

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SKECHERS U.S.A., INC.,
Petitioner,

v.

NIKE, INC.,
Patent Owner.

IPR2025-00141
Patent 8,266,749 B2

Before KEN B. BARRETT, MICHAEL J. FITZPATRICK, and
MATTHEW S. MEYERS, *Administrative Patent Judges*.

BARRETT, *Administrative Patent Judge*.

DECISION
Granting Institution of *Inter Partes* Review on Remand
35 U.S.C. § 314

I. INTRODUCTION

A. *Background and Summary*

Skechers U.S.A., Inc. (“Petitioner”)¹ filed a Petition requesting *inter partes* review of U.S. Patent No. 8,266,749 B2 (“the ’749 patent,” Ex. 1001). Paper 1 (“Pet.”). The Petition challenges the patentability of claims 1–21 of the ’749 patent. Nike, Inc. (“Patent Owner”)² filed a Preliminary Response to the Petition. Paper 6 (“Prelim. Resp.”). With our authorization, Petitioner filed a Reply to Patent Owner’s Preliminary Response (Paper 10) and Patent Owner filed a Sur-reply (Paper 13). We discretionarily denied institution under 35 U.S.C. § 325(d). Paper 20. Petitioner filed a request for Director Review of the Decision denying institution. Paper 21. Director Review was granted, the Decision denying institution of *inter partes* review was vacated, and the case was remanded to the Board. *Id.* at 4. Specifically, the case was “remanded to the Board with instructions to consider Petitioner’s Nishida grounds and to determine whether the Petition should be instituted.” *Id.* at 3–4.

An *inter partes* review may not be instituted unless the information presented in the Petition and the Preliminary Response “shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). Having considered the arguments and evidence presented by Petitioner and Patent Owner, we determine that Petitioner has demonstrated a reasonable likelihood of prevailing on at least one of the challenged claims of the ’749

¹ Petitioner identifies Skechers U.S.A., Inc. as the real party in interest. Pet. 110.

² Patent Owner identifies Nike, Inc. as the real party in interest. Paper 3, 2; Paper 8, 2.

patent. Accordingly, we institute an *inter partes* review as to all the challenged claims of the '749 patent on all the grounds of unpatentability set forth in the Petition.

B. Related Proceedings

Both parties identify, as matters involving or related to the '749 patent, *Nike, Inc. v. Skechers U.S.A., Inc.*, No. 2:23-cv-09346-AB-PVC (C.D. Cal.), *Nike, Inc. v. lululemon USA, Inc.*, No. 1:23-cv-00771-AS (S.D.N.Y), and *Nike, Inc. v. New Balance Athletics, Inc.*, No. 1:23-cv-12666-JEK (D. Mass), and Patent Trial and Appeal Board case *lululemon USA, Inc. v. Nike, Inc.*, IPR2024-00460. Pet. 110; Paper 3, 2; Paper 8, 2. The parties also identify, as a matter involving the '749 patent, *adidas AG v. Nike, Inc.*, IPR2016-00922 (“the *adidas* IPR”). See, e.g., Pet. 20; Prelim. Resp. 6. Petitioner additionally notes that “New Balance also filed an IPR against the '749 patent.” Pet. 22; see *New Balance Athletics, Inc. v. Nike, Inc.*, IPR2024-00778, Paper 10 (decision denying institution).

Recently, in IPR2024-00460, the Board determined that petitioner lululemon usa, inc. had shown that claims 1–21 of the '749 patent are unpatentable, and Patent Owner has filed a Request for Director Review of that decision. IPR2024-00460, Papers 30 & 31.

C. The '749 Patent

The '749 patent is titled “Article of Footwear Having a Textile Upper.” Ex. 1001, code (54). The Abstract of the '749 patent is reproduced below:

An article of footwear and a method of manufacturing the article of footwear are disclosed. The footwear may include an upper and a sole structure. The upper incorporates a textile element with edges that are joined together to define at least a portion of a void for receiving a foot. The textile element may also have a first area and a second area with a unitary

construction. The first area is formed of a first stitch configuration, and the second area is formed of a second stitch configuration that is different from the first stitch configuration to impart varying textures to a surface of the textile element. Various warp knitting or weft knitting processes may be utilized to form the textile element.

Id. at code (57).

Figure 8 of the '749 patent is reproduced below:

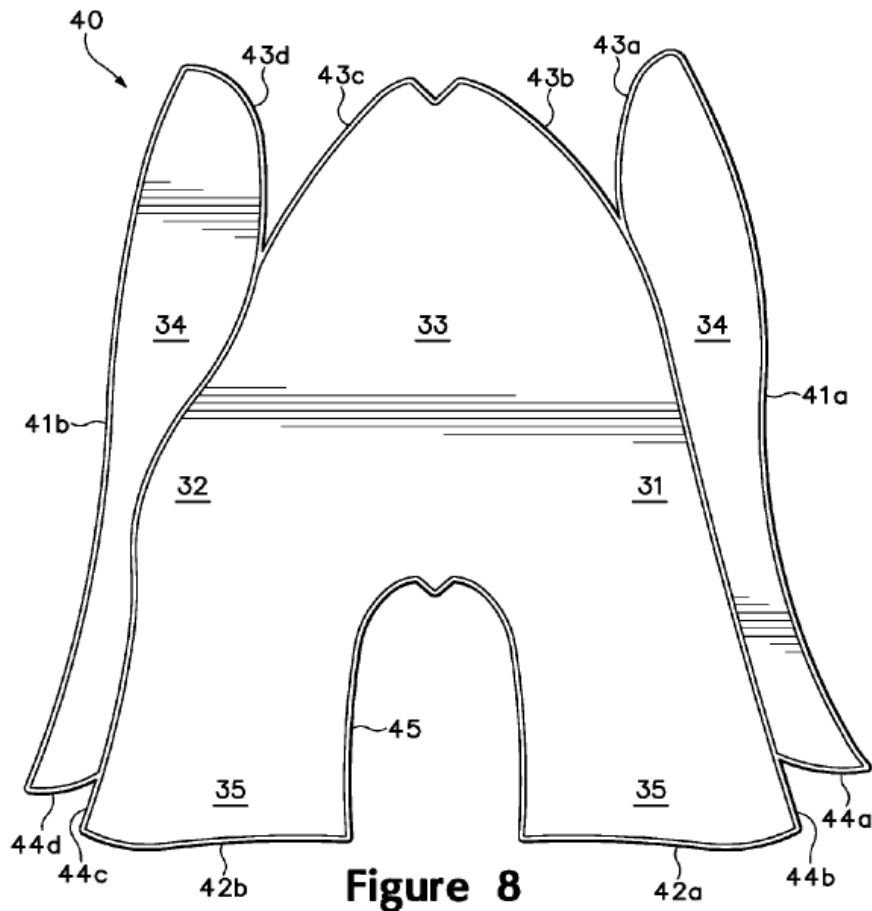


Figure 8 above is a plan view of a textile element that forms at least a portion of a shoe “upper.” *Id.* at 4:11–12. Textile element 40 includes lateral region 31, medial region 32, instep region 33, lower region 34, and heel region 35. *Id.* at 5:21–23.

