

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

NIKE, INC.,
Appellant

v.

ADIDAS AG,
Appellee

**KATHERINE K. VIDAL, UNDER SECRETARY OF
COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE,**
Intervenor

2021-1903

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2013-
00067.

Decided: September 1, 2022

MICHAEL JOSEPH HARRIS, Arnold & Porter Kaye
Scholer LLP, Chicago, IL, argued for appellant. Also rep-
resented by CHRISTOPHER J. RENK; BRIDGETTE BOYD,
Washington, DC.

MICHAEL T. MORLOCK, Kilpatrick Townsend & Stockton LLP, Atlanta, GA, argued for appellee. Also represented by VAIBHAV P. KADABA, MITCHELL G. STOCKWELL.

BENJAMIN T. HICKMAN, Office of the Solicitor, United States Patent and Trademark Office, Alexandria, VA, argued for intervenor. Also represented by PETER J. AYERS, THOMAS W. KRAUSE, FARHEENA YASMEEN RASHEED, MEREDITH HOPE SCHOENFELD.

Before PROST, CHEN, and STOLL, *Circuit Judges*.

CHEN, *Circuit Judge*.

This is an appeal from a third final written decision by the Patent Trial and Appeal Board (Board) in an *inter partes* review instituted in 2012. On two prior occasions, we affirmed-in-part, vacated-in-part, and remanded to the Board. *See generally Nike, Inc. v. Adidas AG*, 812 F.3d 1326 (Fed. Cir. 2016) (*Nike I*), *overruled on other grounds by Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1296 n.1 (Fed. Cir. 2017) (en banc); *Nike, Inc. v. Adidas AG*, 955 F.3d 45 (Fed. Cir. 2020) (*Nike II*).

Nike, Inc. (Nike) now appeals the Board's determination that proposed substitute claim 49 of U.S. Patent No. 7,347,011 ('011 patent) is unpatentable under 35 U.S.C. § 103. Nike argues: (1) that the Board erred in finding that the Board, rather than the petitioner, bears the burden of persuasion for unpatentability challenges to proposed substitute claims raised sua sponte by the Board; (2) that the Board in this case effectively placed the burden of persuasion on Nike; and (3) that the Board's obviousness analysis is unsupported by substantial evidence and violates the Administrative Procedure Act (APA). We need not address Nike's first argument because both the Board and adidas AG (Adidas) met the burden of persuasion in

this case. As a result, the Board did not improperly place the burden on Nike. Finally, substantial evidence supports the Board's obviousness analysis and Nike's APA-based argument lacks merit. We therefore *affirm*.

BACKGROUND

I

Conventional athletic footwear comprises two primary elements: a sole structure and an upper. The sole structure cushions the foot and provides traction, while the upper covers and positions the foot. '011 patent col. 1 ll. 13–24.

The '011 patent discloses footwear with a knitted textile upper and a sole structure secured to the upper. *Id.* at col. 1 ll. 7–10, col. 3 ll. 20–47. The knitted textile upper may include areas formed from different stitch configurations with varying textures and may be formed using “flat knitting,” where the textile is knit as a sheet or flat piece of textile. *Id.* at col. 3 ll. 25–32, col. 7 ll. 5–8, col. 11 ll. 19–41. As discussed below, the only remaining claim at issue after our decisions in *Nike I* and *II* is proposed substitute claim 49, which depends from proposed substitute claim 47 and recites “a plurality of apertures in the flat knit textile element” that are “formed by omitting stitches in the flat knit textile element and positioned in the upper for receiving laces.” J.A. 19.

II

The Board's first final written decision in this *inter partes* review granted a request from Nike to cancel claims 1–46 but denied Nike's request to enter substitute claims 47–50, finding those claims unpatentable under 35 U.S.C. § 103 over the combination of U.S. Patent No. 5,345,638 (Nishida) and U.S. Patent Nos. 2,178,941 and 2,150,730 (collectively, Schuessler References). *See Adidas AG v. Nike, Inc.*, No. IPR2013-00067, 2014 WL 1713368, at *21 (P.T.A.B. Apr. 28, 2014) (*Final Written Decision*).

Nike appealed, and we found that substantial evidence supported the Board's finding that a skilled artisan would have been motivated to combine Nishida with the Schuessler References with a reasonable expectation of success to arrive at the textile upper recited in claims 47–50. *See Nike I*, 812 F.3d at 1335–38. We also affirmed the Board's conclusion that the patent owner bears the burden of proving patentability of substitute claims presented in a motion to amend. *Id.* at 1332–34.

We identified two errors in the Board's decision, however. First, the Board's analysis of objective indicia of non-obviousness failed to examine Nike's evidence of long-felt need. *Id.* at 1339–40. Second, the Board failed to determine if substitute claims 48 and 49, which Nike proposed to replace challenged claim 19, were patentably distinct from each other. *Id.* at 1341–42. Relevant to this appeal, we remanded for the Board to determine the patentability of substitute claim 49, explaining that “Nishida's specification never specifically discusses the lacing holes of its upper; they are only shown in Figure 3,” and that the Board neither “point[ed] to any disclosure in Nishida that explains the manner in which” the holes in Figure 3 were created, nor “address[ed] the presence of the holes in either claim 49 or Nishida.” *Id.* at 1344. We noted the Board may have “intended to convey that claim 49 was obvious in light of Nishida because *skipping stitches to form apertures, even though not expressly disclosed in Nishida, was a well-known technique in the art* and that understanding perhaps would be a basis to conclude that one of skill in the art would utilize this technique to create holes for accepting shoe laces.” *Id.* at 1344–45 (footnote omitted) (emphasis added). But the Board “did not articulate these findings,” and we thus remanded to the Board for further proceedings. *Id.*

III

After our decision in *Nike I*, this court issued its en banc decision in *Aqua Products*, overruling *Nike I*'s holding that the patent owner bears the burden of persuasion with respect to the patentability of substitute claims. *See Aqua Prods.*, 872 F.3d at 1324–25. Both parties submitted briefs to the Board addressing the impact of *Aqua Products* on the remand proceedings. Adidas did not attempt to revise its invalidity arguments or assert any new prior art references to demonstrate the unpatentability of substitute claim 49.

The Board then issued a second final written decision addressing the two errors we identified in *Nike I*. The Board concluded that Adidas proved by a preponderance of the evidence that substitute claims 47–50 are unpatentable as obvious. *Adidas AG v. Nike, Inc.*, No. IPR2013-00067, 2018 WL 4501969, at *13 (P.T.A.B. Sept. 18, 2018) (*Final Written Decision II*). Regarding substitute claim 49, the Board found that “Nishida does not disclose apertures ‘formed by omitting stitches,’ as recited in claim 49.” *Id.* at *7. However, “another prior art document of record in the proceeding,” a textbook by David J. Spencer (Spencer),¹ “demonstrates that skipping stitches to form apertures was a well-known technique.” *Id.* at *7–8, *8 n.11. The Board concluded that “[b]ecause the omission of stitches was a well-known technique in the field of knitting for forming . . . apertures,” a skilled artisan “would have had reason to use such a known technique . . . to form the plurality of apertures taught by Nishida, as recited by substitute claim 49.” *Id.* at *8 (first citing Spencer 57–58; then citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2007); and then citing J.A. 1564 ¶ 107).

¹ David J. Spencer, *Knitting Technology: A Comprehensive Handbook and Practical Guide* (3d ed. 2001).

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