

BRIEF OF APPELLEE INTERNATIONAL TRADE COMMISSION

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CROCS, INC.,

Appellant,

v.

INTERNATIONAL TRADE COMMISSION,

Appellee,

and

GEN-X SPORTS, INC.,

Intervenor,

and

DOUBLE DIAMOND DISTRIBUTION, LTD.,

Intervenor,

and

**COLLECTIVE LICENSING INTERNATIONAL, LLC, HOLEY SOLES
HOLDINGS, LTD., and EFFERVESCENT, INC.,**

Intervenors.

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THE FEDERAL CIRCUIT

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**ON APPEAL FROM THE UNITED STATES INTERNATIONAL
TRADE COMMISSION IN INVESTIGATION NO. 337-TA-567.**

CLINT A. GARDINE
Attorney for Appellee
Office of the General Counsel
U.S. International Trade Commission
500 E Street, SW
Washington, D.C. 20436
Telephone (202) 708-2310

JAMES M. LYONS
General Counsel
Telephone (202) 205-3101

ANDREA C. CASSON
Assistant General Counsel
for Litigation
Telephone (202) 205-3105

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STATEMENT OF RELATED CASES

The appellee, U.S. International Trade Commission ("Commission"), has no information concerning related cases other than those referenced by the other parties to this appeal.

STATEMENT OF THE ISSUES

The Commission disagrees with Crocs, Inc.'s ("Crocs") framing of the issues, and believes the issues are properly presented as follows:

- 1) Whether the Commission's finding that U.S. Patent No. D517,789 ("the '789 patent") is not infringed by the accused products is in accordance with law and supported by substantial evidence.
- 2) Whether the Commission's finding that no domestic industry exists with respect to the '789 patent because of Crocs' failure to satisfy the technical prong of the domestic industry requirement is in accordance with law and supported by substantial evidence.
- 3) Whether the Commission's finding that the asserted claims of U.S. Patent No. 6,993,858 ("the '858 patent") are invalid under 35 U.S.C. § 103 is in accordance with law and supported by substantial evidence.

STATEMENT OF THE CASE

I. NATURE OF THE CASE AND PROCEDURAL BACKGROUND

The Commission substantially agrees with Crocs' statement of the case (Br. at 2-7), but provides some additional relevant background. This appeal is from the Commission's final determination ("ID") finding no violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the investigation entitled

Certain Foam Footwear, USITC Inv. No. 337-TA-567. The Commission instituted the underlying investigation based on a complaint filed by Crocs alleging a violation of Section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain foam footwear by reason of infringement of two patents. Several of the originally named respondents were subsequently terminated from the case, either on the basis of settlement or for other reasons. On April 11, 2008, the presiding Commission administrative law judge (“ALJ”) issued his final initial determination (“ID”) in the investigation, in which he found no violation of section 337 by the five remaining respondents.¹ On July 25, 2008, the Commission issued a notice and a final opinion modifying the ALJ’s final ID and finding no violation of section 337 by the five respondents. A1-2, A7-21. Crocs’ appeal to this Court followed.

Regarding the ‘789 patent, this case concerns the correct construction of the design claim and application of the correctly construed claim to the accused designs and the patentee’s commercial designs for the purpose of the infringement

¹ Those respondents are Gen-X Sports, Inc. (“Gen-X”); Double Diamond Distribution, Ltd.; Collective Licensing International, LLC.; Holey Soles Holdings, Ltd., and Effervescent, Inc. Each of them appears as an intervenor in this appeal. The Commission notes that Crocs did not expressly include the issue of the Commission’s non-infringement finding for Gen-X concerning the ‘858 patent in its petition for review of the ALJ’s final ID. A8993-94; A1-2, A78, A130-32, A25000-01.

analysis. Regarding the '858 patent, this case concerns the Commission's determination that the asserted claims of the '858 patent are invalid, as proven by clear and convincing evidence, due to obviousness in view of the prior art.

II. STATEMENT OF THE FACTS

The Commission disagrees with Crocs' characterizations of the facts, which are selective. Accordingly, the Commission presents the following corrective statement of the relevant facts and Commission findings.

A. The '789 Patent

1. Background and The Commission's Finding of Non-Infringement and Non-Satisfaction of the Technical Prong of the Domestic Industry Requirement Concerning the '789 patent

The '789 patent, entitled "Footwear," claims an "ornamental design for footwear" with seven illustrations (Figs. 1-7) showing various top, bottom, and side views of the shoe design. A10392-97. The ALJ found, as largely adopted by the Commission, that the '789 patent was neither infringed by respondents' accused products, nor practiced by Crocs' domestic shoes so as to satisfy the technical prong of the domestic industry requirement.² A109-45. Since this investigation took place prior to issuance of the Federal Circuit opinion in

² The Commission largely adopted all relevant findings of the ALJ regarding the '789 patent except for an additional difference, as identified in its opinion, found between the claimed design and the accused shoes. A10-12.

Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665 (Fed. Cir. 2008), the ALJ applied the no longer required two-prong infringement test for design patents, *i.e.*, the point of novelty test and the ordinary observer test. A115-45. Regarding his point of novelty findings not reviewed by the Commission, the ALJ first found that the point of novelty in the '789 patent is "a large rivet, which is surrounded by the bulging end of the strap that creates a wrench-head effect which draws the eye," referred to as the "Eye of Sauron." A115-24. The ALJ then found that all of the accused shoes, as well as Crocs' domestic shoes, meet this point of novelty test. *Id.*; A124-45. Ultimately however, regarding the ordinary observer test, the Commission found that Crocs had not shown, by a preponderance of evidence, that an ordinary observer would find either the accused shoes, or Crocs' domestic shoes, substantially similar to the overall appearance of the '789 patent design to deceive such an observer into purchasing one supposing it to be the other. A10-12, A113-14, A124-45.

The ALJ's claim construction, as adopted by the Commission, includes the following ornamental features: (1) footwear having a foot opening with a strap that may or may not include any patterning, the strap attached to the body of the footwear by two round connectors, and having uniform width between the two round connectors, a wrench-head like shape at the point of attachment, and

extending to the heel of the shoe; (2) the upper body of the footwear having a roof with round holes placed in a systematic pattern; (3) trapezoid-shaped holes evenly spaced around the sidewall of the upper body including the front (toe) portion; and (4) upward curvature in the toe and heel of the sole where the sole may or may not contain tread on the upper and lower portions of the sole, but if tread exists, the tread does not cover the entire sole; and (5) scalloped indentations that extend from the side of the sole in the middle portion and curve toward each other. *Id.* Further, in response to an argument made by Crocs, the ALJ noted that Crocs, as the patentee, was in complete control of the '789 patent drawings and therefore could have easily submitted any drawings to accurately claim its invention. A114 (fn. 363); *citing In re Mann*, 861 F.2d 1581, 1582 (Fed. Cir. 1988).

