

No.

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**In the Supreme Court of the United States**

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NIKE, INC., PETITIONER,

*v.*

ADIDAS AG, ET AL.

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*ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT*

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**PETITION FOR A WRIT OF CERTIORARI**

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### QUESTION PRESENTED

The America Invents Act created inter partes review, an adversarial proceeding before the Patent Trial and Appeal Board in which third parties may challenge the patentability of an existing patent claim on the basis of prior art. In response to the petitioner’s challenge, the patent-holder may amend the patent by offering substitute claims. The Act provides that “[i]n an inter partes review instituted under this chapter, the petitioner [has] the burden of proving a proposition of unpatentability.” 35 U.S.C. § 316(e).

The question presented is:

Whether, in inter partes review, the Patent Trial and Appeal Board may raise *sua sponte* a new ground of unpatentability—including prior art that the petitioner neither cited nor relied upon—and whether the Board may rely on that new ground to reject a patent-holder’s substitute claim as unpatentable.

### **PARTIES TO THE PROCEEDINGS**

Petitioner Nike, Inc. was the patent-holder in proceedings before the Patent Trial and Appeal Board and the appellant below.

Respondent adidas AG was the petitioner in the proceedings before the Patent Trial and Appeal Board and the appellee below.

Respondent Katherine K. Vidal, Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, was the intervenor below.

### **RULE 29.6 STATEMENT**

Nike, Inc. is a publicly traded company, and no parent or publicly held company owns 10% or more of its stock.

### **RELATED PROCEEDINGS**

The following proceedings are directly related to this case within the meaning of Rule 14.1(b)(iii):

- *Nike, Inc. v. Adidas AG*, No. 2021-1903 (Fed. Cir.), judgment entered on September 1, 2022.
- *Nike, Inc. v. Adidas AG*, No. 2019-1262 (Fed. Cir.), judgment entered on April 9, 2020.
- *Nike, Inc. v. Adidas AG*, No. 2014-1719 (Fed. Cir.), judgment entered on February 11, 2016.

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### **OPINIONS BELOW**

The United States Court of Appeals for the Federal Circuit issued three opinions below. Its opinion of February 11, 2016 (App. 44a-87a) is reported at 812 F.3d 1326. Its opinion of April 9, 2020 (App. 25a-43a) is reported at 955 F.3d 45. Its opinion of September 1, 2022 (App. 1a-24a) is unpublished but available at 2022 WL 4002668.

### **JURISDICTION**

The judgment of the court of appeals was entered on September 1, 2022. App. 1a. The court of appeals denied a timely rehearing petition on November 21, 2022. App. 88a-89a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### **STATUTORY PROVISION INVOLVED**

In relevant part, 35 U.S.C. § 316 provides:

#### **(d) Amendment of the Patent.—**

(1) In general. During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions. Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims. An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

**(e) Evidentiary Standards.** In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

## INTRODUCTION

Nike has invested significant time and resources into improving its cutting-edge footwear. As a product of those efforts, Nike invented a novel method for manufacturing a seamless knitted “upper”—the part of the shoe that attaches to the sole—and it applied for a patent on that invention. After a four-year inquisitorial process, the U.S. Patent and Trademark Office (Patent Office) awarded Nike a patent.

Years later, Nike’s competitor, adidas AG (Adidas), initiated an adversarial proceeding, known as inter partes review, to challenge Nike’s patent claims. Adidas argued that Nike’s claims were obvious in light of certain prior art, and Nike responded by narrowing the patent through substitute claims. Adidas opposed Nike’s proposed substitute claims, and both sides advanced their arguments vigorously in front of the Patent Trial and Appeal Board.

Ultimately, though, neither Adidas’s arguments nor its submission of prior art carried the day. Instead, the

Board found Nike’s substitute claims unpatentable on the basis of prior art and arguments that *the Board itself* had raised. And in the opinion below, the Federal Circuit upheld that decision, ruling that “the Board may sua sponte identify a patentability issue for a proposed substitute claim based on the prior art of record,” even when the petitioner neither cites nor relies upon that prior art in any of its submissions. App. 34a.

The Federal Circuit’s ruling is contrary to the plain text of the Patent Act, which places on the petitioner “the burden of proving a proposition of unpatentability.” 35 U.S.C. § 316(e). The ruling blurs Congress’s carefully crafted distinction between inter partes review proceedings (adversarial disputes “between the parties”) and ex parte examination and reexamination proceedings (in which the Patent Office plays an inquisitorial role). And it expands the Board’s authority to cancel patent rights in ways that threaten the separation of powers and due process.

Since the creation of the inter partes review process, this Court has repeatedly been called upon to answer questions about the Board’s expansive authority to cancel already-issued patent claims. See *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021); *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020); *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018); *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018); *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261 (2016). Review is warranted here as well.

## STATEMENT

### A. Legal Background

Pursuant to its constitutional authority “[t]o promote the Progress of Science and useful Arts,” U.S. Const. art. I, sec. 8, cl. 8, Congress has empowered the Patent Office to “grant and issue patents.” 35 U.S.C. § 1(a).

1. The statutory scheme begins with an “inquisitorial process.” *SAS Inst.*, 138 S. Ct. at 1353. To apply for a patent, an inventor must submit an application setting forth “a written description of the invention, and of the manner and process of making and using it.” 35 U.S.C. § 112(a). A Patent Office examiner then examines the proposed claims and prior art, see *id.* § 131, to determine whether the proposed claims meet the statutory requirements for patentability, including utility, novelty, and non-obviousness, *id.* §§ 101, 102, 103. “[I]f on such examination it appears that the applicant is entitled to a patent under the law, the Director [of the Patent Office] shall issue a patent.” *Id.* § 131.