Figure 9 of the '749 patent is reproduced below:

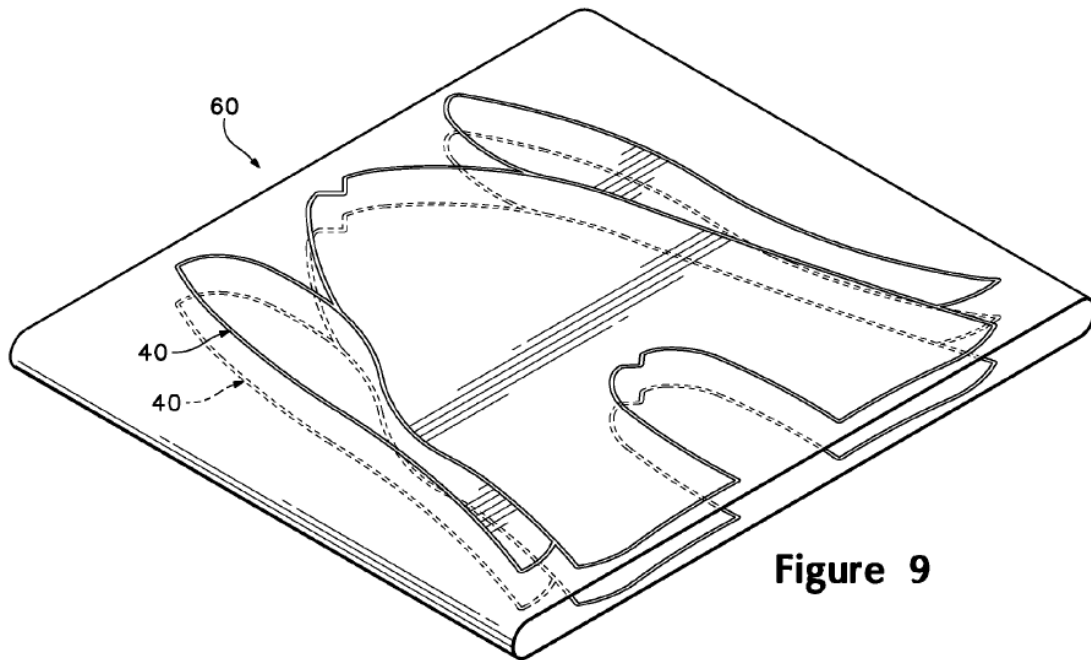


Figure 9

Figure 9 above is a perspective view of textile structure 60 that incorporates two textile elements 40. *Id.* at 4:13–14, 7:38–45. Textile structure 60 may be formed using a “wide-tube circular knitting machine.” *Id.* at 7:38–40.

The '749 patent states the following:

Textile structure 60 has a generally cylindrical configuration, and the types of stitches vary throughout textile structure 60 so that a pattern is formed with the outline of textile element 40. That is, differences in the stitches within textile structure 60 form an outline with the shape and proportions of textile element 40.

Id. at 7:40–45.

The '749 patent also states that “a first textile element 40 and a second textile element 40 may be simultaneously formed in a single textile structure 60.” *Id.* at 7:58–60.

Figure 1 of the '749 patent is reproduced below:

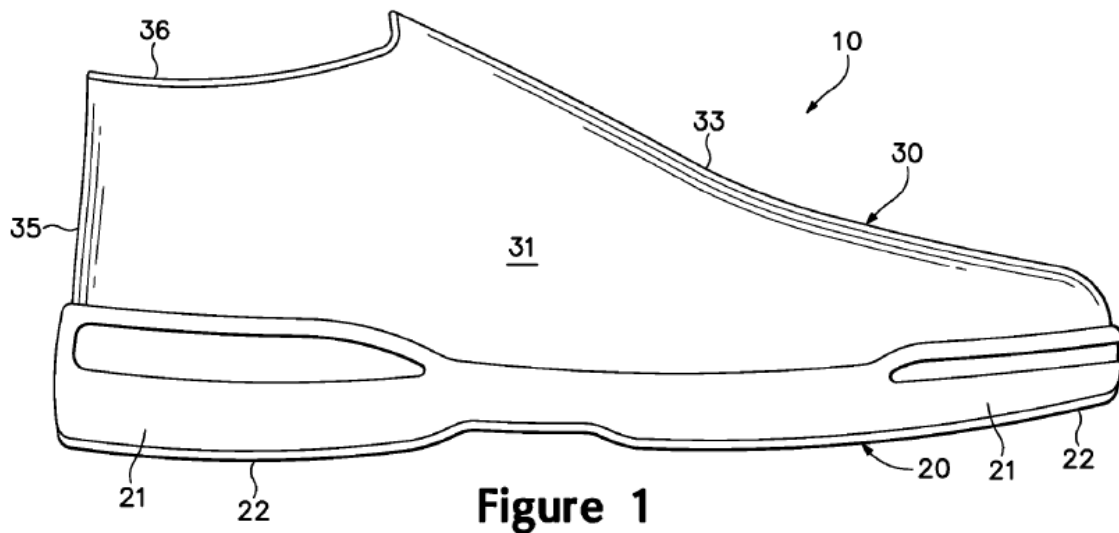


Figure 1 above is a lateral elevation view of an article of footwear 10 having an upper 30 according to the '749 patent. *Id.* at 4:1–2; 4:43–54.

D. Illustrative Claim

Of the challenged claims of the '749 patent, claims 1 and 13 are independent. Claim 1, reproduced below with bracketed annotations³ inserted, is illustrative.

1. [1Pre] A method of manufacturing an article of footwear, the method comprising:
 - [1a1] simultaneously knitting a textile element with a surrounding textile structure, [1a2] the knitted textile element having at least one knitted texture that differs from a knitted texture in the surrounding knitted textile structure;
 - [1b] removing the knitted textile element from the surrounding knitted textile structure;

³ We utilize Petitioner's annotations for claim 1 but have retained the paragraph formatting from the issued patent.

[1c] incorporating the knitted textile element into the article of footwear.

Ex. 1001, 11:43–52

E. Evidence

Petitioner relies on the following references:

Name	Reference	Exhibit No.
Orei	US 7,051,460 B2, published April 21, 2005, issued May 30, 2006	1020
McDonald	WO 98/43506, published Oct. 8, 1998	1021
Nishida	US 5,345,638, issued Sept. 13, 1994	1022
Günther ⁴	German Patent No. 627 878, issued July 1, 1936	1023 ⁵

Petitioner also relies on the Declaration of Dr. Sabit Adanur (Ex. 1002) and the Declaration of Grant Delgatty (Ex. 1003) in support of its arguments, and Patent Owner relies on the Declaration of Christopher M. Pastore, Ph.D. (Ex. 2001) in support of its arguments. The parties also rely on other exhibits as discussed below.

⁴ The parties spell the reference’s name as “Guenther,” i.e., with “ue.” To the extent we quote herein the parties’ briefs in that regard, we retain the respective party’s spelling.

⁵ Petitioner, for Günther, also cites Exhibit 1024, which includes a translator’s certification along with a document in German and a translation. Pet. 23. We are unable to locate any other citations to that exhibit in the Petition.