The ALJ examined all of the accused products and found at least two ornamental limitations to be missing from each of these products. A112-42. Similarly, he found that these same ornamental features are missing from Crocs' domestic shoes. A142-45. Thus, he found that at least the following significant features of the patented design were lacking in each accused shoe (and each domestic shoe): (1) lack of the strap extending to the heel of the shoe, and (2) lack of a uniform width of the strap - *i.e.*, all accused shoes (and all of Crocs' domestic shoes) include a strap with a wider end at the back of the strap. *Id.*; *see also*

A10395 (Figs. 2 and 3). In addition, the ALJ found other significant differences in some of the accused shoes; including: (1) lack of round holes on the roof (*e.g.*, Waldies AT, Original and Redesigned Beach DAWGS, Groovy/Big DAWGS, Airwalk Compel I, II, and III/IIIA/IIIB); and (2) lack of no-tread portion in middle of sole (*e.g.*, Redesigned Beach DAWGS, Groovy/Big DAWGS). *Id.* On review, the Commission additionally found that none of the accused shoes or Crocs' shoes contain even spacing of ventilator holes around the front (toe) portion of the sidewall of the upper, as called for by the '789 patent design, under the ALJ's construction. *See* A10396 (Fig. 4), A17196-97, A17199-207, A17226-27, A21431-37, A21439, A21441-44, A21446, A21451.

The ALJ noted that similarities exist between the accused shoes and the '789 patent design, but determined that there are also differences that an ordinary observer would discern and therefore he/she would not be confused into purchasing any model of the accused footwear, supposing it to be a shoe reflecting the '789 patent design. A113-14. Citing *Mann*, the ALJ noted that since "design patents have almost no scope," his design patent infringement analysis must be based on all of the drawings presented in the '789 patent. *Id.* In turn, he observed that these drawings expressly illustrate even spacing of the holes in the sidewall of the upper and a strap extending to the heel with uniform width. A108-14; A10396

(Fig. 4).

Accordingly, the ALJ, as well as the Commission on review, found these differences to be significant and determined that an ordinary observer would not consider the overall appearance of any of the accused products to be substantially similar to the design claimed in the '789 patent because the accused products, when considered in their entirety, do not create the visual impression that is similar to the claimed design. *Id.*; A10-12, A124-45. Therefore, the ALJ found, and the Commission agreed, that the '789 patent was neither infringed by any of the accused products, nor practiced by any of Crocs' domestic shoes. *Id.*

B. The '858 Patent

1. Background

The '858 patent is entitled "Breathable Footwear Pieces" and includes two apparatus claims. The apparatus claims are directed to foam footwear that includes a strap section connected to a base portion, allowing for pivoting relative to the base portion and subject to frictional forces sufficient to maintain the strap section in place in an intermediary position after pivoting. A10327[col. 9:36-60, col. 10:1-58]. Specifically, claim 1 (representative of both asserted claims) states:

1. A footwear piece comprising:
 - a base section including an upper and a sole formed as a single part manufactured from a moldable

foam material; and

a strap section formed of a moldable material that is attached at opposite ends thereof to the upper of the base section with plastic connectors such that the moldable foam material of the strap section is in direct contact with the moldable material of the base section and pivots relative to the base section at the connection;

wherein the upper includes an open rear region defined by an upper opening perimeter, and wherein frictional forces developed by the contact between the strap section and the base section at the plastic connectors are sufficient to maintain the strap section in place in an intermediary position after pivoting, whereby the strap section lends support to the Achilles portion of the human foot inserted in the open rear region; and

wherein the upper includes a substantially horizontal portion and a substantially vertical portion forming a toe region that generally follows the contour of a human foot, wherein the toe region tapers from an inner area of the base section where the larger toes exist to an outer area of the base section where the smaller toes exist; and

wherein the sole includes a bottom surface having front and rear tread patterns longitudinally connected by a flat section. *Id.* (emphasis added).

The specification describes the claimed foam footwear as solving the problem of wearing comfortable footwear that can still be secured to the foot, and defines the claimed invention as including a base section and a strap section formed of the same material - *i.e.*, foam. A10311-12[Figs. 1-2], A10323[col. 1:22-

36, col. 2:10-11]. The base section includes an upper and a sole, wherein the upper includes an upper opening perimeter and the sole includes a rear sole perimeter. A10324[col. 4:47-49], A10325[col. 5:32-33, 47-48]. In particular, the specification describes the claimed strap section as placeable in an intermediary position between the rear sole perimeter and the upper opening perimeter, due to frictional forces developed between the strap and upper at the connection rivets, where in this position the strap serves the utilitarian purpose of lending support to the Achilles portion of the human foot. A10325[col. 6:17-31]. Further, the specification notes that the strap may remain in place due to the frictional forces even without the Achilles portion of the foot pressing against the strap. *Id.*

2. Relevant Prosecution History of the '858 patent

The '858 patent issued after prosecution involving significant amendments and remarks. The Examiner, in an Office Action rejecting all claims, relied on U.S. Patent No. 6,237,249 ("Aguerre") and U.S. Patent No. 4,476,600 ("Seidel") to reject all claims due to obviousness, where the claims included the feature of "frictional forces developed by contact between the strap section and the base section" to maintain the strap section in place after pivoting. A17778-79. The Examiner based his obviousness rejection on Seidel's teaching of a breathable footwear piece that included a base section, containing an upper and a sole formed

as a single part manufactured from a moldable foam material, in combination with Aguerre's teaching of breathable footwear with a sole including a bottom surface and a support base, and a pivotable strap attached at opposite ends thereof to the base section for securing the footwear on the foot of the wearer, maintaining the footwear in position, and providing support to the wearer's heel. *Id.*

In response to the Seidel/Aguerre rejection and following an Examiner interview, the Applicant made significant amendments to independent claims 1 and 27, and added claim 28. A17795, 17797-800. The amended claims included the same relevant features relating to the strap section, "formed of a moldable foam material," as recited in the asserted claims at issue here. *Id.* The Applicant also submitted detailed remarks concerning the claim amendments. A17795, A17797-800. Specifically, the Applicant stated the following to distinguish the Seidel and Aguerre references:

[N]either Seidel nor Aguerre teach or suggest a footwear piece where a strap section is connected to a base section that is constructed of a moldable foam material so that friction forces maintain the strap in essentially any orientation . . . [I]n order to further clarify this feature, claim 1 has been amended to recite that *both the strap section and the base section are constructed of a moldable foam material* and that these two elements are in *direct contact with each other* at attachment points where the two are pivotally attached. Since the cited art *fails* to teach the use of a strap section and a base section that are constructed of a moldable foam material and that

are in direct contact with each other at attachment points,
claim 1 is distinguishable and in condition for allowance.
(emphasis added). A17799-800.

Following this response, claim 1 and others were canceled to place the application in condition for allowance. The Examiner allowed the patent application where claims 27-28 became asserted claims 1-2 at issue, and the allowed claims 27-28 included the specific feature of a strap section “formed of a moldable foam material.” A17797-98, A17806-10.