Once granted, a patent claim is presumed valid. *Id.* § 282(a). The grant of a patent thus gives the patent owner a constitutionally protected property interest. See *id.* § 261 (“[P]atents shall have the attributes of personal property.”); see also *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945) (“That a patent is property, protected against appropriation by both individuals and by government, has long been settled.”).

There are several well-defined procedures for overcoming the presumption of validity and invalidating a duly issued patent claim. First, validity can be adjudicated in a civil infringement suit in district court, 35 U.S.C. § 281, typically as an affirmative defense to claims of infringement, *id.* §§ 281, 282(b)(2)-(3). Second, “[a]ny person at any time may file a request for [ex parte] reexamination” of a patent by the Patent Office. *Id.* § 302. If the Director determines that the request raises “a substantial new question of patentability affecting any claim or the patent,” *id.* § 303(a), she will order “reexamination of the patent for resolution of the question,” *id.* § 304. Ex parte reexamination proceedings are “conducted according to the procedures established for initial examination.” *Id.* § 305.

2. In the Leahy-Smith America Invents Act, 35 U.S.C. § 100 *et seq.*, Congress created an additional mechanism through which the Patent Office may review issued patent claims: inter partes review.<sup>1</sup>

The process begins when “a person who is not the owner of a patent” submits a petition to institute inter partes review. *Id.* § 311(a); see 37 C.F.R. § 42.108(c). The petition “may request to cancel as unpatentable 1 or more claims of a patent” on the ground that the patent is obvious or not novel, but “only on the basis of prior art consisting of patents or printed publications.” 35 U.S.C. § 311(b). Among other things, the petition must identify “in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.” *Id.* § 312(a)(3). The patent-holder then has an opportunity to respond to the petition. *Id.* § 313.

Based on those submissions, the Director decides whether the petition demonstrates “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” *Id.* § 314(a). If so, the Director may “institute an inter partes review . . . pursuant to [the] petition.” *Id.* § 314(b). The decision to initiate inter partes review proceedings is “final and nonappealable.” *Id.* § 314(d).

If the petition is granted, a three-member panel of Patent Trial and Appeal Board (Board) conducts an adversarial inter partes review proceeding regarding the

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<sup>1</sup> The Act also created a process for post-grant review of patents within nine months of issuance, 35 U.S.C. § 321, as well as a more-expansive review process for “covered business method” patents, Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329-31 (2011).

patentability of the challenged claims. *Id.* § 316(c).<sup>2</sup> The petitioner and patent owner may conduct “discovery of relevant evidence,” *id.* § 316(a)(5); file affidavits, declarations, expert opinions, and other factual evidence, *id.* § 316(a)(8); and participate in an oral hearing before the Board, *id.* § 316(a)(10). In reviewing the patent claims, the Board considers the same statutory patentability requirements that the Patent Office considered when it granted the patent. *Id.* § 311(b). At all times, the petitioner has “the burden of proving a proposition of unpatentability by a preponderance of the evidence.” *Id.* § 316(e).

The inter partes review process thus “allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation.” *SAS Inst.*, 138 S. Ct. at 1352. During the process, the patent owner may, as a matter of right, file one motion to amend the patent by “cancel[ing] any challenged patent claim” or “propos[ing] a reasonable number of substitute claims.” 35 U.S.C. § 316(d)(1). If the patent owner seeks to amend the patent through substitute claims, the amendment “may not enlarge the scope of the claims of the patent or introduce new matter.” *Id.* § 316(d)(3).

The inter partes review process is a substitute for civil litigation in other respects. For instance, “inter partes review may not be instituted if ... the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent” before the petition for review was filed. *Id.* § 315(a)(1). And “[i]f the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after” the petition is filed, “that

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<sup>2</sup> The Director has delegated her authority over inter partes review proceedings to the Board. See 37 C.F.R. § 42.108(c). Unless otherwise noted, this petition refers to “the Board” interchangeably with “the Director.”

civil action shall be automatically stayed until [certain conditions are met].” *Id.* § 315(a)(2). Inter partes review also “may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner [or other interested party] is served with a complaint alleging infringement of the patent.” *Id.* § 315(b). Finally, when review results in a final written decision, neither the petitioner nor another interested party may assert in a civil infringement action “that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” *Id.* § 315(e)(2).

### **B. Proceedings Below**

This case spans ten years, three final Board decisions, and three appeals to the Federal Circuit. But it rests on a single legal issue: whether the Board can raise evidence and arguments against patentability *sua sponte* and use them to reject substitute claims as unpatentable.

#### *1. Nike’s ’011 Patent and Adidas’s Petition*

In 2008, the Patent Office issued Nike U.S. Patent No. 7,347,011 (the ’011 patent), which recites, among other things, a knitted upper for athletic sneakers. App. 26a-27a. The patent describes the formation of the upper by knitting a single flat sheet of textile that can be attached to the sole of the sneaker. App. 27a-28a. The patent teaches that varying textures within the unitarily constructed upper can be achieved by adjusting the type of stitching or yarns used to knit the textile. App. 27a. The patent also teaches that apertures, such as apertures for receiving shoelaces, may be formed in the upper by omitting stitches at specific locations during the knitting process. App. 28a. This knit-to-shape process increases efficiency (by removing steps such as assembling multiple textile materials and punching holes for shoelaces) and reduces waste (by eliminating the need to cut the textile

from surrounding material and the need for different textiles to achieve varying properties). See U.S. Patent No. 7,347,011 col. 3 ll. 3-8 (issued Mar. 25, 2008).

