* COB at 19 (price was issue “while competing for a major sales contract” at Stanford University Medical Center); CX-0016 (Gish Deposition) at SMC-008047; CX-009 at SMC-007988 (partial email from Lisa Kubiak noting that she had chosen Krug’s product over Sauder’s). Sauder could have, but did not, present evidence on price information in that head-to-head competition.

At oral argument, Sauder claimed that price differential was a main competitive advantage enabling Krug to win business, which implies Sauder in fact had a meaningful understanding of both company’s prices. *See* Tr. at 117:22-118:1 and 142:1-8; *see also* COB at 37 (noting Sauder’s average price per sofa). Krug also produced its pricing data during discovery. Tr. at 150:19-24; CX-0044C at KRUG-0103078 (internal Krug document making price comparison between certain Krug product configurations and comparable Sauder products).⁹ It is clear, then, that Sauder could have engaged in a meaningful price comparison.

When a complainant “fail[s] to satisfy [its] burden to support a 100 percent bond or to properly explain why a reasonable royalty or price differential would be impractical,” the Commission has set a bond of zero percent during the Presidential review period. *Certain L-*

⁹ [REDACTED]

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Tryptophan, L-Tryptophan Products, and their Methods of Production, Inv. No. 337-TA-1005, Comm'n Op. at 53 (Jan. 11, 2018). Such a result follows from the fact that “[t]he complainant has the burden of supporting any bond amount it proposes.” *Id.* at 52 (citing *Certain Rubber Antidegradants, Components Thereof and Products Containing Same*, Inv. No. 337-TA-533, Comm'n Op. at 40 (July 21, 2006)). Here, Sauder has not demonstrated that it would be impractical to calculate a bond rate based on the price differential between the *sleepToo*® and Amelio sofas. Rather, the evidence suggests that Sauder simply did not attempt to calculate a price differential, despite ample opportunity to gather such evidence. *See* Tr. at 144:22-24 (Q: “Did you gather discovery on price comparisons?” A: “No.”).

Because Sauder has not carried its burden to support its proposed 100 percent bond rate, I recommend that the Commission enter a bond rate of zero percent should it find a violation.

VIII. INITIAL DETERMINATION

Based on the foregoing, I have determined that no violation of section 337 of the Tariff Act of 1930, as amended, has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain convertible sofas and components thereof with respect to U.S. Design Patent No. 716,576.

I hereby certify to the Commission this Initial Determination and the Recommended Determination.

The Secretary shall serve the confidential version of this Initial Determination upon counsel who are signatories to the Protective Order (Order No. 1) issued in this investigation. A public version will be served at a later date upon all parties of record.

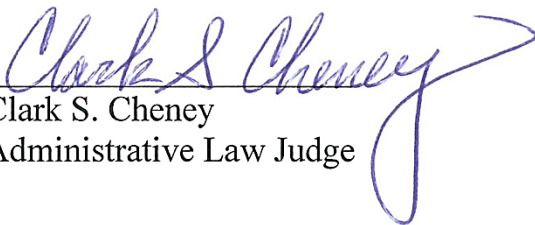
Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall become the determination of the Commission unless a party files a petition for review pursuant to 19 C.F.R.

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§ 210.43(a) or the Commission, pursuant to 19 C.F.R. § 210.44, orders on its own motion a review of the Initial Determination or certain issues therein.

Within seven days of the date of this document, the parties must jointly submit a statement to Cheney337@ustic.gov stating whether or not each seeks to have any portion of this document redacted from the public version. Should any party seek to have any portion of this document redacted from the public version thereof, the parties shall attach a copy of a jointly proposed public version of this document indicating any portion asserted to contain confidential business information in red brackets.¹⁰ To the extent possible, the proposed redactions should be made electronically, in a pdf of the issued order, using the “Redact Tool” within Adobe Acrobat, wherein the proposed redactions are submitted as “marked” but not yet “applied.” The parties shall have an opportunity to respond regarding any proposed redactions the Administrative Law Judge views as not meeting the Commission’s standards for confidential business information. The parties’ submissions concerning the public version of this document should not be filed with the Commission Secretary.

SO ORDERED.


Clark S. Cheney
Administrative Law Judge

¹⁰ If the parties submit excessive redactions, they may be required to provide an additional written statement, supported by declarations from individuals with personal knowledge, justifying each proposed redaction and specifically explaining why the information sought to be redacted meets the definition for confidential business information set forth in Commission Rule 201.6(a). 19 C.F.R. § 201.6(a).

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **INITIAL DETERMINATION** has been served by hand upon the following parties as indicated, on **July 17, 2019**.



Lisa R. Barton, Secretary
U.S. International Trade Commission
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Washington, DC 20436

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