3. The Commission’s Finding of Invalidity Concerning the ‘858 patent

The ALJ found, as largely adopted by the Commission, that the asserted claims of the ‘858 patent were proven invalid, by clear and convincing evidence, due to obviousness in view of the prior art, specifically the Aqua Clog and Aguerre.³ A85-105, A19009-21, A20794, A21447. Crocs does not dispute that the Aqua Clog is the shoe set forth in the asserted claims except for the strap section recited. Therefore, this case, as it relates to the ‘858 patent, specifically concerns the Commission’s determination that one of ordinary skill would have found it obvious to add the claimed strap section to the prior art Aqua Clog to create the claimed invention of the ‘858 patent.

³ The Commission largely adopted all relevant findings of the ALJ regarding invalidity of the ‘858 patent except for the clarifications identified in its opinion relating to commercial success and copying. A12-17.

The claimed strap section is formed of a “moldable (or molded) material.” A10327[col. 9:36-45]. The ALJ construed this term, as adopted by the Commission, to mean a “foam material capable of being manufactured, using a mold, into a three-dimensional shape.” A62. Crocs does not contest the construction of the relevant claim limitation as applied to the Commission’s determination on validity. A85-105, A19009-21, A20794, A21447.

The Commission found that an overwhelming case of *prima facie* obviousness was established by the combination of the Aqua Clog and a foam strap, and that secondary considerations of obviousness did not outweigh this *prima facie* showing. A85-90, 104-05.

As an initial step, the ALJ adopted the definition asserted by Crocs that a person of ordinary skill in the art with regard to the ‘858 patent would, in 2001-2003, have “two to five years of hands-on experience in designing and developing products made of molded foams, especially footwear.” A84-85. Based on the record evidence, the ALJ found, and Crocs does not dispute, that the prior art Aqua Clog is essentially the same footwear as that of the ‘858 claimed invention without a heel strap. *See* A87, A20794, A21447. In this regard, the ALJ found that the design of the prior art Aqua Clog footwear includes the following features: (1) footwear having a foot opening without a strap, (2) the upper body of the footwear

having a roof with round holes placed in a systematic pattern, (3) trapezoid-shaped holes spaced around the sidewall of the upper body without holes in the front (toe) portion, and (4) upward curvature in the toe and heel of the sole where the sole may or may not contain tread on the upper and lower portions of the sole, but if tread exists, the tread does not cover the entire sole, and (5) scalloped indentations that extend from the side of the sole in the middle portion and curve toward each other. *See* A87, A108, A10311-16, A20794, A21447.

Accordingly, the ALJ considered whether the addition of a foam (heel) strap to the Aqua Clog base was obvious in view of the prior art. Based on the record evidence, the ALJ noted that use of straps in shoes similar to the patented shoe - *e.g.*, sandals, was well-known in the prior art, including the use of a very similar pivoting strap in the Aguerre patent. A87-90.

The ALJ also found that foam heel straps were known in the prior art, based on the testimony of both Crocs' and respondents' experts. Respondents' expert (Nutt) testified that inelastic and non-stretchable straps were well-known in the art. A87-88, A3314-15. Another of Crocs' witnesses (Reddyhoff), who had originally supplied the Aqua Clog to the inventor (Seamans) of the '858 patent, testified that prior to discovering the Aqua Clog, he experimented with a foam strap "that was not flexible at all." *Id.*; A3207-08. Recognizing that Crocs' expert testified that

foam straps were thought to be unsuitable by those skilled in the art because they were “excessively prone to tearing,” the ALJ noted that all prior knowledge and disclosures, even those relating to unpreferred embodiments, are relevant to an obviousness analysis under Federal Circuit precedent. *Id.*; citing *Merck & Co., Inc. v. Biocraft Labs., Inc.*, 874 F.2d 804, 807 (Fed. Cir. 1989); *In re Gurley*, 27 F.3d 551, 553 (Fed. Cir. 1994) (the court holding that “[a] known or obvious composition does not become patentable simply because it has been described as somewhat inferior to some other product for the same use.”); A17152-53. Based on the testimony of all experts and other corroborating record evidence, the ALJ therefore concluded that inelastic and non-stretchable straps, such as foam straps, were well within the knowledge of one of ordinary skill in the art prior to the earliest priority date for the ‘858 invention. A87-89. The Commission clarified in its opinion that the ALJ properly relied on Crocs’ expert testimony regarding “unsuitability” of foam straps simply as evidence that foam straps were known in the prior art to one of ordinary skill in the art. A13.

The ALJ also rejected Crocs’ position that the invention of the ‘858 patent is not obvious because it has a strap that makes direct contact with the shoe base such that the frictional force created allows the strap to stay in one place. The ALJ found that Aguerre discloses that very feature - direct contact between the strap

and the base - and that Crocs' expert (Whatley) admitted this fact. A88-89; *see* A19014 (FIGs. 11, 13 of Aguerre); A17128 (Q. 42). Further, the ALJ noted that a specific motivation for combining prior art elements need not be disclosed in the prior art to show obviousness, but rather any problem known in the field of invention can provide a reason for combining the elements in the manner claimed. A88-90; *see KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 414-21 (2007). In view of *KSR*, the ALJ reasoned that the prior art does not have to provide precise teachings directed to the particularly claimed subject matter, but rather the obviousness analysis can take account of the inferences and creative steps that a person of ordinary skill in the art would employ. The ALJ noted that *KSR* held that "[a] person of ordinary skill is also a person of ordinary creativity, *not an automaton.*" A89. Accordingly, the ALJ determined that such a person of ordinary skill in the art, familiar with the prior art Aqua Clog and having knowledge of a prior art foam strap, could have clearly combined the two together such that the strap has direct contact with the base to create the '858 claimed invention. A88-90.

Regarding a motivation to combine the prior art elements, the ALJ reasoned that, given the many positive attributes of the Aqua Clog (*e.g.*, comfortable, non-slip, anti-microbial), the U.S. market demanded a mechanism - *i.e.*, the strap - to

keep the Aqua Clog on a wearer's foot to permit more active uses. *Id.*

Accordingly, the ALJ found that the '858 patent inventor (Seamans) combined the prior art Aqua Clog with a pivotable strap, similar to the Aguerre strap, to meet this market demand. *Id.*; A19009-21. The ALJ recognized that the Aguerre strap is adjustable and elastic to fit snugly around the heel, but also makes contact with the body of the shoe so that it can be held in one place by friction, as admitted by Crocs' own expert (Whatley). *Id.*; A19020[Aguerre, col. 9, ll. 21-23]; A17128 (Q. 42). Although Aguerre does not disclose a strap made of foam, the ALJ determined that the claimed combination of the '858 patent meets the *KSR* test for obviousness because "[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results." *Id.*; quoting *KSR*, 550 U.S. at 416. Accordingly, the ALJ reasoned that the slight change from Aguerre, substituting a foam strap, in combination with the prior art Aqua Clog is something that one of ordinary skill in the art would have accomplished to create the claimed invention, a predictable result from the combination of familiar elements. *Id.*

In its opinion, the Commission noted that "the mere substitution of foam for other materials in the strap does not render the claimed invention non-obvious to a person of ordinary skill in the art." A14-15; citing *Lyle/Carlstrom Assoc., Inc. v.*

Manhattan Store Interiors, Inc., 635 F. Supp. 1371, 1385 (E.D.N.Y. 1986), *aff'd*, 824 F.2d 977 (Fed. Cir. 1987); *KSR*, 550 U.S. at 416 (“The Court [recognizes] that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result.”); *citing United States v. Adams*, 383 U.S. 39, 50-51 (1966). Based on the record evidence, the Commission therefore concluded that the “mere substitution of foam for prior materials in back straps is not patentable.” A15.