In 2012, shortly after Congress created the inter partes review process, Adidas petitioned the Board for review of Nike’s ’011 patent. Adidas asserted that the patent’s 46 original claims were unpatentable as anticipated or obvious in view of seven prior art references: five existing U.S. patents, one Japanese patent, and one existing international patent application. IPR2013-00067 (IPR), Paper No. 3, at 3-5. Adidas also attached to its petition a 386-page knitting textbook—described here as “Spencer”—but the petition neither cited nor relied upon the textbook. See IPR Ex. No. 1012. Rather, Adidas attached the Spencer textbook to its petition in connection with its expert declaration, which cited the textbook only generally for classifications of knit structures. IPR Ex. No. 1001 ¶ 56.

Over Nike’s opposition, the Board granted inter partes review. IPR Paper No. 18, at 2. In a written decision, the Board determined that Adidas’s petition had shown a reasonable likelihood that it would succeed in demonstrating unpatentability due to anticipation by or obviousness over two of the U.S. patents that Adidas had cited in its petition: Nishida and Glidden. *Id.* at 17. The Board ordered “that the trial is limited to anticipation by Nishida and Glidden and to obviousness over Nishida and Glidden and *no other grounds are authorized.*” *Id.* at 37 (emphasis added). The Board’s decision neither cited nor relied upon the Spencer textbook.

In response to the Board’s institution decision, Nike moved to amend the ’011 patent by cancelling the 46 issued claims and proposing four new substitute claims (claims 47-50). App. 28a-29a. As relevant here, substitute claim 49 modified one of the original claims by incorporating the limitation that shoelace holes are “formed by omitting



stitches.” App. 29a. Adidas opposed Nike’s motion to amend, arguing that the substitute claims were anticipated or obvious in view of an existing patent (Nishida),<sup>3</sup> or in combination with two other patents (Schuessler I and Schuessler II).<sup>4</sup> *Ibid.* Adidas neither cited nor relied upon the Spencer textbook in its opposition to Nike’s motion to amend.

2. *The Board’s First Decision and Nike’s Appeal (Nike I)*

The Board denied Nike’s motion to amend the ’011 patent with its substitute claims, including substitute claim 49. The Board first held that “the patent owner, as the movant, bears the burden of establishing the patentability of the proposed substitute claims over the prior art of record and also other prior art known to [the patent owner].” *Adidas AG v. Nike, Inc.*, No. IPR2013-00067, 2014 WL 1713368, at \*17 (P.T.A.B. Apr. 28, 2014). The Board found that Nike had failed to meet this burden because, among other things, all the substitute claims were obvious in light of the Nishida patent when combined with the Schuessler references. *Id.* at \*18-\*20. The Board neither cited nor relied upon the Spencer textbook.

On appeal, the Federal Circuit vacated the Board’s decision in relevant part, holding that the Board’s findings

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<sup>3</sup> Nishida discloses a process in which layouts are knit in an efficient pattern on a preexisting web of textile, with thin material separating each layout. See IPR Ex. No. 1005. The layouts are then cut from that web of textile. *Id.* at 1. One of the figures included in Nishida shows holes for shoelaces, but Nishida does not describe a process for forming those holes by omitting stitches. *Id.* Fig. 3.

<sup>4</sup> Schuessler I discloses a method of producing a knitted cap using a knitting machine (disclosed in Schuessler II) that permits the knitted cap to be produced without having to cut the cap from other material. See IPR Ex. No. 1020. The machine produces a flat two-dimensional shape, the edges of which may be joined to form the three-dimensional cap. See IPR Ex. No. 1021.

were “insufficient to support a conclusion that proposed substitute claim 49 [wa]s unpatentable as obvious.” App. 75a. Although the panel affirmed the Board’s holding that the patent owner bears the burden of establishing the patentability of proposed substitute claims, App. 55a, it held that the Board had “not made the requisite factual findings” to determine whether Nike had met its burden, App. 77a.

In particular, the Federal Circuit found that the Board’s obviousness determination regarding proposed substitute claim 49 “lack[ed] critical fact-findings needed for any obviousness determination.” App. 76a. The court suggested that 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.” App. 75a. But since “the Board did not articulate these findings,” the court remanded for the Board to engage in “fact-findings needed for any obviousness determination.” App. 75a-76a.

### 3. *The Board’s Second Decision and Nike’s Appeal (Nike II)*

On remand from *Nike I*, Adidas did not seek to submit additional prior art references or expert declarations to establish that substitute claim 49 was unpatentable, and it did not otherwise revise its prior unpatentability arguments. *Adidas AG v. Nike, Inc.*, IPR2013-00067, 2018 WL 4501969, at \*2 (P.T.A.B. Sept. 18, 2018). But while the case was pending before the Board, the Federal Circuit issued an en banc decision in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017). That decision partially overruled *Nike I*, holding that the “plain language” of Section 316(e) “unambiguously requires the petitioner to prove all propositions of unpatentability, including for amended claims.” *Id.* at 1296; see *id.* at 1296 n.1. The Board granted

the parties' request to submit supplemental briefing on the effect of *Aqua Products*. See *Adidas AG*, 2018 WL 4501969, at \*2. Neither party cited or relied upon the Spencer textbook in their supplemental submissions.

