

No. 22-927

In the Supreme Court of the United States

NIKE, INC., PETITIONER

v.

ADIDAS AG, ET AL.

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

BRIEF FOR THE FEDERAL RESPONDENT

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QUESTION PRESENTED

In an inter partes review before the Patent Trial and Appeal Board (Board), a third party may challenge the patentability of an existing patent claim. 35 U.S.C. 311. In response to such a challenge, a patent owner may move to amend its patent by proposing substitute claims. 35 U.S.C. 316(d). The question presented is as follows:

Whether, in an inter partes review, the Board sua sponte may identify a reason why, on the existing record, a proposed substitute claim is potentially unpatentable and may decline to accept the substitute claim on that ground after giving the patent owner notice and an opportunity to respond.

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OPINIONS BELOW

The latest opinion of the court of appeals (Pet. App. 1a-24a) is not published in the Federal Reporter but is available at 2022 WL 4002668. The petition challenges a decision of the court of appeals that was issued at an earlier stage of the litigation (Pet. App. 25a-43a), which is reported at 955 F.3d 45. The court of appeals also issued another decision in the case (Pet. App. 44a-87a), which is reported at 812 F.3d 1326.

The most recent decision of the Patent Trial and Appeal Board is not published in the United States Patents Quarterly but is available at 2021 WL 793883. A prior decision of the Patent Trial and Appeal Board is not published in the United States Patents Quarterly but is available at 2018 WL 4501969.

JURISDICTION

The judgment of the court of appeals was entered on September 1, 2022. A petition for rehearing was denied on November 21, 2022 (Pet. App. 88a-89a). On January 25, 2023, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including March 21, 2023, and the petition was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. a. To obtain a patent, an inventor must apply to the United States Patent and Trademark Office (USPTO). “A patent examiner with expertise in the relevant field [then] reviews an applicant’s patent claims, considers the prior art, and determines whether each claim meets the applicable patent law requirements.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 266 (2016) (citing 35 U.S.C. 101, 102, 103, 112). “Ultimately”—and in some cases, after the submission of multiple amended claims—“the [USPTO] makes a final decision allowing or rejecting the application.” *Id.* at 267. That final decision is subject to judicial review. See 35 U.S.C. 141(a), 145.

The USPTO has long “possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo*, 579 U.S. at 267. In 1980, Congress created ex parte reexamination, which remains available today. See *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). Under that procedure, any person may request reexamination of a United States patent on the basis of qualifying prior art. 35 U.S.C. 301, 302; see Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (35 U.S.C. Ch. 30). If the Director of the USPTO finds that

such a request raises a “substantial new question of patentability affecting any claim,” a patent examiner reexamines the patent “according to the procedures established for initial examination.” 35 U.S.C. 303(a), 305; see 35 U.S.C. 304. The Director of the USPTO may also commence such a proceeding “[o]n his own initiative.” 35 U.S.C. 303(a).

b. In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284. The AIA established inter partes review, a process through which third parties may request the institution of an administrative proceeding to reconsider the patentability of claims in issued patents. See *Oil States*, 138 S. Ct. at 1371. The AIA permits third parties to seek inter partes review of any patent more than nine months after the patent is issued on the ground that the patent is invalid based on lack of novelty or obviousness in light of prior-art patents or printed publications. 35 U.S.C. 311(b); see *Oil States*, 138 S. Ct. at 1371.¹ A petition for inter partes review must identify, among other things, “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.” 35 U.S.C. 312(a)(3). The patent owner may submit a response opposing the petition. 35 U.S.C. 313.

The Director of the USPTO may institute an inter partes review if she determines that “there is a reasonable likelihood that the [challenger] would prevail” with respect to at least one of its challenges to the validity of a patent, 35 U.S.C. 314(a), and that no other AIA provision bars institution under the circumstances, see, *e.g.*,

¹ The AIA created a separate mechanism, known as post-grant review, for challenges brought within nine months after a patent is issued. 35 U.S.C. 321(e).

35 U.S.C. 315(b) (inter partes review may not be instituted if the challenger was sued for infringement of the disputed patent more than one year before the petition was filed). The agency’s decision whether to institute an inter partes review is “final and nonappealable.” 35 U.S.C. 314(d).

