

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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adidas AG,  
Petitioner,

v.

NIKE, Inc.,  
Patent Owner.

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IPR2013-00067  
Patent 7,347,011 B2

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Before JOSIAH C. COCKS, JAMES B. ARPIN, and SCOTT A. DANIELS,  
*Administrative Patent Judges.*

ARPIN, *Administrative Patent Judge.*

JUDGMENT

Final Written Decision on Remand  
Determining Challenged Claim Unpatentable  
*35 U.S.C. §§ 144, 318(a) and 37 C.F.R. § 42.5(a)*

## I. INTRODUCTION

On May 17, 2013, at the request of adidas AG (“Petitioner”) in a Petition (Paper 7, “Pet.”), the Board instituted an *inter partes* review of claims 1–46 of U.S. Patent No. 7,347,011 B2 (Ex. 1002, “the ’011 patent”) under 35 U.S.C. § 314. Paper 18 (“Dec. to Inst.”). After institution, Nike, Inc. (“Patent Owner”) filed a Motion to Amend (Paper 31), requesting cancellation of original claims 1–46 and entry of substitute claims 47–50. Petitioner opposed the Motion to Amend (Paper 37), and Patent Owner replied to Petitioner’s Opposition (Paper 44). In particular, Petitioner opposed the Motion to Amend, producing additional prior art references and alleging that the substitute claims were unpatentable in view of the combined teachings of the following, prior art references:

Exhibit No.	Reference
1005	U.S. Patent No. 5,345,638, issued Sep. 13, 1994 (“Nishida”)
1020	U.S. Patent No. 2,178,941, issued Nov. 7, 1939 (“Schuessler I”)
1021	U.S. Patent No. 2,150,730, issued Mar. 14, 1939 (“Schuessler II”)

A hearing was held on February 10, 2014. A transcript of the hearing is included in the record. Paper 59.

On April 28, 2014, the panel issued a Final Written Decision in accordance with 35 U.S.C. § 318(a). Paper 60 (“FWD I”). The panel granted Patent Owner’s request for the cancellation of original claims 1–46, but denied Patent Owner’s request for entry of substitute claims 47–50. FWD I 42. In particular, the panel concluded that Patent Owner failed to

establish the patentability of claims 47–50 over the combined teachings of Nishida and Schuessler I and II. Patent Owner appealed the Final Written Decision to the U.S. Court of Appeals for the Federal Circuit (“the Federal Circuit”). Paper 61.

On February 11, 2016, the Federal Circuit issued a decision, affirming-in-part and vacating-in-part this first Final Written Decision, and remanding the case to the Board. *Nike, Inc. v. adidas AG*, 812 F.3d 1326, 1329 (Fed. Cir. 2016) (“*Nike I*”). Specifically, the Federal Circuit affirmed the panel’s conclusion that Patent Owner bore the burden of showing the patentability of the substitute claims by a preponderance of the evidence.<sup>1</sup> *Id.* at 1332–34. Further, rejecting Petitioner’s arguments, the Federal Circuit affirmed the panel’s construction of “flat knit edges” as “an edge of a flat knit textile element, which is itself flat knit, e.g., which is not formed by cutting from a flat knit textile element,” as the broadest reasonable interpretation of that term. *Id.* at 1346–47.

In addition, the Federal Circuit determined that substantial evidence supported the conclusion that “a person of skill in the art would have reason to modify Nishida using the teachings of the Schuessler References to arrive at the unitary, flat-knitted textile upper recited in the proposed substitute claims.” *Id.* at 1335–38; *see In re Nuvasive, Inc.*, 842 F.3d 1376, 1382–83

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<sup>1</sup> As noted below, the Federal Circuit has since determined that the burden of showing patentability of the substitute claims may not be placed on the patent owner. *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1296 n.1 (Fed. Cir. 2017) (O’Malley, J., plurality); *see infra* note 6.

(Fed. Cir. 2016) (“Our recent decisions demonstrate that the PTAB knows how to meet this burden. For example, in *Nike, Inc. v. Adidas AG*, we affirmed the PTAB’s finding of a motivation to combine where it determined that a [person having ordinary skill in the art (“PHOSITA”)] ‘interested in Nishida’s preference to *minimize waste in the production process* would have logically consulted the well-known practice of flat-knitting, which eliminates the cutting process altogether.” (internal citations omitted)).

The Federal Circuit, however, identified two errors in the first Final Written Decision. First, the panel failed to make a proper determination of how proposed claims 48 and 49, both of which Patent Owner sought to enter as substitutes for original claim 19, “should be treated per the standard set forth in [*Idle Free Sys., Inc. v. Bergstrom*, Case IPR2012-00027, Paper 26 at 8–9 (PTAB June 11, 2013)], and, if necessary, a full consideration of the patentability of each.” *Nike I* at 1341–42. Second, the panel failed expressly “to examine Nike’s evidence [of long-felt, but unmet, need] and its impact, if any, on the Board’s analysis under the first three *Graham* factors.” *Id.* at 1339–40; see *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966) (“Such secondary considerations as commercial success, *long felt but unsolved needs*, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.” (emphasis added)). The mandate in *Nike I* issued on April 4, 2016. Paper 1.

Neither party sought to provide additional briefing or requested that the Board take new evidence upon remand, and the Federal Circuit expressly declined to direct the Board to accept new argument or evidence. *Nike I* at 1345 n.6 (citing *Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 1367 (Fed. Cir. 2015)). Moreover, neither party sought the Board’s guidance regarding procedures on remand. *See* Paper 62.

On October 4, 2017, the Federal Circuit issued a decision in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (en banc), addressing issues relating to motions to amend before the Board. On October 11, 2017, the panel offered to accept briefing on impact of the *Aqua Products* decision on the *Nike I* remand. *See* Ex. 3003. On October 27, 2017, the parties requested to submit briefing addressing the impact of the *Aqua Products* decision and specifically requested timing, page limits, and content limitations for such briefing. *Id.* On October 31, 2017, the panel granted the parties’ request for briefing. *Id.* Subsequently, Petitioner filed its *Aqua Products* Brief (Paper 65), Patent Owner filed its Response to Petitioner’s *Aqua Products* Brief (Paper 66), and Petitioner filed its Reply to Patent Owner’s Response (Paper 67).

On September 18, 2018, we issued a Decision on Remand as a second Final Written Decision (Paper 69 (“FWD II”)) considering the two errors in the first Final Written Decision, as identified by the Federal Circuit. First, in the second Final Written Decision, we determined Patent Owner proposes a reasonable number of substitute claims, and it was necessary to fully consider the patentability of claim 49. *See Nike I* at 1341–42. Considering

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