After determining that the combination of the Aqua Clog and the foam strap creates a *prima facie* case of obviousness, the ALJ considered all secondary considerations to determine whether they outweigh the overwhelming *prima facie* showing of obviousness, but found that they did not. A90-105. The ALJ considered Crocs’ reliance on secondary considerations of commercial success, copying by others, conventional wisdom, unexpected benefits, long-felt need, and industry praise. As to industry praise, the ALJ found that Crocs provided strong evidence of this consideration as an indication of non-obviousness, but he found that Crocs’ evidence did not outweigh the overwhelming showing of *prima facie* obviousness in view of the prior art. *Id.* at A104-05. He also noted Crocs’ failure to demonstrate much other objective indicia. *Id.*

Regarding commercial success, the ALJ found that although Crocs' domestic products are commercially successful, as evidenced by its increasing sales revenue, Crocs could not directly tie the commercial success to the allegedly novel features of its shoes, as reflected in the '858 patent. The ALJ found that a number of other factors were present - *i.e.*, success of prior art shoe, marketing, business negotiations - to explain the commercial success. A90-92. Also, the ALJ noted that just because commercial success followed the issuance of the '858 patent, it does not necessarily follow that the first event caused the second event, particularly here, where the prior art Aqua Clog enjoyed commercial success prior to the '858 patent. *Id.*

The ALJ further found that Crocs mixed the issues of functionality, which is of importance only in the utility patent context, and appearance, which is of importance only in a design patent context, in its attempt to explain the commercial success of its shoes. A92. Accordingly, the ALJ determined that Crocs failed to show a sufficient nexus between the commercial success of its shoes and the invention of the '858 patent. *Id.* The ALJ noted that "where a strong case of obviousness has been demonstrated . . . by the teachings of the prior art, a strong showing of commercial success cannot overcome that showing." *Id.*; citing *Newell Companies, Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 768-69 (Fed. Cir. 1988);

Leapfrog Enterprises, Inc. v. Fisher-Price, Inc., 485 F.3d 1157, 1162 (Fed. Cir. 2007).

In its opinion, the Commission clarified that Crocs' evidence of commercial success is insufficient because Crocs did not show that the commercial success of its shoes is attributable to the patented feature. A15-16, A88, A10327[col. 9:46-53]; *citing J.T. Eaton & Co., Inc. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997). Based on the record evidence, the Commission found that the relevant patented feature is just one of many features of Crocs' commercial shoe, and therefore concluded that there can be no presumptive nexus between the commercial success of Crocs' product and the claimed invention of the '858 patent.

Regarding copying, the Commission found that although Crocs introduced some evidence of copying, this evidence did "not overcome the overwhelming strength of respondents' *prima facie* case of obviousness, because of the closeness of the prior art to the claims." A16; *citing Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1344 (Fed. Cir. 2008); *citing Leapfrog*, 485 F.3d at 1162. Thus, the Commission concluded that "Crocs' evidence of copying fails to suggest that the claims are non-obvious."

Balancing all of the factors, especially the overwhelming evidence of *prima*

facie obviousness based on the prior art, the ALJ concluded, and the Commission agreed, that asserted claims 1 and 2 of the '858 are invalid under 35 U.S.C. § 103 due to obviousness. A104-105.

SUMMARY OF ARGUMENT

Consistent with Federal Circuit precedent, the Commission properly found the evidence in the record to show that an ordinary observer would not view the overall appearance of the '789 patent as being substantially similar to either the accused designs or Crocs' commercial shoes. Under the ALJ's correct construction of the patented design's ornamental features, the Commission reasonably found a plurality of significant differences between the '789 patent design and every accused shoe, as well as between the patented design and every Crocs' commercial shoe. The Court's subsequent clarification in *Egyptian Goddess* of the proper infringement test for design patents does not detract from the Commission's conclusion that an ordinary observer would discern these differences so as to prevent him/her from purchasing the accused shoes, or Crocs' commercial shoes, supposing such shoes to be the patented design. Accordingly, the Commission correctly found that the '789 patent design is neither infringed by respondents nor practiced domestically by Crocs.

The Commission's finding that the asserted claims of the '858 patent are

obvious under 35 U.S.C. § 103 is likewise supported by substantial evidence and in accordance with the relevant judicial precedent. Consistent with the teachings of *KSR*, the Commission correctly found that the asserted claims of the '858 patent are obvious in view of the Aqua Clog and Aguerre, as shown by clear and convincing evidence. It is undisputed that the Aqua Clog discloses every claimed feature of the '858 patent except for the strap section. Also, based on the prosecution history, the so-called "passive restraint feature" created by the strap section, and asserted by Crocs, was disclosed by Aguerre. Therefore, the only consideration is whether one of ordinary skill in the art would have found it obvious to substitute a foam strap for the strap used in Aguerre.

Substantial evidence supports the Commission's finding that one of ordinary skill in the art would indeed have found it to be an obvious design choice to substitute a foam strap to provide a uniform shoe that has a base and strap section made from the same foam material. The Commission accepted Crocs' proposal that one of ordinary skill in the art be defined as someone having two to five years of hands-on experience in designing and developing products made of molded foams, especially footwear. The record demonstrated that such a person would find it obvious to add a foam strap to the Aqua Clog in a manner recited by the '858 patent in order to meet market demand (*e.g.*, keep the shoe secured to the

wearer's foot), as a suitable design choice, or from some other motivation to apply known techniques.

As reflected by the record evidence, inelastic, non-stretchable straps, including foam straps, were well-known in the art. Crocs' own witness admitted that a unitary foam shoe, including a moldable foam strap, was known prior to the earliest priority date for the '858 patent. As such, the claimed invention is simply the combination or substitution of familiar elements, *i.e.*, an inelastic, non-stretchable strap, including a foam strap, with the known Aqua Clog to produce a predictable result - a foam shoe with a pivotable foam strap that can remain in place in a position above the sole of the shoe's base section.

Although Crocs presented some evidence of secondary considerations, the Commission reasonably found that these were far outweighed by the overwhelming *prima facie* evidence of obviousness.

ARGUMENT

I. STANDARD OF REVIEW

This Court reviews the Commission's legal determinations *de novo*; it reviews the Commission's factual findings for substantial evidence. *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 1565 (Fed. Cir. 1986). Commission factual findings are reviewed in accordance with the standards of the

Administrative Procedure Act (APA) and will be sustained unless they are unsupported by substantial evidence. *Honeywell Int'l, Inc. v. Int'l Trade Comm'n*, 341 F.3d 1332, 1338 (Fed. Cir. 2003). Substantial evidence is “such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 477 (1951) (quoting *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938)).