Upon instituting a review, the Director designates at least three members of the Patent Trial and Appeal Board (Board) to conduct the inter partes review. 35 U.S.C. 6(a) and (c). In the instituted proceeding, the patent challenger has “the burden of proving a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. 316(e). The Board’s authority to decide an instituted inter partes review does not depend on the challenger’s willingness to maintain the proceeding. If the challenger settles with the patent owner or withdraws for some other reason, the USPTO may nonetheless “proceed to a final written decision” determining the patentability of the challenged claims. 35 U.S.C. 317(a); *Cuozzo*, 579 U.S. at 279.

During an inter partes review, the patent owner is entitled to “file 1 motion to amend the patent” by “propos[ing] a reasonable number of substitute claims” that do “not enlarge the scope of the claims of the patent or introduce new matter.” 35 U.S.C. 316(d)(1) and (3). The patent challenger may oppose the motion to amend. See 37 C.F.R. 42.23. An inter partes review culminates in the Board’s final written decision, which determines “the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).” 35 U.S.C. 318(a).

The Board’s final written decision is appealable to the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141(c), 319. The Federal Circuit reviews

the Board's application of patentability standards de novo, while the Board's underlying factual determinations are reviewed for substantial evidence. *Oil States*, 138 S. Ct. at 1372.

2. Petitioner owns U.S. Patent No. 7,347,011 (issued Mar. 25, 2008) (the '011 patent), which discloses, among other things, the "upper" textile component of athletic sneakers made from "different stitch configurations with varying textures," in which a single textile is formed using various knitting processes. Pet. App. 3a, 46a. That single textile can be attached to a sneaker's sole, and the patent teaches that different textures can be woven into that single textile by adjusting the stitching or yarn used to knit the textile, and that apertures may be formed to receive shoelaces by omitting stitches. See *id.* at 3a, 27a-28a, 46a-48a.

Respondent Adidas petitioned for inter partes review of the '011 patent, arguing that the patent's claims were unpatentable as anticipated or obvious in light of several prior-art references—including a number of existing patents. Pet. App. 49a. The USPTO granted review over petitioner's objection. *Ibid.* In support of its petition, Adidas provided an expert's declaration that relied on a knitting textbook, David J. Spencer, *Knitting technology: a comprehensive handbook and practical guide* (3d ed. 2001) (*Knitting Technology*), see IPR2013-00067 Ex. No. 1001 ¶¶ 7, 39, 56 (Nov. 28, 2012). Adidas placed the Spencer *Knitting Technology* textbook in the administrative record, see IPR2013-00067 Ex. No. 1012 (Nov. 28, 2012), and one of petitioner's experts also cited that textbook, see IPR2013-00067 Ex. No. 2010 ¶¶ 51, 105 (Aug. 19, 2013).

Petitioner subsequently moved to amend the '011 patent by canceling all of the previously issued claims and

proposing new substitute claims. Pet. App. 49a; see 35 U.S.C. 316(d). Only one of those proposed claims (claim 49) is at issue here. That claim related to the '011 patent's teachings on shoelace apertures, and it incorporated the limitation that those apertures are "formed by omitting stitches" in the "upper" textile "for receiving laces." Pet. App. 3a (citation omitted); see *id.* at 69a, 72a. Adidas opposed the motion, arguing that the substitute claims were still unpatentable as obvious in light of prior art, *id.* at 29a, but Adidas did not rely on the Spencer textbook in articulating its theory of unpatentability.

3. The Board granted petitioner's motion to cancel the previously issued claims and denied petitioner's motion to amend those claims. The Board found that, as the patent owner, petitioner bore the burden of establishing the patentability of the proposed substitute claims and that petitioner had not carried that burden. 2014 WL 1713368. With respect to claim 49, the Board found that three other patents rendered the substitute claim obvious because those patents "teach or suggest all of the limitations of [the substitute claim] and that a person of ordinary skill in the art would have had reason to combine the teachings of these references to achieve the recited article of footwear." *Id.* at *20.

Petitioner appealed, and the Federal Circuit affirmed in part and reversed in part. Pet. App. 44a-87a (*Nike I*). As relevant here, the court affirmed the Board's determination that the patent owner bore the burden to establish the patentability of proposed substitute claims. *Id.* at 55a. But the court concluded that the Board's findings did not "support a conclusion that proposed substitute claim 49 is unpatentable as obvious," *id.* at 75a, and that the Board had failed to make

“the requisite factual findings” to determine whether petitioner had met its burden to establish patentability, *id.* at 77a. The court therefore remanded for further fact-finding. *Id.* at 76a-77a, 87a.