After considering those submissions, however, the Board determined that substitute claim 49 was unpatentable as obvious on the basis of the Spencer textbook. *Id.* at \*8-9. Although the prior art did not disclose the claim's limitation for creating shoelace holes, the Board determined that "forming apertures by omitting stitches" was a "well-known technique." *Ibid.* To support that conclusion, the Board relied on five pages from the Spencer textbook, which Adidas had neither cited nor relied upon in making its obviousness arguments, and which the Board had neither cited nor relied upon in its decision granting inter partes review. *Ibid.*

Nike appealed, challenging the Board's *sua sponte* reliance on Spencer in rejecting substitute claim 49 as obvious. Nike Br., *Nike II*, at 27-32. Nike argued that "[t]he Board does not have authority 'to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an [inter partes review].'" *Id.* at 27 (quoting *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1381 (Fed. Cir. 2016)). Adidas "never argued that 'skipping stitches to form apertures,' as recited in substitute claim 49, 'was a well-known technique,'" and indeed, it "never once cite[d] Spencer anywhere in its briefing." *Id.* at 28. Thus, as Nike noted, the Board had "raised, addressed, and decided an entirely new argument—one that adidas never argued, the parties never briefed, and that [wa]s based on obscure portions of a prior art reference adidas never even cited." *Id.* at 29.

The Federal Circuit rejected Nike's argument. Addressing a "question posed but left undecided in *Aqua Products*," the court held that "the Board may *sua sponte*

identify a patentability issue for a proposed substitute claim based on the prior art of record.” App. 34a. The court acknowledged that its prior decisions had ruled that the Board is “constrained” during the adversarial inter partes review process “to arguments and theories raised by the petitioner in its petition or opposition to the motion to amend.” *Ibid.* But the court stated that those restrictions “do[] not apply in the context of motions to amend where the patent owner has introduced new claims into the proceedings.” App. 34a-35a.

The Board must have authority to raise patentability issues *sua sponte* in the context of substitute claims, the Federal Circuit reasoned, because, “were a petitioner not to oppose [the motion], the Patent Office would be left with no ability to examine the new claims.” App. 35a. The court therefore declined “to limit the Board, in its role within the agency responsible for issuing patents, to the petitioner’s arguments in this context.” *Ibid.* Instead, the court authorized the Board to reject a substitute claim as unpatentable on the basis of *any* prior art in “the entire record,” whether or not the petitioner had relied on it. *Ibid.* Because “Adidas included Spencer as an attachment to its petition and both parties’ experts relied on Spencer’s teachings in their declarations,” the Federal Circuit held, “the Board was permitted to raise a patentability theory based on Spencer.” *Ibid.*<sup>5</sup>

The Federal Circuit nevertheless held that the Board had erred by failing to “provide notice of its intent to rely on Spencer and an opportunity for the parties to respond before issuing a final decision relying on Spencer.” *Ibid.* In particular:

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<sup>5</sup> Taken together, the parties’ expert declarations cite to five pages of the 413-page textbook, for subject matter entirely unrelated to apertures or omitting stitches. IPR Ex. No. 1001 (Frederick Decl.) ¶¶ 7, 39, 56; IPR Ex. No. 2010 (Tonkel Decl.) ¶¶ 51, 105.

Throughout the [inter partes review] proceeding, Adidas never argued that skipping stitches to form apertures was a well-known technique, let alone that Spencer taught this claim limitation. Although it is undisputed that Spencer is part of the . . . record, Adidas did not rely on Spencer in its asserted ground for unpatentability of substitute claim 49 in either its opposition to Nike’s motion to amend or its briefing on remand. And although the parties’ experts and Nike’s counsel cited certain disclosures in Spencer for other reasons, those disclosures were entirely different from the disclosures on which the Board relied in finding that the formation of apertures by skipping stitches was well-known.

App. 38a. Thus, Nike did not have notice “that the Board might rely on Spencer to teach the limitations of substitute claim 49” or notice “of the specific portions of Spencer that the Board might rely on in its decision.” App. 40a. The court accordingly “vacate[d] the Board’s decision as to substitute claim 49 and remand[ed] for the Board to determine whether substitute claim 49 [wa]s unpatentable as obvious after providing the parties with an opportunity to respond.” App. 41a.

#### 4. *The Board’s Third Decision and Nike’s Appeal (Nike III)*

On remand, the Board ordered the parties to brief the unpatentability ground it had raised *sua sponte*—namely, whether substitute claim 49’s limitation was obvious in light of the Spencer textbook combined with other previously cited prior art. *Adidas AG v. Nike, Inc.*, IPR2013-00067, 2021 WL 793883, at \*4 (P.T.A.B. Mar. 1, 2021). Describing its task as “consider[ing] the record in its entirety and justify[ing] any finding of unpatentability by reference to evidence of record,” the Board again concluded

that substitute claim 49 was obvious in light of the Spencer textbook combined with other previously cited prior art. *Id.* at \*6. In support of this conclusion, the Board cited new portions of the textbook that the parties had not cited in their supplemental briefing—and that even the Board had not cited in its prior ruling. *Id.* at \*14.

Nike appealed, and the Federal Circuit affirmed, concluding that “the Board did not err in finding that substitute claim 49 [wa]s unpatentable as obvious.” App. 24a. Although the Board had relied on new, previously uncited portions of the Spencer textbook, the court concluded that those new “citations [we]re not the linchpin of the Board’s analysis.” App. 23a.

### **REASONS FOR GRANTING THE PETITION**

In the decision below, the Federal Circuit departed from the text of the Patent Act to give the Patent Trial and Appeal Board authority to reject a patent-holder’s substitute claims on grounds that the petitioner itself has not raised. That ruling contravenes Congress’s decision to impose on the petitioner “the burden of proving a proposition of unpatentability.” 35 U.S.C. § 316(e). It also transforms the Board’s role in the inter partes review process from one of neutral adjudicator to advocate. Enamored of its newfound power, the Patent Office has now effectively codified the ruling below through a regulation that provides little guidance about—and no meaningful constraints on—the Board’s use of its *sua sponte* authority. This case is an ideal vehicle to address an important and frequently recurring question.