F. Asserted Grounds of Unpatentability

Petitioner asserts that the challenged claims are unpatentable on the following grounds:

Claim(s) Challenged	35 U.S.C. §⁶	Reference(s)/Basis
1–6, 8, 10–16, 18, 20, 21	102(e)	Orei
1–6, 8, 10–16, 18, 20, 21	103(a)	Orei
7, 12, 17, 18	103(a)	Orei, McDonald
9, 19	103(a)	Orei
1–8, 11–18, 21	102(b)	Nishida
1–8, 11–18, 21	103(a)	Nishida, Günther
9, 10, 19, 20	103(a)	Nishida
9, 10, 19, 20	103(a)	Nishida, Günther

II. ANALYSIS

A. Principles of Law

Petitioner bears the burden of persuasion to prove unpatentability of the claims challenged in the Petition, and that burden never shifts to Patent Owner. *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015).

“A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.” *Verdegaal Bros., Inc. v. Union Oil Co. of Cal.*, 814 F.2d 628, 631 (Fed. Cir. 1987); *see also Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1334 (Fed. Cir. 2008) (to anticipate a patent claim under 35 U.S.C. § 102, “a single prior art reference must expressly or inherently disclose each claim limitation”). Moreover, “[b]ecause the hallmark of

⁶ The application that issued as the ’749 patent was filed before the effective date of the Leahy Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), and the pre-AIA versions of 35 U.S.C. §§ 102 and 103 apply here.

anticipation is prior invention, the prior art reference—in order to anticipate under 35 U.S.C. § 102—must not only disclose all elements of the claim within the four corners of the document, but must also disclose those elements ‘arranged as in the claim.’” *Net MoneyIN, Inc. v. VeriSign, Inc.*, 545 F.3d 1359, 1369 (Fed. Cir. 2008) (quoting *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983)). Whether a reference anticipates is assessed from the perspective of one of ordinary skill in the art. See *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368–69 (Fed. Cir. 2003) (“‘[T]he dispositive question regarding anticipation [i]s whether *one skilled in the art* would reasonably understand or infer from the [prior art reference’s] teaching’ that every claim element was disclosed in that single reference.” (second and third alterations in original) (quoting *In re Baxter Travenol Labs.*, 952 F.2d 388, 390 (Fed. Cir. 1991))).

Additionally, “[u]nder the principles of inherency, if the prior art necessarily functions in accordance with, or includes, the claimed limitations, it anticipates.” *MEHL/Biophile Int’l Corp. v. Milgraum*, 192 F.3d 1362, 1365 (Fed. Cir. 1999); see *In re Cruciferous Sprout Litig.*, 301 F.3d 1343, 1349–50 (Fed. Cir. 2002).

A patent claim is unpatentable under 35 U.S.C. § 103(a) if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including: (1) the scope and content of the prior art; (2) any differences between the claimed subject matter and the prior art;

(3) the level of skill in the art; and (4) if present, any objective evidence of obviousness or non-obviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

B. The Level of Ordinary Skill in the Art

In determining the level of ordinary skill in the art, various factors may be considered, including the “type of problems encountered in the art; prior art solutions to those problems; rapidity with which innovations are made; sophistication of the technology; and educational level of active workers in the field.” *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995) (quoting *Custom Accessories, Inc. v. Jeffrey–Allan Indus., Inc.*, 807 F.2d 955, 962 (Fed. Cir. 1986)).

Petitioner contends that:

A person of ordinary skill in the art (“POSITA”) in the field of the ’749 patent in March 2004 would have been someone with at least a few years of experience in knit materials and knitting methods and machines that can be used in making footwear, or a bachelor’s degree in textile-related sciences, engineering, or industrial product design, or equivalent academic or work experience, including in the footwear industry. EX1002, ¶68. Such a person of ordinary skill would have at least a general understanding of general construction processes and materials used in the manufacturing process of fabric-based articles. For individuals with a lower educational level, a person could still be of ordinary skill in the art provided that person’s working experience compensates for any such lower educational level, or vice versa. *See id.*

Pet. 23–24. Patent Owner states that, “[f]or purposes of this Preliminary Response, Nike applies Skechers’ definition for a person of ordinary skill in the art.” Prelim. Resp. 14.

Petitioner’s definition is consistent with the level of ordinary skill reflected in the prior art references of record. *See Okajima v. Bourdeau*, 261

F.3d 1350, 1355 (Fed. Cir. 2001) (recognizing that the prior art itself may reflect an appropriate level of skill in the art). For purposes of this decision, we apply Petitioner’s definition of the person of ordinary skill in the art.

C. Claim Construction

We apply the same claim construction standard used in district court actions under 35 U.S.C. § 282(b), namely that articulated in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). See 37 C.F.R. § 42.100(b). In applying that standard, claim terms generally are given their ordinary and customary meaning as would have been understood by a person of ordinary skill in the art at the time of the invention and in the context of the entire patent disclosure. *Phillips*, 415 F.3d at 1312–13. “In determining the meaning of the disputed claim limitation, we look principally to the intrinsic evidence of record, examining the claim language itself, the written description, and the prosecution history, if in evidence.” *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1014 (Fed. Cir. 2006) (citing *Phillips*, 415 F.3d at 1312–17). “[W]hile extrinsic evidence can shed useful light on the relevant art, . . . it is less significant than the intrinsic record in determining the legally operative meaning of claim language.” *Phillips*, 415 F.3d at 1317 (internal quotation marks omitted).

Petitioner notes that certain terms were construed in a prior *inter partes* review under the then-applicable broadest reasonable interpretation standard, and states that, other than the term “texture,” it does not seek to have those claims re-construed. Pet. 24–25 (citing Ex. 1019, 15–17 (IPR2016-00922 (*adidas AG v Nike, Inc.*), Paper 31)). Petitioner states that those previously construed terms, in addition to “texture,” include “unitary construction,” “a first area and a second area with a unitary construction,”

and “impart.” *Id.* Petitioner also states that, in the co-pending district court litigation, the parties have agreed to the construction of “unitary construction.” *Id.* at 24–25, n.4 (citing Ex. 1005, 2). Petitioner asserts that Patent Owner has previously argued that Nishida fails to disclose “differing textures,” and Petitioner indicates that it proposes a claim construction for “texture” in case the meaning of the “texture” becomes a live claim construction issue. *Id.* at 25.

Patent Owner states that, “[f]or purposes of this Preliminary Response, Nike contends that no terms require construction.” Prelim. Resp. 15.

On this record and for purposes of this decision, we determine that there is no need to revisit prior Board constructions or set forth an express construction for any terms.

D. Prior Art References Nishida and Günther

1. Nishida (Ex.1022)

Nishida is titled “Process for Producing a Shoe-Shaped Part from a Web of Material and Resulting Shoe-Shaped Part.” Ex. 1022, code (54). Nishida’s Abstract is reproduced below:

For the production of a shoe upper by cutting out of the shoe upper in the form of a layout from a web of material, shaping of the shoe upper with connection of material parts of the layout with formation of seams, a process is used by which such shoe uppers can be produced in a timesaving and efficient manner despite the many individual parts present or to be made visible. For this purpose, a web of material (1) is used to produce layouts (2) by different production measures, such as different styles, yarn material, color, material thickness, single layer or multilayer type of material or the like, at the same time with the production of web of material (1), and with a sole part attached to the layout. The layout is cut from the web as a unit

with the sole part and processed into a shoe part having an upper and sole part.