4. While the remanded case was pending before the Board, the en banc Federal Circuit partially overruled *Nike I.* See *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1296 & n.1 (2017) (plurality opinion). The en banc court concluded that, in the absence of a regulation that might be entitled to deference, the USPTO in inter partes review proceedings could not place the burden of proof with respect to the patentability of amended claims on the patent owner. *Id.* at 1327-1328. The en banc court did not decide “whether the Board may sua sponte raise patentability challenges to a proposed amended claim” because the record in *Aqua Products* did “not present this precise question.” *Id.* at 1325 .

During the Board proceedings on remand in this case, the parties submitted supplemental briefing to address the proper application of *Aqua Products*. See IPR2013-00067 Doc. Nos. 65 (Nov. 6, 2017), 66 (Nov. 16, 2017), 67 (Nov. 22, 2017). Several months later, the Board issued an order that notified the parties of a change in the panel, replacing Administrative Patent Judge Fitzpatrick with Judge Daniels. See IPR2013-00067 Doc. No. 68 (Sept. 17, 2018). The new panel then issued a decision again denying petitioner’s motion to amend the ’011 patent with substitute claims. 2018 WL 4501969.

With respect to substitute claim 49, the Board determined that Adidas had presented sufficient evidence to support a finding that “claim 49 is not patentable” because that claim was rendered obvious by prior art in the record. 2018 WL 4501969 at *8-*9. In reaching that

determination, the Board relied on one previously issued patent, and on the Spencer *Knitting Technology* textbook that Adidas had first attached to its petition to institute inter partes review, even though the parties had not cited that textbook in the post-*Aqua Products* supplemental briefing. *Id.* at *8 & n.11 (citing *Knitting Technology*). Because both Adidas and petitioner had relied on that textbook in their initial submissions, however, the Board concluded that each party would have been aware of that prior art. *Id.* at *8 n.11.

Petitioner again appealed, and the Federal Circuit again affirmed in part and reversed in part. Pet. App. 25a-43a (*Nike II*). The court first held that, in general, “the Board may sua sponte identify a patentability issue for a proposed substitute claim based on the prior art of record,” and that the Board “should not be constrained” by a patent challenger’s arguments when considering a motion to amend. *Id.* at 34a. The court explained that, in the context of such motions raising new claims that have not yet been examined, “[i]t makes little sense to limit the Board, in its role within the agency responsible for issuing patents, to the petitioner’s arguments.” *Id.* at 35a.

Addressing the specific circumstances of this case, the court of appeals found that the Spencer *Knitting Technology* textbook “was undisputedly part of the record,” and that “both parties’ experts” had relied on the textbook “in their declarations.” Pet. App. 35a. The court also held, however, that when the Board sua sponte identifies a potential ground for questioning the patentability of a proposed substitute claim, it must provide adequate notice and an opportunity for the parties to respond to that issue. *Id.* at 34a-35a. Because the Board had relied on disclosures in the Spencer text-

book that were “entirely different” from those cited by the parties, the court concluded that the Board had “denied [petitioner] notice of the issues that the Board would consider and an opportunity to address the factual and legal arguments on which the Board’s patentability determination would rest.” *Id.* at 38a-39a. The court therefore vacated the Board’s determination as to substitute claim 49, and it remanded for the Board to determine whether that claim was unpatentable “after providing the parties with an opportunity to respond.” *Id.* at 41a.

Petitioner did not seek further review of that decision in the Federal Circuit or in this Court.

5. After additional supplemental briefing on remand, the Board again denied petitioner’s motion to amend its patent with substitute claim 49. 2021 WL 793883. The Board explained that, when it “raises a patentability challenge to a substitute claim *sua sponte*, the Board itself must consider the record in its entirety and justify any finding of unpatentability by reference to evidence of record.” *Id.* at *6. After considering that record here, the Board determined by a preponderance of the evidence that “substitute claim 49 is not patentable as obvious” over the teachings of three previously issued patents, as well as the Spencer *Knitting Technology* textbook. *Id.* at *14.