#### **I. THE DECISION BELOW WAS WRONG**

The Board’s authority to conduct inter partes review is circumscribed by the Patent Act, which places “the burden of proving a proposition of unpatentability” squarely on “the petitioner.” 35 U.S.C. § 316(e). The statute’s text and structure confirm that Congress did not grant the

Board implicit authority to raise new unpatentability arguments and rule on them *sua sponte*. By affording the Board a roving license to impose itself on these adversarial proceedings, the Federal Circuit’s decision contravenes Congress’s careful choices—and raises serious constitutional concerns.

**A. The Board’s Inter Partes Review Authority Is Limited to Evidence and Arguments Raised by the Parties Themselves**

The America Invents Act created an adversarial inter partes review process in which “the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution through to conclusion.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356-57 (2018). That party-led process leaves no room for the Board to raise and rule on new grounds for unpatentability that the petitioner itself has not raised.

1. “Start where the statute does.” *Id.* at 1355. The inter partes review process begins when a party files “a petition to institute an inter partes review,” 35 U.S.C. § 311(a), which must identify specific “ground[s]” for unpatentability based solely on “prior art consisting of patents or printed publications,” *id.* § 311(b). The Director must then decide “whether to institute an inter partes review . . . pursuant to [the] petition,” *id.* § 314(b) (emphasis added), meaning she must grant review of all the petitioner’s claims or none of them. Thus, as this Court has explained, “Congress chose to structure [this] process” so that “it’s the petitioner, not the Director, who gets to define the contours of the proceeding.” *SAS Inst.*, 138 S. Ct. at 1355.

The party-directed process continues after inter partes review is instituted. Much like civil litigation, the parties may conduct “discovery of relevant evidence,” 35 U.S.C. § 316(a)(5); file affidavits, declarations, expert

opinions, and other factual evidence, *id.* § 316(a)(8); and participate in an oral hearing, *id.* § 316(a)(10). While the Director may specify “regulations” according to which this adversarial process unfolds—for instance, regarding protective orders for confidential information, sanctions for abuse of process, and briefing and oral hearings, *id.* § 316(a)—the statute envisions her role in the review process itself as one of adjudicator, not advocate.

Much like civil litigation, the inter partes review process ends with a final written decision resolving the issues raised by the parties: The Board must address the patentability of any claim challenged by the petitioner, as well as any substitute claims introduced by the patent-holder. *Id.* § 318(a). As with a district court’s judgment, a party dissatisfied with the decision may appeal. *Id.* § 319; see *id.* § 141(c). And much like civil litigation, inter partes review has preclusive effects for any future litigation between the parties. *Id.* § 315(e).

Finally, even where the parties have settled their dispute, the Board is *not* empowered to stand in the petitioner’s shoes; instead, it must either “terminate the review or proceed to a final written decision.” *Id.* § 317(a). Thus, when the petitioner’s challenge has been settled or withdrawn, the Board may make a determination based only on the evidence and arguments that the petitioner has already presented. *Ibid.*

2. Against this party-directed, adversarial backdrop, Congress provided that “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” *Id.* § 316(e). Placing the burden on the petitioner is a natural consequence of the rule that, once granted, “[a] patent shall be presumed valid.”



*Id.* § 282(a).<sup>6</sup> And a key component of the petitioner’s burden is the obligation to identify any and all “proposition[s] of unpatentability” on which it wants the Board to rule in its favor. A petitioner that fails to raise a valid ground of unpatentability—including by failing to identify relevant prior art—simply has not satisfied its “burden of pro[of]” under Section 316(e).

The petitioner’s burden is also confirmed by what the statute does *not* say. Nothing in the Patent Act grants the Director authority to raise unpatentability arguments or otherwise assume the petitioner’s burden of proof. That absence is telling: When Congress intends for the Patent Office to play an active role in identifying potential deficiencies with a patent, it says so expressly.

In the initial examination of a patent application, for instance, the statute puts the burden squarely on the Patent Office to identify grounds for unpatentability, including for lack of novelty or obviousness in light of prior art. See *id.* § 102(a) (“A person shall be entitled to a patent unless . . .”); see also *id.* § 103. If the application is rejected, the Office must identify “the reasons for such rejection,” including relevant factual “information and references.” *Id.* § 132(a). Thus, as the Federal Circuit has explained, the Office bears the “burden of production” to identify and “adequately explain[] the shortcomings *it perceives*” in the application. *In re Jung*, 637 F.3d 1356, 1362 (2011) (emphasis added; quotation marks omitted).

Similarly, in the *ex parte* reexamination process, Congress authorized the Director to investigate a question of

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<sup>6</sup> The American Invents Act reduced the substantive burden for proving unpatentability from “clear and convincing evidence,” *Microsoft Corp. v. I4I Ltd. P’ship*, 564 U.S. 91, 95 (2011), to a “preponderance of the evidence,” 35 U.S.C. § 316(e). But it left the presumption of validity undisturbed. See *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1306 (Fed. Cir. 2017) (en banc).

patentability “[o]n *his own initiative*, and at any time,” in order to determine “whether a substantial new question of patentability is raised by patents and publications *discovered by him* or cited” by a party. 35 U.S.C. § 303(a) (emphases added). The emphasized text is exactly the type of authority-creating language that the statute’s inter partes review provisions lack; indeed, *sua sponte* literally means “on its own motion.” Black’s Law Dictionary (11th ed. 2019). “If Congress had wanted to give the Director similar authority” to raise unpatentability issues *sua sponte* during inter partes review, “it knew exactly how to do so—it could have simply borrowed from the statute next door.” *SAS Inst.*, 138 S. Ct. at 1355.