Claim construction, the first step of the infringement analysis, is a question of law. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996). The second step of the infringement analysis, whether the patent claims encompass the accused product, is a question of fact. *See Zelinski v. Brunswick Corp.*, 185 F.3d 1311, 1315 (Fed. Cir. 1999) (*citing Markman*, 52 F.3d at 976). The ultimate question of obviousness under 35 U.S.C. § 103 is a question of law, but “it is well understood that there are factual issues underlying the ultimate obviousness decision.” *Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1479 (Fed. Cir. 1997). Accordingly, the factual findings on which the Commission’s determinations are based, *i.e.*, non-infringement of the ‘789 patent and invalidity of the ‘858 patent, should not be disturbed if the Court finds the findings to be supported by “such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” *Consol. Edison*, 305 U.S. at

229.

II. THE COMMISSION CORRECTLY FOUND THAT THE '789 PATENT IS NOT INFRINGED AND THE TECHNICAL PRONG OF THE DOMESTIC INDUSTRY REQUIREMENT IS NOT SATISFIED.

A. The Commission Correctly Construed the Design Claim.

The ALJ correctly construed the design claim to include the following ornamental features: (1) footwear having a foot opening with a strap that may or may not include any patterning, the strap attached to the body of the footwear by two round connectors, and having uniform width between the two round connectors, a wrench-head like shape at the point of attachment, and extending to the heel of the shoe; (2) the upper body of the footwear having a roof with round roles placed in a systematic pattern; (3) trapezoid-shaped holes evenly spaced around the sidewall of the upper body including the front (toe) portion; and (4) upward curvature in the toe and heel of the sole where the sole may or may not contain tread on the upper and lower portions of the sole, but if tread exists, the tread does not cover the entire sole; and (5) scalloped indentations that extend from the side of the sole in the middle portion and curve toward each other. A113-14.

Contrary to Crocs' argument (Br. at 16-17) and in accordance with Federal Circuit precedent, the ALJ properly construed the claim in view of all patent illustrations. *See Contessa Food Products v. Conagra, Inc.*, 282 F.3d 1370, 1377-

79 (Fed. Cir. 2002); *Arminak & Associates v. Saint-Gobain Calmar, Inc.*, 501 F.3d 1314, 1324 (Fed. Cir. 2007); A108-09, A113-14. In addition, belying Crocs' argument (Br. at 13-17), the Commission's construction is not inconsistent with Crocs' proposed construction, as admitted by Crocs' own expert (Whatley). *See* A16503-04. The ALJ correctly considered only the ornamental (non-functional) features of the design in construing the claim. *See* A108-09, A113-14. Likewise, he considered only the overall ornamental visual impression rather than the broader general design concept. *See Door-Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1312 (Fed. Cir. 2001); *see also Contessa*, 282 F.3d at 1377 (*citing OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed. Cir. 1997)). As applied here, Figs. 2 and 3 of the '789 patent clearly illustrate a strap of uniform width extending to the heel of the shoe. *See* A10395 Further, Fig. 4 clearly illustrates even (uniform) spacing of holes around the sidewall of the shoe including the front (toe) portion. *See* A10396. Accordingly, as adopted by the Commission, the ALJ correctly included these illustrated features as part of his claim construction.

B. The Commission's Determination of Non-infringement is Supported by Substantial Evidence and Consistent with Law.

Contrary to Crocs' argument (Br. at 28, fn. 6), the Commission used the correct definition for an ordinary observer, defined by the ALJ as "an ordinary buyer of this type of footwear [who] would spend anywhere from 5 to 15 minutes

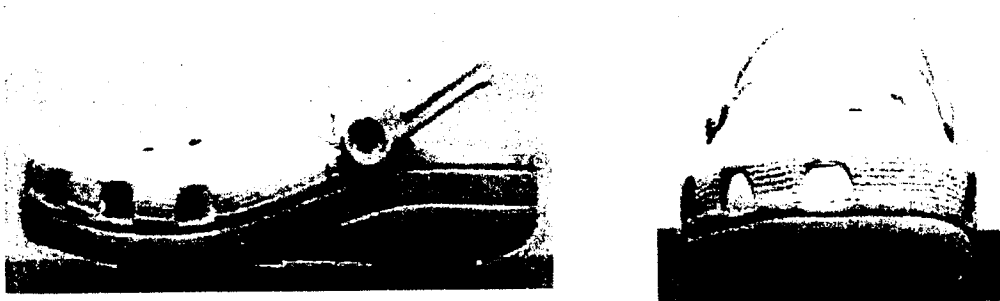
looking at the shoes before making a purchase decision.” A112-13. Indeed, Crocs’ own expert, as well as respondents’ expert, testified that an ordinary purchaser of this type of footwear would spend some length of time observing and experiencing the fit, comfort, and appearance of the shoe, including trying on the shoe. A3102-04, A3113-15, A21332-33. Further, in accordance with Federal Circuit precedent, the proper comparison test, as performed here by the ALJ, takes into account all illustrated views of the design patent rather than just the views an ordinary purchaser may utilize at the time of purchase. *See Arminak*, 501 F.3d at 1324; A113-15.

The Commission properly compared the elements of the accused designs with the correctly construed ornamental features of Crocs’ patented design. As in *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1117-22 (Fed. Cir. 1998), this comparison was with a view towards the overall visual impression of the patent design, in determining whether the differences outweigh the similarities in the accused products, from the perspective of an ordinary purchaser. A comparison of Figs. 2, 3, and 4 of the ‘789 patent (A10395-96) with Crocs’ commercial beach shoe illustrates the distinctive differences between the patent design and Crocs’ domestic industry shoe. Specifically, the strap in Crocs’ commercial shoe lacks uniform width and does not extend to the

heel, and the holes around the sidewall in the front (toe) portion of the upper are not evenly spaced:⁴



The same differences likewise exist for all accused shoes, as shown in these exemplary photographs for Holey Soles' Explorer shoe:⁵



In *Goodyear Tire*, this Court affirmed a district court's finding of non-infringement despite the patentee's argument, similar to Crocs' argument here, that

⁴ Crocs submitted its Beach shoe, including photographs of the shoe, as exhibits during the Commission investigation. A17456-57, A17231; Crocs' Br. at 33-34.

⁵ Crocs submitted Holey Soles' Explorer shoe, including photographs of the shoe, as exhibits during the Commission investigation. A17432-33, A17205; Crocs' Br. at 21-22.

the district court improperly emphasized minor individual discrepancies between the accused and patented designs. *See Goodyear Tire*, 162 F.3d at 1117. This Court acknowledged that “[t]he district court concluded that the similarity and difference in overall appearance between the accused . . . design and the [patented] design could best be determined by ‘a comparison of some of the features which give rise to those appearances.’” *Id.* (emphasis added). In affirming the lower court’s decision, this Court further stated “that taken together for their overall visual effect, the differences between the patented and accused designs were such that a ‘typical [] purchaser (or, indeed, this court)’ would not find the designs, as a whole, to be substantially similar.” *Id.* at 1118. Moreover, this Court expressly determined that “although there are apparent similarities in the overall appearance of the designs, we affirm the conclusion that the [] ordinary observer would notice the differences in the designs and recognize that they are not colorably the same.” *Id.* at 1121-22; *see also Arminak*, 501 F.3d at 1324 (the Court affirming lower court’s finding of no infringement despite similarities between the patented and accused designs).