Petitioner appealed, and the Federal Circuit affirmed. Pet. App. 1a-24a (*Nike III*). As relevant here, petitioner argued that the Board had effectively placed the burden of persuasion on petitioner to demonstrate that its substitute claims were patentable, and that the Board’s obviousness finding was not supported by substantial evidence. The court rejected both arguments.

The court of appeals found it unnecessary to determine who bears the burden of proof with respect to the patentability of substitute claims because “the outcome below would have been the same regardless.” Pet. App. 13a. The court explained that “Adidas supported its claim of obviousness by a preponderance of the evidence,” and that the Board had simply “disagreed with the evidence and argument” advanced by petitioner. *Id.* at 15a. And, after carefully analyzing the Board’s decision, the court found that the Board’s obviousness determination was supported by substantial evidence. *Id.* at 15a-23a. Petitioner also faulted the Board for citing certain passages of the Spencer *Knitting Technology* textbook that had not previously been cited by the parties. The court determined, however, that those citations were not “essential” to the Board’s findings, but simply “reinforce[d] the Board’s determination.” *Id.* at 21a-22a.

6. Petitioner sought rehearing en banc solely on the question of which party bears the burden of persuasion on a ground of unpatentability that the Board raises sua sponte. Pet. C.A. Reh’g Pet. 9-15; see also Pet. C.A. Br. 34-55. The Federal Circuit denied rehearing, with no noted dissent. Pet. App. 88a-89a. Petitioner then filed a petition for a writ of certiorari.

7. After petitioner filed a petition for a writ of certiorari in this Court, an administrative judge (AJ) at the Merit Systems Protection Board (MSPB) issued an initial decision addressing claims of retaliation brought by Administrative Patent Judge Fitzpatrick involving events in this case. See *Fitzpatrick v. Department of Commerce*, No. DC-1221-21-0423-W-2, 2023 WL 3301069 (May 5, 2023), slip op. Because Judge Fitzpatrick’s claims arose out of the proceedings in this case

after the Federal Circuit's first remand to the Board, the AJ's decision included an extended discussion of those proceedings. The AJ explained that in November 2016, after the original panel had prepared draft opinions but before those opinions were issued, the Deputy Chief Judge notified the original panel members that the panel was being expanded to add himself and the Chief Judge. *Id.* at 13-17. The AJ then described the subsequent consideration of the case, including the May 2018 removal of Judge Fitzpatrick from the panel, his replacement with another judge, and the Deputy Chief Judge's June 2018 action to unexpand the panel by removing himself and the Chief Judge before any decision had issued. *Id.* at 33; see *id.* at 17-34. The parties were not notified of the pre-decisional expansion or unexpansion of the panel; those events also were not discussed in the Board's September 2018 decision or otherwise made public. *Id.* at 34.

As relevant here, Judge Fitzpatrick alleged that he had engaged in protected whistleblower activity by protesting the expansion of the panel, the failure to notify the parties, and the delays in the issuance of the panel's opinion. *Fitzpatrick*, slip op. 35. Judge Fitzpatrick further alleged that the USPTO had retaliated against him by, among other things, removing him from all inter partes review proceedings. *Id.* at 3.

The AJ determined that Judge Fitzpatrick reasonably believed that the expansion of the panel was unlawful; that the resulting delay was improper; and that the failure to notify the parties violated due-process principles. *Fitzpatrick*, slip op. 42, 48, 58. The AJ further determined that Judge Fitzpatrick's disclosures about those events had contributed to his removal from all inter partes review proceedings and to another adverse

personnel action. *Id.* at 121. The AJ therefore granted Judge Fitzpatrick’s request for corrective action. *Ibid.* Absent an appeal to the MSPB, the AJ’s decision will become final on June 9, 2023. 5 C.F.R. 1201.113.²

ARGUMENT

Petitioner contends that the Board may not reject proposed substitute claims in inter partes review pro-