3. Contextual clues point in the same direction. The initial process of patent examination and the ex parte reexamination process are both “inquisitorial” in nature. *Id.* at 1353. Because such processes are inherently “agency-led,” it makes sense that the statute gives the Board corresponding “authority” to introduce new arguments and to identify relevant prior art on its own initiative. *Id.* at 1355; see *Carr v. Saul*, 141 S. Ct. 1352, 1358 (2021) (“The critical feature that distinguishes adversarial proceedings from inquisitorial ones is whether claimants bear the responsibility to develop issues for adjudicators’ consideration.”).

The inter partes review process, by contrast, is “a party-directed, adversarial process.” *SAS Inst.*, 138 S. Ct. at 1355. By the time a petition for inter partes review is filed, the Patent Office has *already* had two opportunities—the application and ex parte examination process—to test the patent’s validity, and the Office has determined that it meets all legal requirements. See 35 U.S.C. §§ 131, 303. The inter partes review process is accordingly designed to give an external party an opportunity to pick up the mantle of advocate, with the Board playing the role of neutral referee.

Indeed, Congress has made clear that inter partes review is, in several important respects, intended as a substitute for civil litigation. Among other things, inter partes review may not be instituted by someone already challenging the patent’s validity in litigation, *id.* § 315(a)(1); any new litigation challenging the patent must be stayed once a petition is filed, *id.* § 315(a)(2); and a party defending itself in an infringement suit has limited time to initiate inter partes review, *id.* § 315(b).

Congress’s choice to put inter partes review on par with civil litigation is significant. “In our adversarial system of adjudication,” this Court has explained, “we follow the principle of party presentation,” in which parties “are responsible for advancing the facts and argument entitling them to relief.” *United States v. Sineneng-Smith*, 140 S. Ct. 1575, 1579 (2020) (brackets and quotation marks omitted). That means adjudicators—like courts in an infringement suit, and like the Board in inter partes review—“should not sally forth each day looking for wrongs to right,” but rather should “normally decide only questions presented by the parties.” *Ibid.* (quotation marks omitted); see *Henderson ex rel. Henderson v. Shinseki*, 562 U.S. 428, 434 (2011) (“Under [the adversarial] system, courts are generally limited to addressing the claims and arguments advanced by the parties.”).

Finally, Congress reinforced the party-presentation rule for inter partes review by treating the Board’s final written decisions as preclusive in litigation. See *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 148 (2015) (estoppel principles apply to administrative proceedings “when [the] agency is acting in a judicial capacity and resolves disputed issues of fact properly before it”) (brackets and quotation marks omitted). Following a Board decision, an inter partes review petitioner may not argue in an infringement suit “that the claim is invalid on any ground that the petitioner raised *or reasonably could*

*have raised* during that inter partes review.” 35 U.S.C. § 315(e)(2) (emphasis added). The emphasized phrase contemplates that the petitioner itself is responsible for “rais[ing]” invalidity arguments, and therefore bears the burden of preclusion if the petitioner omits an argument that it “reasonably could have raised.”

4. This plain reading of the Patent Act is further supported by two constitutional principles.

First, reading the Patent Act as granting the Board implicit authority to raise new unpatentability arguments would be inconsistent with the separation of powers. Because “[a]dministrative agencies are creatures of statute,” they “possess only the authority that Congress has provided.” *Nat’l Fed’n of Indep. Bus. v. Dep’t of Labor*, 142 S. Ct. 661, 665 (2022) (per curiam). That means the Board must identify affirmative statutory authority for its actions, most of which are indeed spelled out via “unmistakable commands.” *SAS Inst.*, 138 S. Ct. at 1358. That scheme leaves “no room” for the Board to claim “wholly unmentioned” powers, such as the power to raise and resolve unpatentability arguments *sua sponte*. *Ibid.*

Second, the significant property interests at stake require strict adherence to statutory procedures. “Billions of dollars can turn on a Board decision” to cancel patent claims. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1976 (2021). Yet the Board lacks the guarantees of decision-making independence that apply in other contexts where property rights of that magnitude are threatened. In *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365 (2018), this Court upheld the constitutionality of allowing the Board to cancel patent rights in the inter partes review process, reasoning that such rights have been granted “subject[] . . . to the express provisions of the Patent Act.” *Id.* at 1375. But that reasoning holds true only insofar as the Board in fact exercises its

authority pursuant to the Act’s “express provisions.” Allowing the Board to expand its own authority to cancel patent rights—on the ground that nothing in the Act *forbids* it from doing so—would raise serious due process concerns. Cf. *id.* at 1379 (reserving judgment on due process challenge).

**B. The Federal Circuit’s Reasoning Does Not Withstand Scrutiny**

In *Nike II*, the Federal Circuit held “that the Board may *sua sponte* identify a patentability issue for a proposed substitute claim based on the prior art of record.” App. 34a. The court did not cite any statutory provision granting such authority; nor did the court grapple with the petitioner’s burden under Section 316(e) to prove “a proposition of unpatentability.” Instead, the court identified three considerations that supposedly support the Board’s *sua sponte* authority. None is persuasive.

1. Most significant to the Federal Circuit’s reasoning was the fact that “this case involves a motion to amend.” *Ibid.* The court acknowledged that, in prior cases arising from inter partes review, it had limited the Board to ruling on grounds for unpatentability that the petitioner itself had raised. But in a case like this one, where the patent-holder has introduced substitute claims, the court held that “the Board should not be constrained to arguments and theories raised by the petitioner in its petition or opposition to the motion to amend.” *Ibid.* “Otherwise,” the court reasoned, “were a petitioner not to oppose a motion to amend, the Patent Office would be left with no ability to examine the new claims.” App. 35a.

