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Speedtrack Inc. v. Office Depot, Inc.: Empowering Customers to Sell an Exonerated Accused Product

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In a decision that expands a customer's right to defend itself under the *Kessler* doctrine, the Federal Circuit clarified that a customer is not subject to liability for a product that has already been cleared of patent infringement allegations. *Speedtrack Inc. v. Office Depot, Inc.,* Case No. 14-1475 (Fed. Cir., June 30, 2015) (O'Malley, J.).

SpeedTrack asserted claims for a software method to access files and data in a storage system based on designated criteria. It accused Office Depot and other online retailers (the appellees) of literally infringing the asserted claims through website search functionality allowing users to locate a particular product. SpeedTrack had previously sued Walmart for the same software purchased from Endeca. In the earlier action against Walmart, Endeca (currently owned by Oracle) intervened to litigate alongside its customer. Eventually, after claim construction and after the Patent and Trademark Office (PTO) confirmed the patentability of the claims, the district court disposed of the case on summary judgment. In that case, the Federal Circuit affirmed the finding that the Endeca software used by Walmart did not infringe.

Shortly thereafter, SpeedTrack sued the appellees, pursuing infringement under the doctrine of equivalents. The district court granted summary judgment, finding that accusing the Endeca software used by the appellees was "essentially the same" as the non-infringing software in *Walmart*. The district court applied both res judicata and the *Kessler* doctrine. SpeedTrack appealed.

The Federal Circuit reaffirmed that the 1907 Supreme Court decision in *Kessler v. Eldred* is binding precedent that controls a preclusion analysis unless and until the Supreme Court overrules it. In so holding, the Court provided a powerful defense to customers of an accused, yet exonerated product by emphasizing the need to protect a manufacturer's right to sell an accused product freely after a final adjudication. Consequently, SpeedTrack was not entitled to relitigate the *Walmart* case by focusing on the doctrine of equivalents instead of literal infringement or through the assertion of different claims. To the contrary, the right to sell without restraint attaches to the product itself so that an accused product is no longer encumbered. The Federal Circuit noted its own 2014 decision in *Brain Life LLC v. Elekta Inc*., 746 F.3d 1045, 1050 (Fed. Cir. 2014) (*IP Update*, Vol. 17, No. 4) for this proposition.

In this case, the implementation of the Endeca software on the accused online retailer websites was

materially the same as the implementation in *Walmart.* Because the Endeca software was non-infringing, SpeedTrack had a duty to refrain from suing customers on the same functionality. It was of no moment that Endeca was not a litigant in this action. Indeed, the Federal Circuit clarified that a customer has an affirmative right to invoke the *Kessler* doctrine as a defense to patent to infringement. Although *Kessler* had focused on a manufacturer's rights without addressing whether the defense extended to a customer—the Federal Circuit found that the defense did extend to a customer because "[a]llowing customers to assert a *Kessler* defense is consistent with the [Supreme] Court's goal of protecting the manufacturer's right to sell an exonerated product free from interference or restraint."

Practice Note: The continued vitality of the *Kessler* doctrine offers essentially blanket protection to accused products that have previously been subject to litigation and found not to infringe, so long as the customer can demonstrate that the later-accused product is the same as the product or article exonerated in the earlier case (or shares a non-infringing implementation).

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