² In a portion of the decision that is not directly relevant here, the AJ also concluded that Judge Fitzpatrick had shown that he engaged in protected conduct when he told USPTO officials that the agency had caused this Office to make an inaccurate statement during the oral argument in *Oil States, supra*. During the argument, counsel for the government stated—based on information provided by the USPTO—that the Board had expanded panels “on three occasions” and that the expansions had been “done at the institution stage” of inter partes review proceedings. Oral Arg. Tr. 46, *Oil States, supra* (No. 16-712); see *Fitzpatrick*, slip op. 66. After listening to the argument, Judge Fitzpatrick told USPTO management that this statement was inaccurate because it did not account for the merits-stage expansion in this case. *Fitzpatrick*, slip op. at 63-65. USPTO officials held the view that counsel’s statement was “accurate” based on the belief that it referred to expansions in completed reviews and this case remained pending before the Board. *Id.* at 66. The relevant officials “therefore did not ‘go back’ to * * * the Solicitor[] General’s Office” to “correct the record” because they believed that “‘there was no need to correct it.’” *Id.* at 66-67 (citation omitted). But the AJ concluded that Judge Fitzpatrick’s disclosures on this issue were protected because he could “reasonably conclude that the agency, through the Solicitor General, provided inaccurate, erroneous, and/or incomplete information” to this Court. *Id.* at 68.

If this Office had been aware of the expansion of the panel in this case, counsel for the government would have made clear that the relevant answer during the *Oil States* argument referred to completed cases and would have avoided any suggestion that expansions were limited to the institution stage. We regret any misimpression inadvertently created by the answer that was given.

ceedings based on prior art in the record unless the patent challenger has pinpointed that prior art in its challenge. In *Nike II*, the court of appeals correctly rejected that contention. The court there recognized that inter partes review differs from standard litigation in important ways, and that the AIA vests the Board with significant discretion in assessing amended claims. In addition, this case is a poor vehicle to consider petitioner's argument because the agency has since issued regulations that address the issue, but those regulations are inapplicable here. Further review of the question presented in the petition for a writ of certiorari is not warranted.

The recent AJ decision in *Fitzpatrick*, however, provides new information about a pre-decisional panel expansion and unexpansion that took place while this case was pending at the Board. Because petitioner did not have access to that information when it appealed the Board's decision to the Federal Circuit, the government acknowledges that it would be appropriate for this Court to grant, vacate, and remand the case to allow petitioner to present any arguments it wishes to make based on that information to the Federal Circuit, and to allow the Federal Circuit to consider those arguments in the first instance.

1. The Federal Circuit correctly held that the USPTO was not compelled to accept an unpatentable substitute claim merely because Adidas had failed to identify the specific prior-art combination that rendered the claim invalid.

a. During an inter partes review proceeding, the patent owner is entitled to propose a reasonable number of substitute claims to replace those being challenged. 35 U.S.C. 316(d). Unlike original patent claims, which

have previously survived USPTO examination, “[p]roposed substitute claims in an [inter partes review] proceeding have not undergone a patentability review by the USPTO.” *Uniloc 2017 LLC v. Hulu, LLC*, 966 F.3d 1295, 1305 (Fed. Cir. 2020). Recognizing that important distinction, the Federal Circuit in *Nike II* correctly noted that it “makes little sense to limit the Board, in its role within the agency responsible for issuing patents, to the petitioner’s arguments” in opposition to proposed substitute claims, particularly when the record before the Board indicates that the proposed claims are unpatentable. Pet. App. 35a. Under a contrary rule, “were a petitioner not to oppose a motion to amend, the Patent Office would be left with no ability to examine the new claims” and would be obligated to accept even substitute claims that are obviously unpatentable. *Ibid.* The Federal Circuit has rejected that outcome and has properly concluded that, so long as the patent owner is given notice of the grounds of potential unpatentability and is afforded an opportunity to respond, the Board has discretion to hold claims unpatentable based on prior art in the record. *Id.* at 40a.

Permitting the Board to hold claims unpatentable based on prior art in the record—even on grounds that the challenger has not specifically identified—is consistent with this Court’s recognition that “inter partes review helps protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 279-280 (2016) (quoting *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945)); see *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (“[P]atents are ‘public franchises’ that the

Government grants ‘to the inventors of new and useful improvements.’”) (quoting *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 533 (1871)); *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665-666 (1944) (collecting authorities recognizing that “the public interest * * * is dominant in the patent system” and that a patent is a privilege “conditioned by a public purpose”). The “overarching goals” of inter partes review “extend beyond the particular parties in a given patent dispute.” *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018). The public interest would be diserved if the Board were required to accept substitute patent claims even when readily identifiable record evidence revealed that those claims were unpatentable. See *Hunting Titan, Inc. v. DynaEnergetics Europe GmbH*, 28 F.4th 1371, 1381 (Fed. Cir. 2022).