Id. at code (57).

Nishida explains that Günther (identified in Nishida as German Patent No. 627 878, and discussed below) discloses a general type of shoe part production similar to that of Nishida. *See id.* at 1:10–20. Nishida further explains that, in Günther’s process, “a web of material is produced so that it successively has three crosswise strips of different weaves . . . [, p]atterns in the form of the U-shaped layout of a shoe upper are printed on these crosswise strips,” and the U-shaped parts are cut out of the material. *Id.* at 1:20–24, 1:34–35. According to Nishida, this results in expensive waste material, and Nishida states that it improves upon this process, explaining that:

By the process according to the [Nishida] invention, only just those parts of the web of material are produced in the necessary quality, thickness, multilayers or the like which correspond to the pattern or to an area of a pattern of the shoe upper or the related sole part. The remaining area of the web of material in contrast can consist of a simple, lightweight or inexpensive material quality, which holds together only the patterns or areas of such patterns in the web of material after their completion. The cutting waste accumulating with cutting out therefore represents a simple, lightweight and inexpensive material. In contrast, with the known material that has crosswise strips, the entire cutting waste, for example, consists of an expensive tubular material, multilayer material or the like.

Id. at 2:11–26.

Nishida's Figure 2 is reproduced below:

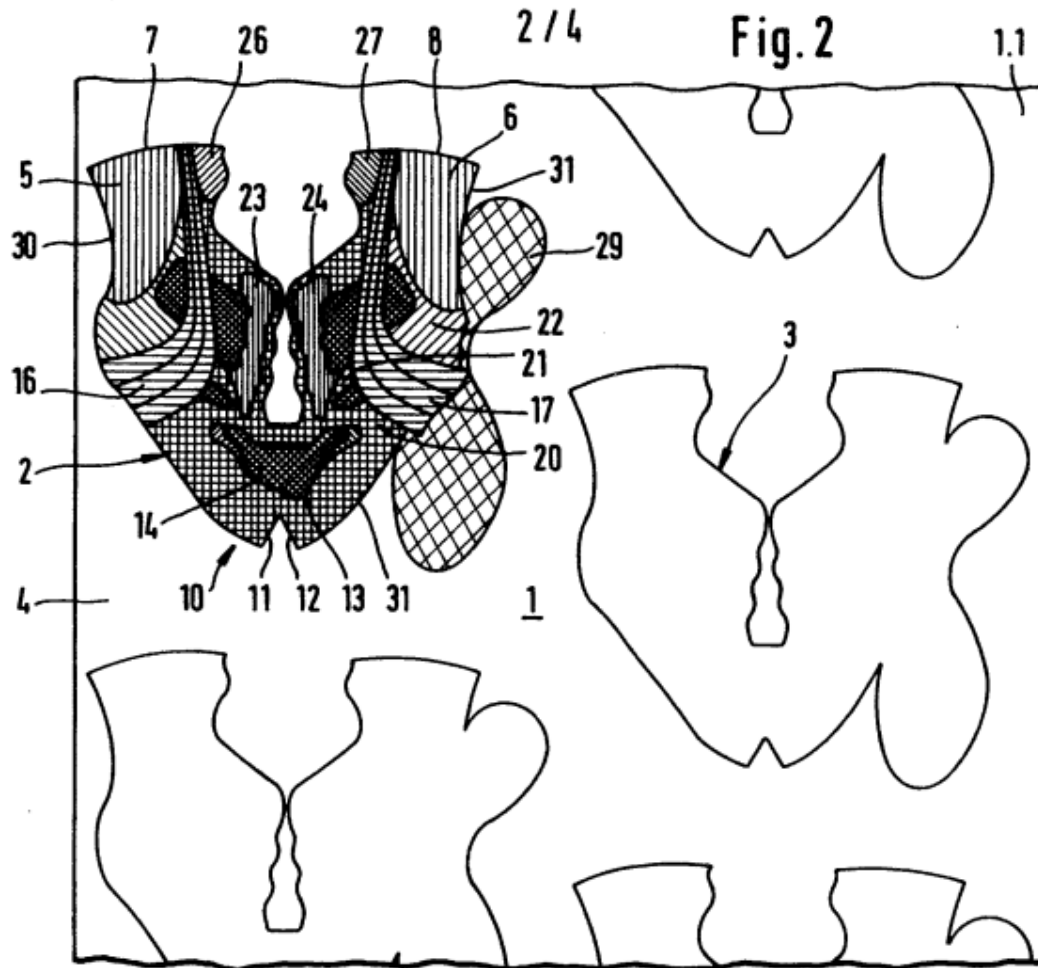


Figure 2 above depicts “a section of a web of material with a plurality of layouts for different shoe uppers.” *Id.* at 2:59–60. Web of material 1 “is produced by a conventional textile process, tier [sic] example, by weaving and/or knitting and/or embroidering” and “can be provided with a single or with a plurality of layouts 2 of the shape of a shoe upper 3.” *Id.* at 3:6–11.

Nishida further describes the following:

The web of material has a backing 4 that can be a conventionally used material formed, for example, of a warp and filling or a knitted fabric. Layout 2 is divided into different individual parts or areas, which differ from one another, such as by being of another material style and/or by being of different

fibers or yarns, for example, from wool, wool with metal yarns, silk, silk with metal yarns, wool with plastic fibers or the like and/or by being formed of different colors, such as from fibers or yarns of different colors, including those of metals, or by different color prints, and/or by being differently designed fiber extrudates or fiber extrudate compositions, such as twisted, processed parallel or the like.

Id. at 3:13–26.

Nishida's Figure 3 is reproduced below:

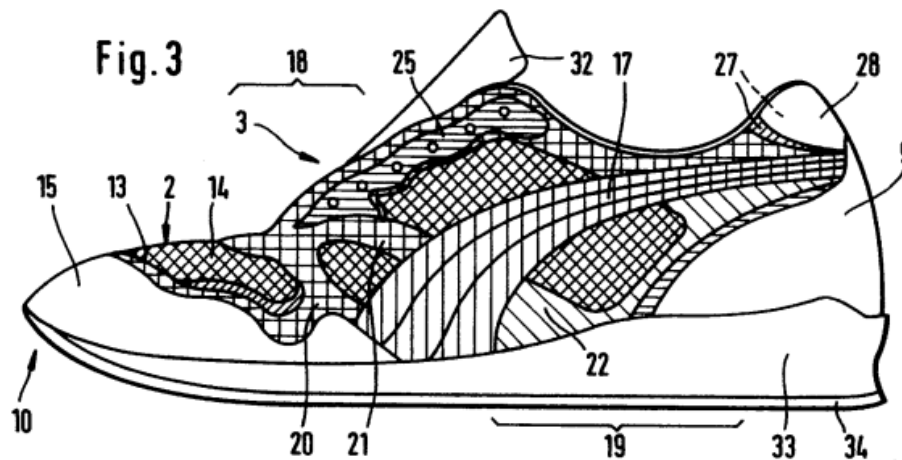


Figure 3 above “is a side view of a shoe with an upper formed of a layout produced from a web of material.” *Id.* at 2:61–62.

