



BNA's Patent, Trademark & Copyright Journal®

VOL. 82, NO. 2025

JULY 29, 2011

Patents/Design Patents

ITC Issues General Exclusion Order to Stop Crocs Knockoff Imports by Unknown Sources

The U.S. International Trade Commission issued a general exclusion order July 15 barring importation of shoes that violate the design patent underlying the popular Crocs footwear, after concluding that “it is difficult to identify the source of infringing products” (*In the matter of Certain Foam Footwear*, Int’l Trade Comm’n, No. 337-TA-567, 7/15/11).

According to a leading design patent practitioner with experience before the ITC, there are potentially hundreds of overseas manufacturers “willing and able to produce this kind of foam footwear,” and the ITC’s general exclusion order shows that design patents can be an effective tool to prevent infringing imports from entering the United States.

Federal Circuit Overturns ITC’s Initial Judgment. Crocs Inc. brought an action in the International Trade Commission against several companies in 2006 to stop importation of allegedly infringing footwear, under Section 337 of the Tariff Act, 19 U.S.C. § 337. Crocs asserted a patent on the design of its shoes (D517,789) and a utility patent (6,993,858) on “Breathable Footwear Pieces.”

In a July 2008 notice, the ITC affirmed the findings of the administrative law judge on the case, ruling against Crocs on multiple grounds. The ITC found no infringement of the design patent and invalidity of the utility patent for obviousness. Based on its noninfringement decision to some extent, the agency also found that Crocs failed to meet the “technical prong” of the domestic industry requirement of Section 337.

Crocs appealed to the Federal Circuit. Three respondents in the ITC case were intervenors in the appeal—Double Diamond Distribution Ltd. and Holey Soles Holdings Ltd. of Canada, and Effervescent Inc. of Fitchburg, Mass.

After the ITC’s decision, the U.S. Court of Appeals for the Federal Circuit modified design patent infringement analysis in *Egyptian Goddess Inc. v. Swisa Inc.*, 543 F.3d 665, 88 USPQ2d 1658 (Fed. Cir. 2008) (en banc) (76 PTCJ 724, 9/26/08).

Primarily based on the new *Egyptian Goddess* standards, the Federal Circuit reversed the ITC on all grounds. *Crocs Inc. v. International Trade Commission*,

598 F.3d 1294, 93 USPQ2d 1777 (Fed. Cir. 2010) (79 PTCJ 503, 3/5/10).

Practitioner Cites ‘Teeth’ of Design Patents. The case was remanded to the ITC for a review of the utility ’858 patent infringement and appropriate remedies, with only the three intervenors remaining as respondents. Administrative Law Judge Robert K. Rogers Jr. found infringement of two of the claims of the utility patent and the commissioners did not disturb that finding. Thus, all that remained was to determine the scope of the remedy.

“The Commission has determined that a general exclusion from entry for consumption is necessary to prevent circumvention of an exclusion order limited to products of named persons and because there is a pattern of violation of section 337 and it is difficult to identify the source of infringing products,” according to the July 15 order. The commission also entered an order for the three respondents to cease and desist activities in violation of Crocs’ two patents.

“This is yet another example of the teeth that design patents can have,” design patent expert Christopher V. Carani of McAndrews, Held & Malloy, Chicago, told BNA July 26. “By all accounts, the scope of this Order is quite broad in terms of time, subject matter and parties affected,” he said. “An importer risks heavy fines if they import under certification and the goods are later found to infringe.”

Carani further noted that general exclusion orders are more likely in consumer products cases because of the low manufacturing costs. “Due to the low barriers to entry with foam footwear,” he explained, “the universe of factories that can pump out foam footwear is vast. Indeed, when the case started there were 13 respondents.” He pointed to alibaba.com, a website listing global manufacturers of thousands of products. A search of “foam shoes” alone at that website yielded hundreds of hits, with many of the pictured shoes clearly Crocs knockoffs and most of those manufactured in China.

However, Carani was uncertain about the potential effectiveness of the U.S. Customs and Border Patrol in enforcing the exclusion order, inasmuch as neither the order nor the Federal Circuit’s *Crocs* decision provides much guidance to the CBP for determining whether an import would be infringing. He asked, “Is the CBP equipped with the necessary tools to conduct a proper design patent infringement analysis? One needs to keep

in mind that there was some pretty close prior art in this case.”

Carani referred to the *Egyptian Goddess* requirement to conduct the infringement analysis in view of the prior art. “Failure [of CBP] to do so runs the risk of a likelihood of false positives,” he said.

Michael A. Berta of Arnold & Porter, San Francisco, represented Crocs. Double Diamond was represented

by Rachel Stafford of Las Vegas. Smith R. Brittingham of Finnegan, Henderson, Farabow, Garrett & Dunner, Washington, D.C., represented Effervescent and Holey Soles.

BY TONY DUTRA

Order at <http://pub.bna.com/ptcj/ITCCrocsJul15.pdf>