Petitioner’s contrary arguments largely rest on the mistaken premise that inter partes review proceedings are effectively identical to private litigation, so that the USPTO performs only the role of “neutral referee.” Pet. 18. Despite the adversarial character of the proceedings, in “significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo*, 579 U.S. at 279. For example, “[p]arties that initiate the proceeding need not have a concrete stake in the outcome.” *Ibid.* Patent owners may not amend their claims in other adversarial processes, like those conducted by district courts or the International Trade Commission, but they may do so in inter partes review proceedings. See 35 U.S.C. 316(d)(1).

Finally, while inter partes review is triggered by a request from outside the USPTO, that agency “may continue to conduct an inter partes review even after

the adverse party has settled.” *Cuozzo*, 579 U.S. at 279 (citing 35 U.S.C. 317(a)). Petitioner’s conception of the USPTO’s role cannot be squared with the agency’s authority to “proceed to a final written decision” even after the challenging party withdraws. 35 U.S.C. 317(a). That feature of the AIA reflects Congress’s intent that inter partes review function not simply as “a substitute for civil litigation” (Pet. 19), but rather as a mechanism by which the agency responsible for administering the patent system may “reconsider and cancel patent claims that were wrongly issued.” *Oil States*, 138 S. Ct. at 1370; see *Cuozzo*, 579 U.S. at 279 (explaining that the “basic purpose[.]” of inter partes review is “to reexamine an earlier agency decision”).

Thus, although the USPTO generally relies on the adverse parties in inter partes reviews to present the best arguments for and against patentability, it is not required to do so in all circumstances. Rather, the agency may determine that it is in the public interest to reject a substitute claim even when the challenger has settled with the patent owner or has otherwise ceased to participate in the proceeding. The USPTO may take the same course when (as here) the challenger has introduced into the record, but has not expressly relied on, prior art that reveals the claim’s obviousness. See *Oil States*, 138 S. Ct. at 1378 (“Although inter partes review includes some of the features of adversarial litigation” between private parties, “[i]t remains a matter involving public rights.”). Given the public rights at issue, there is no reason to read the AIA to preclude the Board from considering sua sponte the patentability of proposed substitute claims in light of the entire record before it.

b. Petitioner’s remaining arguments lack merit.

Petitioner overstates the scope of the Federal Circuit's holding, which merely approved the Board's authority to "identify a patentability issue for a proposed *substitute* claim based on the prior art *of record*." Pet. App. 34a (emphases added). Petitioner's lengthy discussion (Pet. 15-21) of the Board's authority with respect to *original* patent claims (which have previously survived examination) is not at issue here.

Petitioner contends (Pet. 22) that there is no sound reason to treat substitute claims differently because such claims are "inherently more circumscribed" than the original claims that the USPTO had previously approved. But a substitute claim can be obtained only at the expense of an existing claim, see 35 U.S.C. 316(d)(1)(B), and patent owners do not abandon existing claims (and their earlier effective dates) without good reason. Indeed, motions to amend are frequently styled as *contingent* motions to amend, asking the Board to determine the patentability of a substitute claim only if the original claim is found to be unpatentable. If a patent owner narrows a claim such that the patent challenger's conduct is no longer infringing, the challenger may have no incentive to contest the patentability of the proposed substitute claim. In such circumstances, the Board maintains the discretion to complete its review. See 35 U.S.C. 317(a).

Petitioner argues (Pet. 16-17) that allowing the Board to identify grounds of unpatentability from the record evidence is inconsistent with Section 316(e), which places on the challenger the burden of establishing the unpatentability of claims challenged in inter

partes review proceedings.³ But questions regarding the allocation of the burden of proof for Board-identified grounds of unpatentability are distinct from the question whether the Board may identify such grounds at all. Indeed, the court in *Nike III* declined to determine who bears the burden of persuasion for unpatentability challenges to proposed substitute claims because it concluded that “both the Board and [Adidas] met the burden.” Pet. App. 3a. And, as explained above, Congress evidently saw no logical contradiction between placing the burden of proof on the challenger (see 35 U.S.C. 316(e)) and allowing the Board to proceed to a final written decision even when the challenger has withdrawn from the proceedings altogether (see 35 U.S.C. 317(a)).