2. Günther (Ex.1023)

Günther discloses a process for producing a shoe upper where the upper “consists of a fabric which is obtained in a continuous sequence from fabric strips of various configurations,” and “[t]hese fabric strips correspond in their design to the properties of strength, stiffness, elasticity etc. desired for the finished shoe in all its parts.” Ex. 1023, p. 1, ll. 24–32.

Günther's Figures 1 and 2 are reproduced below.

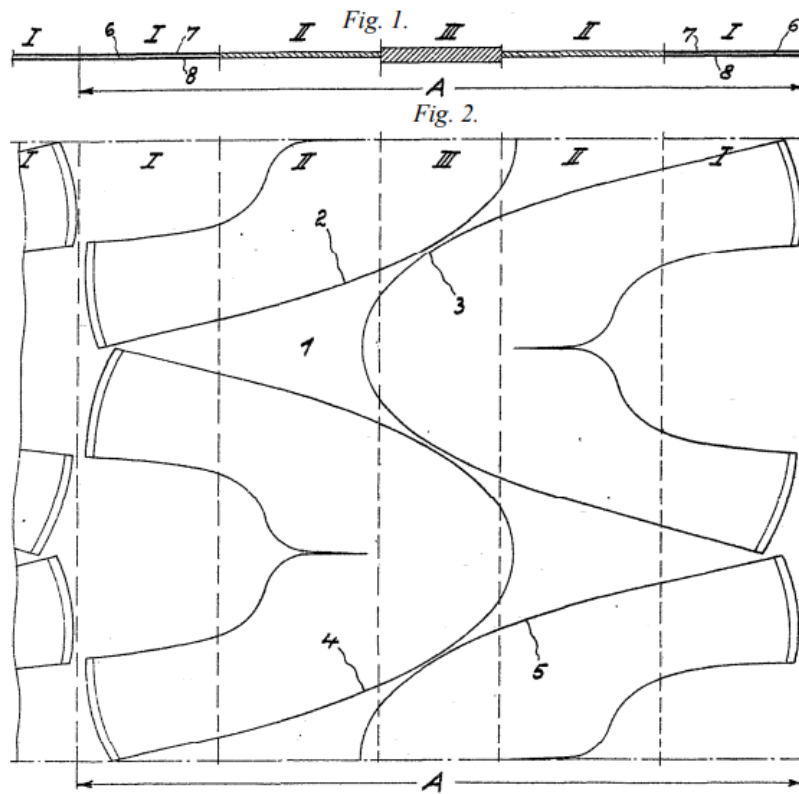


Figure 1 “shows a schematic cross-section through the fabric web shown in Fig. 2,” and Figure 2 is a top view showing the position of the individual shoe blanks. *Id.* at ll. 23–27. “The fabric web 1 is a continuous fabric but consists of differently bonded and equipped strips I, II, and III.” *Id.* at ll. 33–35.

Günther's Figure 3 is reproduced below.

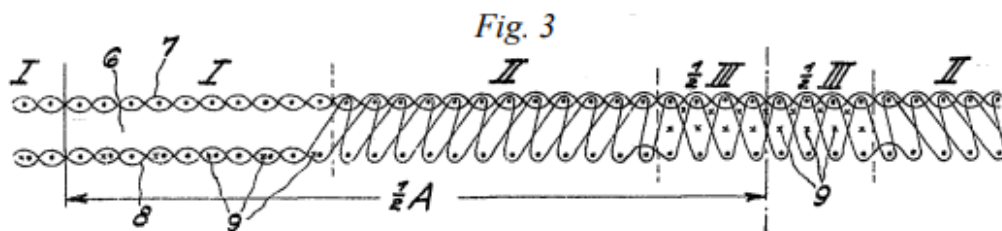


Figure 3 “shows part of the cross-section according to Fig. 1 with an example of the formation of the individual contiguous and interwoven fabric strips.” *Id.* at ll. 28–31. “[T]he fabric strip I is designed as a hollow fabric,

as it is used to produce the rear cap.” *Id.* at ll. 49–51. “In order to stiffen the rear cap, stiffening material can be inserted or woven into the cavity 6 between the upper and lower fabric layers 7 and 8.” *Id.* at ll. 51–54. “[T]he fabric of strip II is elastic and multi-layered,” and forms the side parts of the shoe, and fabric strip III forms the front cap. *Id.* at ll. 55–62. “To stiffen the fabric strip III or the layer 8 of the fabric strip I, stiffening threads 9 are inserted into the fabric.” *Id.* at ll. 85–88.

“The individual fabric layers of a multilayer fabric can be joined in any way[;] however, as can be seen in Fig. 3, this is usually done during the weaving process itself.” *Id.* at ll. 78–82. “In this fabric, layer 7 represents the perfectly even and smooth surface of the fabric 1 or the finished shoe.” *Id.* at ll. 83–85.

E. The Asserted Anticipation of Claims 1–8, 11–18, and 21 by Nishida (Ground 2A)

Petitioner asserts that claims 1–8, 11–18, and 21 of the ’749 patent are anticipated by Nishida. *See* Pet. 76–87 (addressing claim 1). Patent Owner argues that “Nishida does not disclose ‘simultaneously’ knitting a ‘textile element’ with a ‘surrounding textile structure,’ as recited in independent claims 1 and 13.” Prelim. Resp. 21–22 (citing Ex. 2001 ¶ 49).

1. The Asserted Anticipation of Claim 1 by Nishida

a. [1Pre] A method of manufacturing an article of footwear, the method comprising:

Petitioner contends that Nishida discloses a process of producing a shoe upper and sole, and then forming the complete shoe. *See* Pet. 76–77 (citing Ex. 1002 ¶¶ 210–212; Ex. 1022, 1:40–47, 3:52–55, 4:6–46, 6:4–41 (claim 1)).

Patent Owner does not raise any arguments regarding this contention. On this record, we determine that Petitioner has shown sufficiently for purposes of institution that Nishida discloses the preamble.

b. [1a1] simultaneously knitting a textile element with a surrounding textile structure,

Petitioner contends that “Nishida discloses simultaneously knitting a textile element (e.g., layout(s) 2, tongue 40) with a surrounding textile structure (e.g., unfinished surface area 1.1).” Pet. 77.

Petitioner asserts that, “[i]n describing FIGs. 1–2, Nishida discloses a web of material 1 which can be produced ‘by a conventional textile process,’ such as by ‘knitting,’” and that “Nishida describes how ‘any number of layouts 2 in the most varied configurations and/or designs as well as of different sizes can be **produced on a single web of material 1**’ with the ‘use of program-controlled, particularly computer-controlled, production devices . . . so that style, color, design, size or the like can be varied at will.’” *Id.* at 77–78 (citing Ex. 1002 ¶¶ 213–214; Ex. 1022, 1:48–56, 1:60–68, 2:40–47, 3:6–9; 3:66–4:1, 4:12–18, 4:53–54, 5:63–6:2) (alteration in original). Petitioner maintains that a person of ordinary skill in the art “would understand that the layouts 2 and tongue 40 . . . are knitted textile elements and the unfinished surface area 1.1 . . . is surrounding textile structure . . . because Nishida states that the knitted textile elements can be produced ‘by a textile production process **inside** the web of material.’” *Id.* at 78–79 (citing Ex. 1002 ¶ 215; Ex. 1022, 1:50–56, Figs. 1, 4). Petitioner notes that Nishida’s Abstract states: “[A] web of material (1) is used to produce layouts (2) by different production measures . . . **at the same time** with the production of web of material (1) . . .” *Id.* at 80 (quoting Ex. 1022, code (57)) (emphasis and alterations in original).

