Banner & Witcoff Wins Federal Circuit Appeal Affirming Summary Judgment of No Patent Infringement for NIKE, Inc.

July 25, 2011

Banner & Witcoff, Ltd. is pleased to announce that on July 22, 2011, the United States Court of Appeals for the Federal Circuit affirmed a district court's grant of summary judgment of no patent infringement in favor of firm client NIKE, Inc.

The case, Furnace Brook LLC v. Aeropostale, Inc. et al., 09-cv-04310 (N.D. IL) and 2011-1025 (Fed. Cir.), was based on allegations that the defendants, through the operation of their respective on-line ordering web sites, were infringing U.S. Patent No. 5,721,832, entitled "Method and Apparatus for an Interactive Computerized Catalog System."

This case was not the first time Furnace Brook appealed a decision involving the '832 patent to the Federal Circuit. In a prior litigation, Furnace Brook sued Overstock.com for infringing claims of the '832 patent. Furnace Brook LLC v. Overstock.com, Inc., 230 F. App'x 984, 986 (Fed. Cir. 2007) (Overstock). In Overstock, as in the present litigation, Furnace Brook accused websites accessed over the Internet by computers and cellular phones of infringing the '832 patent. The district court in Overstock granted summary judgment of no infringement because, inter alia, the "telephone terminal" claim limitation was not met by the accused products.

In the Overstock appeal, Furnace Brook argued that the district court erroneously limited the construction of the term "telephone terminal" to exclude personal computers and cellular phones. At that time, the Federal Circuit agreed with Furnace Brook that the claimed "telephone terminal" theoretically could include a personal computer or cellular phone, since these devices "are capable" of "communicating over a telephone network." The Court explained, however, that a "telephone terminal" also "requires a dial-up connection to the catalog server at the other end of

the connection." As a result, the Federal Circuit held in Overstock that the telephone terminal limitation, as used in the claim, "requires that the communication link be established over a telephone network by dialing the computer system directly."

The Federal Circuit agreed that simply accessing a website on the Internet—without actually dialing a computer system directly—did not meet the "telephone terminal" limitation and thus held that "[t]he district court was therefore correct to hold that those [accused] devices fall outside the literal scope of the claim 1 limitation." Furnace Brook also argued "that the accused devices, when used to access the Internet, are captured by the doctrine of equivalents, even if they are not within the literal scope of claim 1." However, the Federal Circuit noted that Furnace Brook's evidence "did not explain why accessing a computer server over the Internet is equivalent to dialing a computer server over a telephone network." As a result, the Federal Circuit held the evidence was insufficient "to create a genuine issue of material fact as to that question" of infringement.

Undeterred by the unfavorable outcome in Overstock, Furnace Brook asserted the '832 patent against NIKE et al. in this case, again espousing a theory that defendants' online ordering sites infringe claim 1 of the '832 patent. Of particular importance was the fact that each claim asserted against NIKE et al. once again required the use of a "telephone terminal."

Since the Federal Circuit had decided previously that personal computers and cellular phones did not meet the "telephone terminal" limitation, and there was nothing unjust about preventing Furnace Brook from relitigating the same issue previously decided in Overstock, the Federal Circuit concluded that the district court in this case did not err in holding collateral estoppel prevented Furnace Brook from relitigating the issue of infringement. Accordingly, the Federal Circuit affirmed the summary judgment of no patent infringement.

NIKE was represented by Banner & Witcoff, Ltd.'s Chicago-based attorneys Christopher J. Renk, Timothy C. Meece, Audra Eidem Heinze, and Aseet Patel.

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