The motion-to-amend posture provides no sound reason for authorizing the Board to raise patentability defenses *sua sponte*. The petitioner’s burden under Section 316(e) to “prov[e] a proposition of unpatentability” expressly applies “[i]n an inter partes review instituted

under this chapter”—that is, in *all* inter partes review proceedings. That statutory requirement does not admit of any exception for “proposition[s] of unpatentability” that challenge substitute claims offered under Section 316(d), as opposed to challenging other types of claims. See *Clark v. Martinez*, 543 U.S. 371, 386 (2005) (rejecting “the dangerous principle that judges can give the same statutory text different meanings in different cases”).

Nor are substitute claims more suspect than other claims. Substitute claims, by definition, fall within the scope of the existing patent claims: A motion to amend “may not enlarge the scope of the claims of the patent or introduce new matter.” 35 U.S.C. § 316(d)(3). Amended claims are thus inherently more circumscribed than the original, presumptively valid claims set forth in the existing patent, which the Patent Office has already examined and approved. See *id.* §§ 131, 282. It therefore makes little sense that the Board should have *more* authority to cancel *narrower* substitute claims.<sup>7</sup>

The Federal Circuit’s reasoning also proves too much. The court noted that, if the petitioner fails to oppose a motion to amend, unless the Board has the power to raise new unpatentability arguments *sua sponte*, the Board “would be left with no ability to examine the new claims.” App. 35a. Yet the same could be said for the entire inter partes review process: If no petition for review is filed, the Board “would be left with no ability to examine” the patent at all. That prospect raises no serious concerns because an

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<sup>7</sup> Substitute claims are intended primarily to facilitate resolution of patent disputes by narrowing the grounds for disagreement between the parties. See *id.* § 316(d)(2) (“Additional motions to amend may be permitted . . . to materially advance the settlement of a proceeding.”). When the Board identifies new issues not raised by the petitioner, however, it expands the conflict and makes settlement *less* likely.

issued patent has already been examined carefully by the Patent Office at least once, and “[e]ach claim of [the] patent” has been validated and is thus “presumed valid.” 35 U.S.C. § 282(a). Just as the Patent Act “doesn’t authorize the Director to start [inter partes review] proceedings on his own initiative,” *SAS Inst.*, 138 S. Ct. at 1355, it leaves to the parties the task of raising and refuting arguments in those proceedings.

2. The Federal Circuit further held that the Board could rely on the Spencer textbook to support its obviousness argument because “Spencer was undisputedly part of the record.” App. 35a. But the Board’s reliance on the textbook only underscores the peril of letting the Board scour the voluminous record for potential new arguments.

Adidas appended the 386-page Spencer textbook to its petition for inter partes review. But Adidas did not cite the textbook, either in the petition itself or in its opposition to Nike’s motion to amend. App. 38a. And at no point did Adidas identify the Spencer textbook as invalidating prior art, much less point to specific pages relevant to its obviousness challenge to substitute claim 49. *Ibid.*

The Federal Circuit emphasized the fact that “both parties’ experts relied on Spencer’s teachings in their declarations.” App. 35a. But stray references by experts to a multi-hundred-page textbook are hardly sufficient to excuse a party’s failure even to mention the source in its adversarial presentation. See *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 38 (1997) (declining to address issue where petitioner made “only passing reference to th[e] issue” in its briefs). If that kind of tangential reference to a source is enough to make it fair game for *sua sponte* Board arguments, then petitioners will have an incentive to clog the record with lengthy sources and to lard their expert reports with a litany of citations.

3. After authorizing the Board to raise new issues of unpatentability *sua sponte*, the Federal Circuit held that such authority was constrained by “the notice provisions of the APA.” App. 35a. In particular, the APA requires “persons entitled to notice of an agency hearing [to] be timely informed of the matters of fact and law asserted,” and the agency must “give all interested parties opportunity for the submission and consideration of facts arguments.” App. 35a-36a (quoting 5 U.S.C. §§ 554(b)(3) and (c)(1)) (brackets and ellipses omitted). In the context of this case, the court explained, the Board was required to “provide notice of its intent to rely on Spencer and an opportunity for the parties to respond before issuing a final decision relying on Spencer.” App. 35a. But subject to that notice limitation, the court concluded, “it is appropriate for the Board to *sua sponte* raise unpatentability grounds,” and the Board need “not be limited to the unpatentability grounds asserted by the petitioner in its petition or opposition to the motion to amend.” App. 38a.

The Federal Circuit was wrong to think that raising new arguments *sua sponte* is “appropriate” so long as the Board provides notice of its intent to do so. An *inter partes* review proceeding in which the Board has provided such notice—while somewhat less unfair along one dimension—still represents an unauthorized departure from the party-led, adversarial model that Congress designed. Advance notice does not remedy the fundamental statutory error: the Board’s lack of authority to assume the petitioner’s “burden of proving a proposition of unpatentability.” 35 U.S.C. § 316(e).

Nor could the Federal Circuit remedy that basic lack of statutory authority by invoking the APA. The APA *restricts* agency authority; it does not *confer* such authority. See *Dep’t of Homeland Sec. v. Regents of the Univ. of Cal.*, 140 S. Ct. 1891, 1905 (2020). An agency cannot overcome



its lack of authority to take a particular step by providing advance notice of its intent to take that step.

## II. THE QUESTION PRESENTED IS IMPORTANT AND WARRANTS REVIEW IN THIS CASE

In *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (2017), the en banc Federal Circuit left open the question “whether the Board may *sua sponte* raise patentability challenges to a proposed amended claim.” *Id.* at 1325. In *Nike II*, the court squarely answered that question in the affirmative: “We hold today that the Board may *sua sponte* identify a patentability issue for a proposed substitute claim based on the prior art of record.” App. 34a. This case is an ideal vehicle for determining whether the Federal Circuit came up with the correct answer to a vitally important question.