Petitioner further contends that:

Nishida expressly discloses that the unfinished surface area 1.1 is part of the web 1 itself. *E.g., id.*, 5:45–49 (“[T]he web of material 1 is produced so that its surface areas 1.1 . . . consist of a lightweight material quality that is as simple and economical as possible.”). Nishida further describes how the computer-controlled process can be advantageously used so that multiple fibers or yarns “**can be put in, especially woven in, the web of material in one operation.**” *Id.*, 4:47–55, 2:12–20. Thus, Nishida discloses simultaneously knitting its layouts 2 and tongue 40 (each a “textile element”) with the unfinished surface area 1.1 (a “surrounding textile structure”). EX1002, ¶216.

Id. at 80 (emphasis and alterations in original).

Petitioner notes that “Nishida mentions that ‘[t]he web of material has a backing 4 that can be a conventionally used material formed, for example, of a warp and filling or a knitted fabric.’” *Id.* (quoting Ex. 1022, 3:13–15). According to Petitioner, “[a]s Dr. Adanur explains, a POSITA would understand that the backing 4 refers to a base of the web of material 1 formed during the same ‘conventional textile process’ used to produce the web of material 1 with layouts 2, as Nishida explains.” *Id.* (citing Ex. 1002 ¶ 217; Ex. 1022, code (57) (Abstr.), 3:6–9). Petitioner asserts that Nishida states that it is based on and improves upon Günther’s process, and that Günther informs “what a POSITA would understand about how Nishida’s web of material 1 and base (backing 4) are constructed.” *Id.* at 80–81 (citing Ex. 1002 ¶ 218, Ex. 1022, 1:10–47).

In that regard, Petitioner asserts that “Guenther discloses that ‘fabric web 1 is a continuous fabric’ comprised of strips which are arranged so that ‘a **continuous shoe upper part** can be cut from them, i.e., **consisting of one piece . . .**’” and that, “in Guenther ‘**fabric web 1 is a continuous fabric**’ in

which ‘upper and lower fabric layers 7 and 8’ are base layers extending across the entire continuous fabric web 1.” Pet. 81–82 (citing Ex. 1023, p. 2, ll. 33–42, 49–54, 83–85) (alteration in original). Petitioner additionally notes that “Guenther discloses that the ‘individual fabric layers of a multi-layer fabric can be joined in any way: however, as can be seen in Fig. 3 . . . , this is usually done during the weaving process itself.” *Id.* at 83 (citing Ex. p. 2, ll. 78–82; Ex. 1002 ¶ 221).

Petitioner contends that:

As such, not only is Guenther’s description of a continuous “fabric web 1” similar to Nishida’s “web of material 1,” but Guenther’s use of stiffening threads to change properties of different shoe parts is also substantially similar to Nishida’s use of “different fibers or yarns” to impart different properties to the different shoe parts of layout 2, as described below under Element 1[a2]. Given these similarities, and the fact that Nishida seeks to “further develop” Guenther’s process in specifically-identified ways (EX1022, 1:40-47), a POSITA would understand that Nishida’s backing 4 is a base for the web of material 1 similar to Guenther’s base layers, which is joined to other layers/threads during the knitting process, as Guenther discloses doing for its base layers. EX1023 (Guenther), FIG. 3, 2:28-31, 2:78-82; EX1002, ¶222.

Id. at 83.

Patent Owner argues that “Nishida does not disclose ‘simultaneously’ knitting a ‘textile element’ with a ‘surrounding textile structure,’ as recited in independent claims 1 and 13 . . . because, in Nishida, the surrounding textile structure is a backing that pre-exists and therefore is knitted earlier than any textile element.” Prelim. Resp. 21–22 (citing Ex. 2001 ¶¶ 49, 53–54). Patent Owner asserts that “Nishida discloses that it uses a backing,” and “[t]hat backing is made of “simple, lightweight or inexpensive material quality,” whereas “the ‘textile elements’ . . . consist of ‘necessary quality,

thickness, multilayers or the like which correspond to the pattern.” *Id.* at 22 (citing Ex. 1022, 2:13–14, 2:16–18, 3:13–15, 5:45–55).

To support its proposition that Nishida discloses a two-step process, rather than “simultaneously knitting,” Patent Owner argues:

Nishida discloses that the backing pre-exists the production of layouts for the shoe patterns. EX2001 at ¶¶53–54. Specifically, Nishida discloses that during the production of the shoe patterns, the process avoids knitting certain “unfinished surface areas” (shown at “1.1” in Figure 2 above). EX1022 at 4:61–63, 5:45–55, Figs. 1–2. Those surface areas have the conventional, inexpensive material of the backing, showing they existed before the production process for the shoe patterns. EX1022 at 2:16–20, 3:13–15, 4:61–63, 5:45–55, Figs. 1–2 (surface area 1.1); EX2001 at ¶54. There is no need to further knit these “unfinished surface areas,” which merely “holds together only the [shoe] patterns” “after their completion.” EX1022 at 2:16–20; EX2001 at ¶54. In short, the knitting process avoids the “unfinished surface areas,” but the inexpensive material is still present because of the pre-existing backing. EX1022 at 2:16–20, 3:13–15, 4:61–63, 5:45–55; EX2001 at ¶54. As such, Nishida discloses that the backing pre-exists, where there is no “simultaneously knitting” of a textile element (the alleged layout or tongue) with a surrounding textile structure (the backing). EX2001 at ¶54.

Id. at 23–24.

We understand Patent Owner to argue that Nishida discloses a two-step process—the creation of an inexpensive backing and then the knitting of shoe patterns on the backing—based on the assertion that the backing is not knit but, rather, is a conventional, inexpensive material and, therefore, must exist before knitting of the more-expensive knitting shoe patterns. *See* Prelim. Resp. 23–24.

Patent Owner relies heavily on Nishida’s mention of a “backing.” *See, e.g.,* Prelim. Resp. 21–24. We are able to locate only one explicit use of

that term in Nishida and one depiction of the corresponding element number in a figure. *See* Ex. 1022, 3:13–15 (“The web of material has a backing 4 that can be a conventionally used material formed, for example, of a warp and filling or a knitted fabric.”); Fig. 2. Patent Owner’s witness, Dr. Pastore, appears to equate the “backing” with “unfinished surface areas 1.1,” and further appears to opine that those unfinished areas are not knit. *See* Ex. 2001 ¶ 54; *see also* Prelim. Resp. 23 (Patent Owner arguing that “Nishida discloses that during the production of the shoe patterns, the process avoids knitting certain ‘unfinished surface areas’ (shown at ‘1.1’ in Figure 2 . . .).”). However, Nishida states that “backing 4 . . . can be a conventionally used material formed, for example, of a warp and filling or a *knitted fabric*.” Ex. 1022, 3:13–15. Accordingly, on the present record, we do not agree with Patent Owner’s contention that “the knitting process avoids the ‘unfinished surface areas’” or the contention that the existence of inexpensive material indicates that it existed prior to the production of the shoe patterns. Prelim. Resp. 23–24.