Petitioner also suggests (Pet. 20-21) that the Board’s sua sponte consideration of new grounds of unpatentability during inter partes review raises separation-of-powers and due-process concerns. But those arguments ultimately collapse into petitioner’s assertion that the USPTO lacks statutory authority to take that step. Petitioner identifies no plausible ground for doubting Congress’s constitutional power to authorize that practice. On the contrary, petitioner acknowledges that Congress has provided the USPTO Director with that authority outside the context of inter partes review. Pet. 17-18; see 35 U.S.C. 303(a) (governing ex parte reexamination) (“On his own initiative, and any time, the Director may determine whether a substantial

³ In *Aqua Products Inc. v. Matal*, 872 F.3d 1290 (2017), a majority of the en banc Federal Circuit concluded that Section 316(e) does not unambiguously apply to proposed substitute claims. See *id.* at 1335-1336 (opinion of Reyna J.); *id.* at 1346-1347 (Taranto, J., dissenting from the judgment).

new question of patentability is raised by patents and publications discovered by him.”).

Petitioner’s policy arguments fare no better. Petitioner suggests (Pet. 23) that, in light of the Federal Circuit’s holding, patent challengers will have “an incentive to clog the record with lengthy sources and to lard their expert reports with a litany of citations” in hopes that the Board will find some basis for invalidating the patent that the challengers themselves did not assert. But any concern with overly lengthy administrative records is best addressed in the first instance by the USPTO, which can establish procedural rules pursuant to its statutory authority to “govern[] inter partes review.” 35 U.S.C. 316(a)(4).

Finally, contrary to petitioner’s suggestion (Pet. 24-25), the Federal Circuit did not rely on the Administrative Procedure Act (APA), 5 U.S.C. 551 *et seq.*, in concluding that the Board may consider arguments not presented by the parties. The court cited the APA in requiring the Board to provide notice to the parties to allow them to respond to any new grounds of unpatentability that the Board identifies. Pet. App. 35a-36a. But the court correctly identified the Patent Act as the source of the Board’s authority to reject as unpatentable petitioner’s substitute claims. See *id.* at 35a.

2. Petitioner contends (Pet. 27-28) that the Court should grant review now because the Federal Circuit is unlikely to reconsider this issue, and because the USPTO has promulgated regulations to guide its review of proposed substitute claims. Petitioner is wrong on both scores. The en banc Federal Circuit is free to reconsider this issue if it concludes that step is warranted. And the fact that the USPTO’s regulations postdated the inter partes review at issue here makes this an un-

suitable vehicle in which to address the question presented.

a. As this case comes to the Court, petitioner does not dispute that substantial evidence showed that claim 49 is unpatentable under the prior art identified by the Board, or that Adidas met its burden of persuasion on remand after the parties were given notice and an opportunity to respond to the Board's identification of the Spencer textbook as relevant prior art. The sole question presented in this Court is whether the Board may *sua sponte* raise a new ground of unpatentability to reject a patent owner's proposed substitute claim.

Petitioner contends (Pet. 26-27) that the Federal Circuit is unlikely to reconsider that issue, but petitioner never gave the court an opportunity to do so. Petitioner did not seek en banc review of the panel decision in *Nike II*. After further proceedings on remand and the panel decision in *Nike III*, petitioner sought rehearing en banc only on the question that the *Nike III* panel had not reached, *i.e.*, whether a challenger in inter partes review proceedings "bear[s] the burden of persuasion for an unpatentability ground the Board raises *sua sponte* against proposed substitute claims." Pet. C.A. Reh'g Pet. 1. That rehearing petition did not raise the antecedent question that was decided in *Nike II* and is the subject of the present petition for a writ of certiorari, *i.e.*, whether the Board may identify its own grounds of unpatentability for substitute claims at all.