The facts here are similar to those in *Goodyear*. Crocs argues (Br. at 29-30) that the ALJ over-emphasized minor differences between the patented and accused designs like the patentee in *Goodyear*. The Commission, however, in accordance

with *Goodyear*, correctly acknowledged that there are multiple similarities between the '789 patent design and the accused shoes - *e.g.*, footwear with a strap connected to the base by two round connectors, holes on the roof and the sidewall of the upper - but that there are also several differences relating to the holes and the strap, noticeable by the ordinary observer, that would prevent them from purchasing the accused shoe supposing it to be the '789 patent design. *See* A11-12, A113-14 (fn. 362). Again, "design patents have almost no scope" and the Commission's infringement analysis properly accounted for all drawings presented in the '789 patent design, a design which expressly illustrates even (uniform) spacing of the holes in the sidewall of the upper and a strap extending to the heel with uniform width, which are key, significant differences from the accused footwear, as well as Crocs' commercial shoes. *See* A111 (fn. 353), A114-15 (fn. 363); *citing Arminak*, 501 F.3d at 1324, and *Mann*, 861 F.2d at 1581-82.

Moreover, upon a record that includes experts' comparisons between the accused design and the patented design in view of the prior art as acknowledged by Crocs (Br. at 27), the Commission correctly found, in accordance with this Court's precedent, that the significant differences between the accused design and the patented design (as well as between the patented design and the commercial design) would prevent an ordinary observer from being deceptively confused

between their overall designs.

Accordingly, the Commission correctly construed the '789 design patent and properly performed the "ordinary observer" test, in accordance with undisturbed design patent law, to determine that an ordinary observer would not consider the overall appearance of any of the accused products (as well as Crocs' commercial shoes) to be substantially similar to the design claimed in the '789 patent because the accused products and Crocs' commercial shoes, when considered in their entirety, do not create the visual impression that is similar to the claimed design.

C. The Commission's Determination is Consistent with *Egyptian Goddess*.

Notwithstanding the clarification of the patent design infringement analysis in *Egyptian Goddess*, as it relates to claim construction and the "ordinary observer" test, the Commission's determination is correct. First, the Commission's detailed verbal description of the design claim did not prejudice the comparison portion of the analysis relating to infringement or the technical prong of the domestic industry requirement because its description accurately incorporates the ornamental features depicted in the patent from all of the figures. *See* A114-15; *citing In re Mann*, 861 F.2d at 1582 ("design patents have almost no scope. The claim at bar, as in all design cases, is limited to what is shown in the application drawings."); *see also Contessa*, 282 F.3d at 1377.

Further, in order to find infringement (or satisfy the domestic industry requirement), it still remains that the accused design, or the patentee's commercial design, must "embod[y] the patented design or any colorable imitation thereof." *See Egyptian Goddess*, 543 F.3d at 678; *citing Goodyear Tire*, 162 F.3d at 1116-17. This requisite "substantial similarity" is simply not found under the facts of this case. A110. Also, as noted by this Court in *Egyptian Goddess*, its clarification of the design patent test reflected the test followed in *Smith v. Whitman Saddle Co.*, 148 U.S. 674 (1893). This Court emphasized that the Supreme Court, in *Whitman Saddle*, observed that "the accused design did not contain the single feature that would have made it appear distinctively similar to the patented design rather than like the numerous prior art designs." *See Egyptian Goddess*, 543 F.3d at 673-74; *citing Whitman Saddle*, 148 U.S. at 681-82.

A similar situation exists here. The accused shoes do not contain the critical features that would make them substantially similar to Crocs' patented design rather than like the prior art shoes, especially in view of the Aqua Clog, Aguerre, and other prior art shoes including a strap. *See* A19009-21, A20794, A21447, A21315, A21131, A21146, A21148, A21154. Indeed, a comparison of the overall designs in their entireties shows that there are a plurality of differences between the accused shoes and the patented design, and between Crocs' commercial design and

its patented design. These multiple differences belie the requisite finding of substantial similarity necessary to find infringement. All accused shoes and all of Crocs' domestically sold commercial shoes lack the properly construed features of Crocs' patented design: *i.e.*, specifically they lack a strap of uniform width between the connectors, a strap extending to the heel of the base, and even spacing of ventilator holes around the front (toe) portion of the sidewall of the upper of the shoes. *See* A10-12, A108-145, A10395-96.

Also evidencing the consistency of the Commission's analysis with *Egyptian Goddess* is the explanation by this Court that "a test that asks how an ordinary observer with knowledge of the prior art designs would view the *differences* between the claimed and accused designs is likely to produce results more in line with the purposes of design patent protection." *See Egyptian Goddess*, 543 F.3d at 677 (emphasis added). Consistent with this approach, the ALJ considered whether an ordinary observer would discern the differences between the patented and accused design, and therefore not be confused into purchasing one supposing it to be the other. A113-14. After carefully considering the evidentiary record, the ALJ, as well as the Commission on review, correctly found that this was indeed the case - namely that an ordinary purchaser of this type of footwear, from the plurality of differences and in the context of the patented design and accused shoes as a

whole, would not be so confused and accordingly would not find the patented design and accused shoes, or the patented design and Crocs' domestic shoes, to be deceptively similar.⁶ A113-15, A124-45.

III. THE COMMISSION CORRECTLY FOUND THAT THE ASSERTED CLAIMS OF THE '858 PATENT ARE INVALID DUE TO OBVIOUSNESS IN VIEW OF THE PRIOR ART.

- A. The claimed invention of the '858 patent is no more than simply the combination, or substitution, of familiar elements according to known methods to yield predictable results, and is an obvious design choice.**

The Commission's obviousness analysis is in accordance with the teachings of *KSR*. Under this precedent, prior art references need not include each and every specific teaching in order to show that one of ordinary skill in the art would have thought to combine them. Rather, a patent may be found to be invalid if the missing aspects are supplied by the knowledge of one of ordinary skill in the art. *See KSR*, 550 U.S. at 418. As noted by the ALJ (A87) and undisputed from the

⁶ If the Court believes the Commission did not conduct the proper design patent infringement test, we suggest that the appropriate course would be a remand to the Commission to apply the test. Also, a remand would be appropriate if the Court were to reverse the Commission's finding of non-infringement and lack of domestic industry regarding the '789 patent, as well as its finding of invalidity for the '858 patent. In such circumstances, a remand would be required in order for the Commission to determine whether the '858 and '789 patents are unenforceable due to inequitable conduct. These issues were not addressed by the Commission, but were preserved on appeal by respondents' petition to the Commission for review of these issues. *See Beloit Corp. v. Valmet Oy*, 742 F.2d 1421, 1423 (Fed. Cir. 1984); A9027, A9036-57.

record, the '858 patented shoe (A10311- Fig. 1) is merely the combination of the prior art Aqua Clog with the addition of a foam strap:⁷