Patent Owner addresses some of Petitioner’s contentions and argues that the cited support in Nishida does not mention the production of the backing. *See, e.g.*, Prelim. Resp. 24–25.⁷ These arguments—focusing on the “backing”—seem more directed to Patent Owner’s theory of the case

⁷ We note that Patent Owner relies on what appears to be a typographical error in arguing that a statement in Nishida—that the web of material is “produced by a conventional textile process, *tier* example, by weaving and/or knitting and/or embroidering”—is a disclosure of “producing parts in multiple layers (i.e., tiers).” Prelim. Resp. 24 (quoting Ex. 1022, 3:6–8) (emphasis added). The parties are encouraged to address, in future briefing, the word “tier” in Nishida.

rather than pointing to a flaw in Petitioner’s case in which the “surrounding textile structure” is mapped to Nishida’s unfinished surface area 1.1. *Cf.* Ex. 2001 ¶ 53 (Dr. Pastore asserting that “[Petitioner] Skechers points to the backing in Nishida as the claimed ‘surrounding textile structure.’”). For example, Patent Owner argues that “Nishida’s reference to ‘one operation’ . . . only refers to the production of Nishida’s ‘upper designs’ of layouts and the tongue, not the production of the backing.” Prelim. Resp. 24 (citing Ex. 1022, 4:49–55; Ex. 2001 ¶ 57). The context for that “one operation” statement is:

The advantages of the previously described process according to the invention can be seen especially in the fact that, with a fully developed loom, up to 7 different textile fibers or yarns, and the same number of colors, can be put in, especially woven in, the web of material *in one operation*. As already indicated, any sizes and different upper designs can be produced by computer-controlled programs, starting from corresponding basic patterns.

Ex. 1022, 4:47–52 (emphasis added). Although this context can be read to refer to the creation of the shoe patterns, it additionally could be read to indicate the machines, at that time, were very advanced (computerized machines weaving into the web up to seven different fibers or yarns) and implies that such machines had the capability of producing a different quality of fabric in the areas of the web of material outside of the patterns “in one operation.” Patent Owner does not explain adequately why the referenced “one operation” is limited solely to the production of the shoe patterns. *See* Prelim. Resp. 25–26; *see also* Ex. 2001 ¶ 57 (Dr. Pastore’s opinions).

In support of Petitioner’s position, Dr. Adanur testifies that “Nishida discloses that the unfinished surface area 1.1 is part of the web 1 itself,” that

Nishida discloses that the computer-controlled process can (using Nishida's phrase) "put in" up to seven different textile fibers or yarns into the web of material in one operation, and that, "[t]hus, Nishida discloses simultaneously knitting its layouts 2 and tongue 40 (each a 'textile element') with the unfinished surface area 1.1 (a 'surrounding textile structure')." Ex. 1002 ¶ 216 (citing Ex. 1022, 2:12–20, 4:47–55, 5:45–49). For purposes of institution, we credit that testimony over the testimony of Dr. Pastore, because, on the current record, we regard Dr. Adanur's testimony as more consistent with the evidence. This and the other related issues may be explored more fully during the trial.

Patent Owner argues that Petitioner's reliance on statements made by the Board in the *adidas* IPR is flawed and that those statements are non-binding dicta. See Prelim. Resp. 26–27 & 27 n.4. In this case, we will be making our own findings based on the record before us after a full trial, and we will not merely adopt findings made in an earlier *inter partes* review. We encourage the parties to focus their arguments on why the evidence in this case supports their respective positions.

Patent Owner disagrees with Petitioner's analogy of Nishida's backing as a base for web of material 1 and Günther's base layers. Prelim. Resp. 27–28 (citing Pet. 83). Patent Owner argues that "Nishida . . . expressly teaches its base is different than Guenther's multi-layer base," because Nishida's discarded portions are simple, lightweight or inexpensive material whereas Günther's base is a multilayered material that is expensive. *Id.* at 27–28 (citing, *inter alia*, Ex. 2001 ¶¶ 59–61). On the present record, we do not agree with this argument. We understand Petitioner's position to be that Günther discloses two layers (upper and lower fabric layers 7 and 8)

that each could be considered a base layer—not that the entire multilayered piece is a base, as Patent Owner appears to assert—and teaches that the layers may be joined during the same knitting process. *See* Pet. 82–83. We further understand that an entire strip in Günther may be made of the relatively expensive multilayered material whereas Nishida’s improvement is to make only the pattern from the more expensive material while making the remainder (the to-be-discarded portion) less expensively. Accordingly, on the current record, we do not view Petitioner’s base layer analogy as inconsistent with the references’ disclosures.

On this record, we determine that Petitioner has shown sufficiently for purposes of institution that Nishida discloses simultaneously knitting a textile element with a surrounding textile structure.

- c. [1a2] the knitted textile element having at least one knitted texture that differs from a knitted texture in the surrounding knitted textile structure;*

Petitioner contends that Nishida discloses this limitation. Pet. 84–86 (citing, *inter alia*, Ex. 1002 ¶¶ 227–228). Petitioner (*id.* at 84) notes that Nishida discloses that “only just those parts of the web of material are produced in the necessary quality, thickness, multilayers or the like which correspond to the pattern or to an area of a pattern of the shoe upper or the related sole part,” and “[t]he remaining area of the web of material in contrast can consist of a simple, lightweight or inexpensive material quality, which holds together only the patterns or areas of such patterns in the web of material after their completion.” Ex. 1022, 2:11–20.

Patent Owner does not raise any arguments regarding this contention. On this record, we determine that Petitioner has shown sufficiently for purposes of institution that Nishida discloses “the knitted textile element

having at least one knitted texture that differs from a knitted texture in the surrounding knitted textile structure.”

d. [1b] removing the knitted textile element from the surrounding knitted textile structure;

Petitioner contends that “Nishida discloses that the knitted textile elements are cut out of material web 1.” Pet. 86–87 (citing, *inter alia*, Ex. 1002 ¶¶ 229–231; Ex. 1022, code (57) (Abstr.), 1:10–18, 3:31–36, 4:31–38, 6:32–35 (claim 1)).

Patent Owner does not raise any arguments regarding this contention. On this record, we determine that Petitioner has shown sufficiently for purposes of institution that Nishida discloses “removing the knitted textile element from the surrounding knitted textile structure.”

e. [1c] incorporating the knitted textile element into the article of footwear.

Petitioner contends that Nishida discloses this limitation, asserting, *inter alia*, that Figure 3 depicts an “example article of footwear incorporating the knitted textile element.” Pet. 87 (citing Ex. 1002 ¶¶ 232–234; Ex. 1022, 3:9–12, Fig. 3).

Patent Owner does not raise any arguments regarding this contention. On this record, we determine that Petitioner has shown sufficiently for purposes of institution that Nishida discloses “incorporating the knitted textile element into the article of footwear.”

f. Conclusion as to Independent Claim 1

Having considered the parties’ arguments and evidence, we determine that Petitioner has demonstrated a reasonable likelihood of prevailing in its challenge to claim 1 as anticipated by Nishida.