Petitioner contends (Pet. 28) that review is warranted because the issue has led to criticism by some Federal Circuit judges. But in the three years since *Nike II* was decided, no Federal Circuit judge has questioned whether the Board may identify *sua sponte* grounds of unpatentability for substitute claims based

on the prior art already of record. Petitioner states that the Federal Circuit in *Hunting Titan* “describ[ed] the Board’s use of its *sua sponte* authority as ‘problematic.’” Pet. 28 (quoting *Hunting Titan*, 28 F.4th at 1381). But the *Hunting Titan* court used the term “problematic” in reference to an agency decision that had “confine[d] the Board’s discretion to sua sponte raise patentability issues to only rare circumstances.” *Hunting Titan*, 28 F.4th at 1381; see *id.* at 1382-1386 (Prost, J., concurring) (arguing that a USPTO regulation fails to afford the Board sufficient discretion to raise grounds of unpatentability sua sponte). The court thus criticized the USPTO not for asserting the authority to identify grounds of unpatentability for substitute claims, but for being *too reluctant* to take that step. That the agency has exercised this authority sparingly underscores the absence of any current need for this Court’s review.⁴

b. Even if the question presented otherwise warranted the Court’s review, this case would be a poor vehicle for resolving it. After the court of appeals’ decision in *Nike II*, the USPTO amended its regulations governing inter partes review. The amended regulations expressly authorize the Board to raise grounds of unpatentability of substitute claims sua sponte in nar-

⁴ Petitioner asserts (Pet. 28) that “the Board resolves a motion to amend in a staggering 66% of completed inter partes review proceedings.” That is incorrect. The 66% figure refers to the percentage of filed motions to amend that are *actually resolved* (as opposed to, *e.g.*, being withdrawn by the patent holder) during the reviews. See USPTO, *Patent Trial and Appeal Board Motion to Amend (MTA) Study* (updated Mar. 31, 2022), <https://www.uspto.gov/sites/default/files/documents/IQ824409MTADDataStudy.pdf> at 4. The document that petitioner cites makes clear that motions to amend are filed in only a small percentage of reviews. See *id.* at 10.

row circumstances, and they specify the procedures that apply when the Board does so. See 37 C.F.R. 42.121(d)(3). But as the Federal Circuit recognized in *Nike III*, that regulatory amendment is “inapplicable here” because it was promulgated after petitioner filed its motion to amend the ’011 patent. Pet. App. 14a n.3. Accordingly, if the Court granted review in this case, it could not consider the propriety and effect of the currently applicable USPTO rules and procedures.

Petitioner attacks the regulation and argues (Pet. 27-28) that its adoption is another basis for review. But while petitioner contends that the regulation is “unmoored from the statutory text” (Pet. 27), that question is not properly presented here, both because the regulation does not apply to this case and because the Federal Circuit has not addressed it. See *Cutter v. Wilkinson*, 544 U.S. 709, 718 n.7 (2005) (noting that this Court is one “of review, not of first view”).

c. Petitioner also briefly argues that review is warranted now because this case involves “shenanigans” of the kind that *Cuozzo* indicated should be judicially reviewable. Pet. 26 (quoting *Cuozzo*, 579 U.S. at 275). But this case bears no resemblance to *Cuozzo*, which concerned the breadth of a statutory provision that wholly barred judicial review of USPTO decisions whether to institute inter partes review. See 579 U.S. at 271-276 (interpreting 35 U.S.C. 314(d)). In that context, this Court noted that certain types of egregious agency overreach would be reviewable notwithstanding the review bar in 35 U.S.C. 314(d). *Cuozzo*, 579 U.S. at 275. Here, by contrast, there is no dispute that petitioner was entitled to, and received, judicial review of the Board’s unpatentability determination. Nothing in *Cuozzo* suggests that this Court’s standards for certio-

rari are diluted merely because a petitioner alleges that the USPTO exceeded its statutory authority.

3. Although further review of the question presented is unwarranted, the Court may wish to grant, vacate, and remand the case to the Federal Circuit in light of the new information that a pre-decisional panel expansion and unexpansion took place while the case was pending at the Board, as noted publicly for the first time in the MSPB initial decision. That information was not available to petitioner at the time it appealed the Board's decision. To the extent petitioner wishes to raise any challenges based on such information, it would be appropriate to allow the Federal Circuit to consider those challenges in the first instance.

CONCLUSION

The petition for a writ of certiorari should be denied. Alternatively, to the extent petitioner wishes to raise any challenges based on the information contained in the MSPB's initial decision, the Court should grant the petition, vacate the decision below, and remand to allow the Federal Circuit to consider those challenges in the first instance.

Respectfully submitted.

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