It is likewise undisputed that it was known in the prior art that direct contact between a pivotable strap and the body of a shoe could suspend the strap between the heel and the top of the footwear using frictional forces. *See* A17778-79. This fact is evidenced by Crocs' own expert (Whatley) admitting as much, and by the Office Action rejection of the '858 patent application, in view of Aguerre and Seidel, before the claims were modified to specifically claim a "moldable foam material" for the shoe material. *See* A17128 (Q. 42); A17778-79; A19014 (Figs. 11, 13), A19020[Aguerre, col. 9, ll. 21-23]. Accordingly, the ALJ's obviousness analysis properly focused on whether a patent that teaches only adding a foam strap to a well-known foam base clog, as in the '858 patent's "passive restraint system," is valid in view of the prior art. A87. Indeed, belying Crocs' contention regarding a "most formidable" obviousness standard (Br. at 51-52), this Court has

⁷ Respondents submitted the Aqua Clog, including photographs of the shoe, as exhibits during the Commission investigation. A20794, A21360-61, A3170-73, A21447.

found patent invalidity using prior art previously considered by the U.S. Patent & Trademark Office (“PTO”). *See Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1381 (Fed. Cir. 2007); *Prima Tek II, L.L.C. v. Polypap, S.A.R.L.*, 412 F.3d 1284, 1287 (Fed. Cir. 2005).

B. Application of *KSR*

In accordance with *KSR* and *Graham*, a claimed invention is obvious: (1) if the claimed invention is merely the combination of prior art elements according to known methods to yield predictable results, (2) if the claimed invention was “obvious to try,” or (3) if known work in the field of the claimed invention would prompt variations of it for use in the same field based on design incentives or other market forces if the variations would have been predictable to one of ordinary skill in the art. *See KSR*, 550 U.S. at 416-21; *see also* 72 *Fed. Reg.* 57526-35 (Oct. 10, 2007) (Post-*KSR* PTO Examination Guidelines). The ALJ, and subsequently the full Commission, applied the facts in this case to this correct legal standard and found the ‘858 patent invalid due to obviousness. This finding is supported by substantial evidence.

The ALJ found that two important pieces of prior art are the Aqua Clog and the Aguerre patent. A85-90. The Aqua Clog is the shoe set forth in the ‘858 patent with the one exception that it has no strap. A87. The relevant question

therefore is whether the addition of a foam strap to the Aqua Clog is a patentable invention. Relevant to this question, the ALJ, using the same definition proposed by Crocs, defined one of ordinary skill in the art as one having two to five years of hands-on experience in designing and developing products made of molded foams, especially footwear. A84-85.

Regarding an important prior art reference, Aguerre discloses a “vamp” that is a molded, integrated part of the shoe body and bonded with the midsole. *See* A19010-12 (Figs. 1-6), A19018[col. 6, ll. 37-45]. As discussed *supra*, Aguerre discloses that direct contact between a pivotable strap and the vamp could suspend the strap between the heel and the top of the footwear using frictional forces. *See* A88-89, A17778-79, A19014 (Figs. 11, 13), A19020[Aguerre, col. 9, ll. 21-23]. Accordingly, Aguerre, in combination with the prior art Aqua Clog, clearly teaches a foam shoe clog and a pivotable back strap that includes the claimed “passive restraint” feature of the ‘858 patent - *i.e.*, direct contact between the pivotable back strap and the shoe body serving to provide a frictional force to maintain the strap in place without having to press against the foot.

Contrary to Crocs’ arguments (Br. at 51) regarding Aguerre’s suggestion of nylon washer separators to facilitate smoother rotation of a strap, the ‘858 patent only claims “pivoting,” and not “free (smooth) rotation” of the strap, thereby

making a foam strap a viable option for one of ordinary skill to use in order to make a pivotable strap despite any concerns over frictional forces. *See Merck*, 874 F.2d at 807 (obviousness is assessed in light of both preferred and unpreferred devices known to one of ordinary skill). One of ordinary skill in the art possessing multiple years of work experience involving shoe design and development, in order to meet market demands to make the footwear out of just one, uniform material (*e.g.*, foam), would find the patented combination, at a minimum, “obvious to try.” *See KSR*, 550 U.S. at 416-421. Further, one of ordinary skill would view the patented combination as merely a predictable result from the combination of known elements according to their established functions, and/or as an obvious design choice (variation) from the known prior art footwear (*e.g.*, the strapless foam Aqua Clog) to meet those market demands. *Id.*

As respondents’ expert testified, non-stretchable, non-elastic (*e.g.*, plastic) straps were well-known to one of ordinary skill at the time of the invention. *See* A88; *see also* A21315; A3314-15. This testimony comports with other record evidence regarding plastic straps attached to foam shoes in the prior art. A21315, A21131, A21146, A21148, A21154. In contrast, the testimony presented by Crocs’ expert is difficult to reconcile, given that this expert claimed that one of ordinary skill in the art would have had no knowledge of a foam strap at the time

of the invention, but also would have had knowledge that such foam straps are unsuitable. A17152-53.

Therefore, based on the record evidence and both parties' testimony, it is established that inelastic, non-stretchable straps, including foam straps, were known to one of ordinary skill in the art at the time of the patentee's invention, as well as pivotable straps which had direct contact to the base thereby creating friction to hold the strap in place. A87-89, A3314-15, A21315, A21131, A21146-54. Accordingly, a person of ordinary skill in the art would find it obvious, based on his knowledge of this prior art, to add a foam strap to the Aqua Clog (a foam shoe) in a manner recited by the '858 patent. *See* A87-88; A3207-08, A17152-53; *see also Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1165 (Fed. Cir. 2006) (recognizing that "a given course of action often has simultaneous advantages and disadvantages, and this does not necessarily obviate motivation to combine"); *In re Icon Health & Fitness, Inc.*, 496 F.3d 1374, 1382 (Fed. Cir. 2007) (recognizing that a proper obviousness analysis "[does] not ignore the modifications that one skilled in the art would make to a device borrowed from the prior art"); *see also In re Fulton*, 391 F.3d 1195, 1200 (Fed. Cir. 2004).

In addition, the mere substitution of foam for other materials in the strap does not render the claimed invention non-obvious to a person of ordinary skill in

the art. In *Lyle/Carlstrom*, the Court held that:

Substitution of materials will not, in and of itself, create novelty if the same purpose or function could be achieved through the old materials. This rule applies even if the substituted material is more satisfactory, cheaper, or more durable. The substitution must bring about a new mode of construction, or new properties or uses of the article that were not obvious and, in effect, make the old material obsolete.

635 F. Supp. at 1385; *see also KSR*, 550 U.S. at 416 (“The Court [recognizes] that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield predictable results.”); *citing Adams*, 383 U.S. at 50-51.

Moreover, the mere choice of foam as the strap material for a shoe that is otherwise made of foam is a logical, advantageous modification because it produces a shoe of uniform composition. It would have been an obvious design choice for a person of ordinary skill in the art who has two to five years of hands-on experience working with products made of molded foam, especially footwear. *See* A85. Accordingly, the record and legal precedent supports the view that the mere substitution of foam for prior materials in back straps is not patentable.