2. The Asserted Anticipation of Independent Claim 13 and Dependent Claims 2–8, 11, 12, 14–18, and 21 by Nishida

Petitioner contends that independent claim 13 and dependent claims 2–8, 11, 12, 14–18, and 21 are anticipated by Nishida. Pet. 88–105. Independent claim 13 calls for the kitting of two textile elements, and otherwise is similar to independent claim 1. Petitioner, with the support of Dr. Adanur’s testimony, addresses the limitations of these claims. *See id.*

Patent Owner does not present arguments regarding Petitioner’s contentions beyond those already addressed above in the context of independent claim 1. *See* Prelim. Resp. 21–28 (Patent Owner arguing all the claims challenged in Ground 2A as a group).

Having considered the parties’ arguments and evidence, we determine that Petitioner has demonstrated a reasonable likelihood of prevailing in its challenge to independent claim 13 and dependent claims 2–8, 11, 12, 14–18, and 21 as anticipated by Nishida.

F. The Asserted Obviousness of Claims 1–8, 11–18, and 21 over Nishida and Günther (Ground 2B)

Petitioner asserts that claims 1–8, 11–18, and 21 would have been obvious over Nishida and Günther. *See* Pet. 105–107. Petitioner offers this ground in the alternative to Ground 2A discussed above. Specifically, Petitioner contends:

To the extent that Nishida’s web of material 1 is not understood to be a base for the web of material 1 similar to Guenther’s base layers, as described under Element 1[a1], it would have been obvious to adopt Guenther’s multi-layer construction to form Nishida’s web of material 1 and layouts 2 as well as tongue 40 by employing one or more base layers which are joined during the knitting process, as Guenther expressly discloses, and to further incorporate the use of

Guenther's stiffening threads to impart differing textures and properties to the various shoe parts of Nishida's layouts 2. *Id.* at 106–107 (citing Ex. 1023, 2:28–31, 2:78–82, Fig. 3; Ex. 1002 ¶ 289). According to Petitioner, “[w]hen constructing Nishida's web of material 1 in accordance with Guenther's multi-layer approach, Nishida's textile elements (e.g., layout(s) 2, tongue 40) would be simultaneously knitted with the surrounding textile structure (e.g., unfinished surface area 1.1), thereby satisfying Element 1[a]1.” *Id.* at 107 (citing Ex. 1002 ¶ 291).

Patent Owner argues that “Nishida expressly teaches a POSITA away from Guenther's multi-layer construction for the backing because it is too expensive and wasteful.” Prelim. Resp. 29 (citing Ex. 2001 ¶ 63). Patent Owner also argues that Petitioner has not shown that a person of ordinary skill in the art “would have had a reasonable expectation of success to modify the backing in Nishida with Guenther's multi-layer construction.” *Id.* at 29 (citing Ex. 2001 ¶ 66); *see id.* (Patent Owner arguing that Petitioner has not shown “how a POSITA would modify [Nishida's] simple base material with Guenther's more complex material.”).

On the present record, we do not agree with Patent Owner's arguments. As discussed above, we understand that an entire strip in Günther may be made of the relatively expensive multilayered material, whereas Nishida's improvement is to make only the pattern from the more expensive material while making the remainder (the to-be-discarded portion) less expensively. Patent Owner's position appears to be based on the assumption that multiple layers would be as expensive as the shoe parts or at least relatively expensive. We do not agree with that assumption based on the record before us, including evidence indicating that kitting machines were capable of making different portions of different qualities. In other

words, we understand that even multilayered portions to be discarded could still be made of inexpensive material while the shoe part portions could be made of more expensive material. Additionally, even if the proposed modification would result in an undesirable configuration similar to that disclosed in Günther, as Patent Owner implies, such a configuration would not become non-obvious simply because it is undesirable. *See In re Mouttet*, 686 F.3d 1322, 1334 (Fed. Cir. 2012) (“[J]ust because better alternatives exist in the prior art does not mean that an inferior combination is inapt for obviousness purposes.”); *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1165 (Fed. Cir. 2006) (“[O]bviousness must be determined in light of all the facts, and there is no rule that a single reference that teaches away will mandate a finding of nonobviousness. Likewise, a given course of action often has simultaneous advantages and disadvantages, and this does not necessarily obviate motivation to combine.”).

G. The Asserted Obviousness of Claims 9, 10, 19, 20 over Nishida Alone or Nishida and Günther (Ground 2C)

Petitioner asserts that dependent claims 9, 10, 19, 20 would have been obvious over Nishida alone or Nishida in view of Günther. *See* Pet. 108. These claims pertain to the specific type of machine used. *See, e.g.*, Ex. 1001, 12:7–13 (claim 9 reciting a wide-tube circular knitting machine, and claim 10 reciting a jacquard double needle-bar raschel knitting machine.”).

Petitioner, with the support of Dr. Adanur’s testimony, addresses the limitations of these claims and contends that the recited types of machines were well-known and that it would have been obvious to use either machine. *See* Pet. 108 (citing Ex. 1002 ¶¶ 293–294).

Patent Owner does not present arguments regarding Petitioner's contentions beyond those already addressed above in the context of independent claim 1. *See* Prelim. Resp. 30 (Patent Owner relying on the arguments made for the underlying independent claims).

Having considered the parties' arguments and evidence, we determine that Petitioner has demonstrated a reasonable likelihood of prevailing in its challenge to dependent claims 9, 10, 19, and 20 as obvious over Nishida or Nishida in view of Günther.

H. The Grounds Based on Orei

Petitioner contends that claims 1–6, 8, 10–16, 18, 20, and 21 are anticipated by Orei, or in the alternative, would have been obvious over Orei (Ground 1A); that claims 7, 12, 17, and 18 would have been obvious over Orei in view of McDonald (Ground 1B); and that claims 9 and 19 would have been obvious over Orei (Ground 1C). Pet. 28–71. For the reasons discussed above, we determine that Petitioner has shown a reasonable likelihood of demonstrating the unpatentability of all challenged claims of the '749 patent under the Nishida-based grounds. Therefore, we institute an *inter partes* review on all challenged claims on all asserted grounds, and we do not review, at this time, Petitioner's grounds based on Orei. *See SAS Inst. Inc. v. Iancu*, 584 U.S. 357, 362, 370–371 (2018); 37 C.F.R. § 42.108(a) (“When instituting *inter partes* review, the Board will authorize the review to proceed on all of the challenged claims and on all grounds of unpatentability asserted for each claim.”). During the trial, the parties will have the opportunity to further discuss their respective positions regarding the Orei grounds.

III. CONCLUSION

Petitioner has demonstrated a reasonable likelihood of prevailing in showing the unpatentability of at least one of the challenged claims of the '749 patent. Accordingly, we institute an *inter partes* review on all challenged claims on all asserted grounds. See *SAS Inst. Inc.*, 138 S. Ct. at 1354, 1359–60; 37 C.F.R. § 42.108(a). At this stage of the proceeding, we have not made a final determination with respect to the patentability of any of the challenged claims.

IV. ORDER

For the foregoing reasons, it is

ORDERED that, pursuant to 35 U.S.C. § 314(a), an *inter partes* review of claims 1–21 of the '749 patent is instituted with respect to all grounds of unpatentability set forth in the Petition; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4(b), *inter partes* review of the '749 patent shall commence on the entry date of this Order, and notice is hereby given of the institution of a trial.

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Patent 8,266,749 B2

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