A. The outcome in this case turned directly on the Board’s exercise of *sua sponte* authority. As the Federal Circuit acknowledged, the ground on which the Board ruled did not come from Adidas: “Throughout the [inter partes review] proceeding, Adidas never argued that skipping stitches to form apertures was a well-known technique, let alone that Spencer taught this claim limitation.” App. 38a; see *ibid.* (“Adidas did not rely on Spencer in its asserted ground for unpatentability of substitute claim 49 in either its opposition to Nike’s motion to amend or its briefing on remand.”). The basis for the Board’s decision was introduced by the Board itself.

Indeed, this case is a particularly egregious exercise of the Board’s newfound *sua sponte* authority because the Board introduced the dispositive issue so late in the proceedings. Not only did Adidas omit the Spencer textbook from its petition for inter partes review and from its brief opposing Nike’s motion to amend, but *the Board itself* failed to mention the textbook in its first written decision

rejecting Nike’s substitute claims. See IPR Paper No. 18, at 17.

Rather, the Board introduced the Spencer textbook as a ground for finding substitute claim 49 unpatentable for the first time in September 2018, more than four years after Nike introduced the substitute claim—and only *after* the Federal Circuit had already vacated the Board’s first written decision. App. 38a-39a. Thus, the Board’s reliance on the Spencer textbook was more than just a *sua sponte* argument; it was a new rationale for rejecting Nike’s substitute claim that the Board raised after its first decision failed to survive appellate scrutiny.

This Court has previously cautioned against unauthorized attempts to expand the Board’s authority. In *Cuozzo Speed Technologies, Inc. v. Lee*, 579 U.S. 261 (2016), this Court held that the Director’s decision to grant inter partes review is generally not judicially reviewable, at least on grounds “closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate [such] review.” *Id.* at 275. At the same time, the Court warned that if the Board “act[ed] outside its statutory limits” in the inter partes review proceeding itself, judicial review would remain available to reign in “such ‘shenanigans.’” *Ibid.*; see *id.* at 298 (Alito, J., concurring in part and dissenting in part).

Here, the Board’s *sua sponte* introduction of new arguments at the eleventh hour represents precisely the sort of “shenanigans” that judicial review is meant to correct. This Court need not await further “shenanigans” before intervening.

**B.** The Federal Circuit is unlikely to reconsider its holding in this case. In *Aqua Products*, the court granted rehearing en banc to resolve two questions: (1) who bears the burden of proving unpatentability on a motion to amend; and (2) whether the Board may *sua sponte* raise

patentability challenges to a substitute claim. 872 F.3d at 1297-98. The en banc court produced five separate opinions on the former question, but it failed to reach a decision on the latter question. Judge Reyna addressed the issue in his concurring opinion, *id.* at 1340-41, but the court itself did not resolve it, leading Judge Taranto to remark: “It is at present unclear to what extent the Board may *sua sponte* introduce evidence or arguments into the record—and rely on them after giving notice and opportunity to be heard—even in adjudicating the patentability of issued claims, much less in assessing proposed substitute claims.” *Id.* at 1350 n.7 (Taranto, J., dissenting).

The Federal Circuit ultimately resolved that question in this case. While the court could theoretically take up the issue again en banc, its badly splintered decision in *Aqua Products* offers little reason to expect it will try. See *id.* at 1327 (opinion of O’Malley, J.) (“As frustrating as it is for all who put so much thought and effort into this matter, very little said over the course of the many pages that form the five opinions in this case has precedential weight.”). Instead, this Court should step in now.

C. The question of the Board’s *sua sponte* authority is particularly ripe for review because the Patent Office recently codified its supposed authority in a regulation:

[O]n a motion to amend: . . . the Board may, in the interests of justice, exercise its discretion to grant or deny a motion to amend only for reasons supported by readily identifiable and persuasive evidence of record.

37 CFR § 42.121(d)(3) (2020).

Like the Federal Circuit’s decision in this case, the regulation is unmoored from the statutory text and poses more questions than answers about the Board’s newfound authority. Most obviously, the regulation offers no clear

guidance regarding how to determine whether evidence is “readily identifiable and persuasive” such that it warrants *sua sponte* consideration. It is thus no surprise that some judges are “troubled by how the PTO is handling this issue, including with a recently enacted regulation.” *Hunting Titan, Inc. v. DynaEnergetics Eur. GmbH*, 28 F.4th 1371, 1383 (Fed. Cir. 2022) (Prost, J., concurring); see *id.* at 1381 (majority opinion) (describing the Board’s use of its *sua sponte* authority as “problematic”).

As the Federal Circuit explained, the regulation is “inapplicable” here because Nike filed its motion to amend before the regulation’s effective date. App. 14a n.3. But the Board is sure to invoke the regulation in any future challenge to its *sua sponte* authority, seeking to shield the regulation’s lack of statutory grounding under a cloak of administrative deference. See *SAS Inst.*, 138 S. Ct. at 1358 (noting the Director’s argument that “however this Court might read the statute, he should win anyway because of *Chevron*”). This Court should take up the question now to avoid further confusion.

**D.** The question is important and recurring. Motions to add substitute claims through amendment are available as a matter of right in the inter partes review process, 35 U.S.C. § 316(d)(1), and their use is widespread. Indeed, according to the Patent Office, the Board resolves a motion to amend in a staggering 66% of completed inter partes review proceedings. See U.S. Patent & Trademark Off., *Patent Trial and Appeal Board Motion to Amend (MTA) Study: Installment 7*, at 4 (2022), <https://bit.ly/3y1B81c>. That translates to a lot of opportunities for the Board to exercise its newfound (but illegitimate) authority.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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