Further, the record does not indicate that use of foam as the material for the back strap yields unpredictable results. For example, Crocs’ arguments relating to unpredictable results are mainly directed to the so-called “passive restraint system” whereby the strap is held in place by virtue of contact with the base of the shoe and

is not in constant contact with the wearer's foot. As discussed *supra*, however, Aguerre teaches a strap that exhibits the same direct contact with the base.

Therefore, based on the substantial evidence in the record, the ALJ correctly concluded that Crocs' invention is merely a combination of familiar elements according to known methods that yields predictable results and thus proven invalid by clear and convincing evidence from an overwhelming *prima facie* case of obviousness.

C. Crocs' arguments are unavailing

1. Crocs' expert testimony regarding foam straps

Crocs takes issue with the Commission's finding that the existence of foam straps was known in the prior art (Br. at 45-46). The premise of Crocs' opposition to the non-obviousness finding relies on the theory that there must be specific teachings in the prior art for every claim limitation; something *KSR* does not require. *KSR*, 550 U.S. at 418. Rather, *KSR* states, "*the [obviousness] analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.*" *Id.* (emphasis added).

Thus, the proper obviousness analysis focuses on whether the differences between the claimed invention and the prior art would have been obvious to one of ordinary

skill in the art, not whether every precise claimed element was set out in the prior art.

In finding that foam straps were, at a minimum, known by one of ordinary skill in the art, the ALJ properly relied in part upon the statement of Crocs' expert (Whatley) that he knew that foam straps were "unsuitable." A87-88. The fact that the witness described foam straps as "unsuitable" does not mean that they are not known by persons of ordinary skill in the art. Rather, this suggests that one of ordinary skill in the art knew of the use of foam straps, although this particular witness believes that one of ordinary skill would not have thought to combine the foam strap with the other relevant features of the claimed footwear. In fact, one of Crocs' witnesses (Reddyhoff), who originally supplied the Aqua Clog to the '858 patent inventor (Seamans), testified that prior to discovering the Aqua Clog, he experimented with a foam strap "that was not flexible at all." See A87-88; A3207-08. Obviousness is assessed in light of the knowledge of a person of ordinary skill in the art in accordance with *KSR*, and Crocs' expert and other witness testimony provide strong evidence that one such person of ordinary skill does indeed have knowledge of a foam strap.

As *KSR* teaches, any known problem can provide motivation to combine. Accordingly, the Commission reasonably found that one of ordinary skill would

find it obvious to add a pivotable, foam strap to the prior art foam Aqua Clog, given the teaching of Aguerre, to make a shoe of uniform material in order to satisfy market demand.

2. Secondary considerations

Crocs' arguments regarding secondary considerations are unavailing in light of the strength of the *prima facie* case of obviousness in view of the prior art. As this Court stated in *Agrizap*, 520 F.3d at 1344, “[e]ven when we presume the jury found that the objective evidence of nonobviousness favored [the patentee], this evidence is insufficient to overcome the overwhelming strength of [the alleged infringer’s] *prima facie* case of obviousness . . . [t]his is a textbook case of when the asserted claims involve a combination of familiar elements according to known methods that does no more than yield predictable results.” Similarly, in *Leapfrog*, 485 F.3d at 1162, this Court explained that “[t]he district court explicitly stated in its opinion that [the patentee] had provided substantial evidence of commercial success, praise, and long-felt need, but that, given the strength of the *prima facie* obviousness showing, the evidence on secondary considerations was inadequate to overcome a final conclusion [of obviousness].”

Likewise, in this case, Crocs has presented evidence of secondary considerations which the Commission acknowledged. These considerations,

however, pale in comparison to the overwhelming, *prima facie* case of obviousness in view of the prior art.

As an initial matter, although there admittedly was a showing of commercial success of its shoes in general, Crocs has misinterpreted the law regarding this showing. The burden is on Crocs to show a sufficient nexus between the novelty of its shoes and their commercial success. *See J.T. Eaton*, 106 F.3d at 1571; *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988); A15-16, A92. Crocs nonetheless appears to confuse the selling and marketing of the overall design of its shoes, including its visual design and appearance that are wholly unrelated to the claimed feature, with the precise novelty of its shoes. The correct question, however, involves a consideration of the degree to which the use of the alleged “passive restraint feature,” which only relates to the interaction of the strap and a user’s heel, contributes to the commercial success. *Id.*; A15-16; *see J.T. Eaton and Demaco*. Crocs has not shown that its shoes’ commercial success is to any large extent, if at all, “attributable to something disclosed in the patent that was not readily available in the prior art . . .” *See J.T. Eaton*, 106 F.3d at 1571. Indeed, Crocs presented no evidence that the commercial success was due to the relevant patented feature (*e.g.*, “frictional forces developed by the contact between the [foam] strap section and

the base section to maintain the strap section in place”). See A10327[col. 9: 46-53]; A88, A91-92.

Similarly, any evidence of copying does not overcome the overwhelming strength of respondents’ *prima facie* case of obviousness, given the closeness of the prior art to the claims. See *Agrizap*, 520 F.3d at 1344; citing *Leapfrog*, 485 F.3d at 1162. Accordingly, Crocs’ evidence, if any, of secondary considerations fails to render the claims non-obvious. One of ordinary skill with significant knowledge of foam footwear including foam straps, using the teachings of the Aqua Clog and Aguerre and motivated by design choice and market demand, would have known to add a pivotable foam strap to the Aqua Clog to create the claimed invention of the ‘858 patent - a combination of old elements using known methods to yield a predictable result.

3. “Could Have” vs. “Would Have”

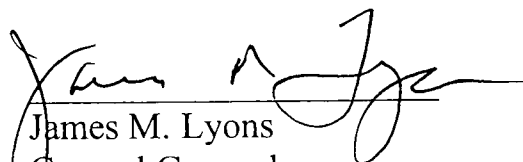
Crocs makes a “semantic” argument (Br. at 40, fn. 8) regarding the Commission’s alleged use of “could have” instead of “would have” in the conclusion to its *prima facie* obviousness analysis. A90. Specifically, Crocs challenges the ALJ’s conclusory statement that “[the addition of a foam strap to the Aqua Clog] is a change that one of ordinary skill in the art could have come up with.” *Id.* Crocs appears to make the argument that by using the term “could

have,” the ALJ engaged in “improper hindsight reasoning.” Crocs overlooks that this Court itself has used the words “could have” in affirming a *prima facie* case of obviousness. *See Leapfrog*, 485 F.3d at 1162 (“We therefore also find no clear error in the finding of the district court that one of ordinary skill in the art *could have* utilized the electronics of the [prior art] . . .”) (emphasis added). Moreover, the Commission, in its opinion modifying the ALJ’s ID, used the words “would have” in discussing the invalidity of the ‘858 patent due to obviousness. *See* A14-15.

CONCLUSION

For the above reasons, the Court should affirm the Commission’s finding of no violation of section 337.

Respectfully submitted,


James M. Lyons
General Counsel

Andrea P. Casson

Andrea C. Casson
Assistant General Counsel for Litigation

Clint Gerdine

Clint Gerdine
Attorney-Advisor
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436
(202) 708-2310

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