

## Peloton's 'Revolutionary' Technology Faces Test in Patent Wars

Company's strategy of suing home-exercise rivals may backfire

By

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Spinning wheels aren't the only things that keep [Peloton Interactive Inc.](#) moving — the home-exercise company is also waging patent wars with its rivals.

Already a market leader, Peloton [benefited spectacularly](#) from the pandemic, minting founder John Foley as a billionaire. But it still has unfinished business: fending off competitors with lawsuits accusing them of copying the technology built into its \$2,000-plus stationary bikes.

This kind of litigation is common in rapidly evolving industries with several players jostling for dominance. But legal experts say Peloton's offensive puts its own [patents](#) in jeopardy once they are scrutinized in court — despite the company's claim to be a pioneer of "revolutionary" technology. If these patents are declared invalid by early next year, when the battles are expected to play out, Peloton will lose legal protection for innovations it has called "core" to its fusion of exercise equipment with interactive live and recorded workouts.

"These lawsuits have exposed Peloton to a real risk that a significant portion of its patent portfolio will be canceled via challenges filed with the U.S. Patent Office," Bloomberg Intelligence analyst Tamlin Bason said.

Most analysts have remained bullish even as Peloton's stock has slid 21% this year with the end of pandemic lockdowns. They say the loss of some patent protections likely doesn't pose an existential threat to the company at present, assuming it continues to have [rabidly loyal customers](#) and given its [increasingly diverse](#) catalog of offerings.

### Peloton of Plenty

Subscribers have surged since pandemic

Source: Peloton Inc. Company Financials

Note: Dates reflect the company's fiscal year periods

The company's value rests primarily with its existing community of subscribers to "high quality connected devices that Peloton is famous for," said Laura Martin, [Needham & Co.](#)'s senior internet analyst. Peloton's financial health doesn't ride on the outcome of the lawsuits, she said. The company declined to comment on its past and current litigation.

[Read More: Peloton Rebounds on Optimism Home Workouts Will Endure](#)

Founded in 2012, Peloton for years has played both offense and defense in cases over proprietary technology on its path to disrupting a market dominated by companies offering popular brick-and-mortar studio spin classes.

Peloton previously tangled with [Flywheel Sports Inc.](#), a New York-based spinning boutique, over patents related to the digital leaderboard that displays a user's performance rank relative to other riders. That case ended in a confidential settlement before the emergence of the coronavirus, but Flywheel [went belly-up](#) last September, one of several chains of fitness centers that were casualties of pandemic-induced shelter-at-home policies.

Now, Peloton is sparring with NordicTrack maker [Icon Health & Fitness Inc.](#) and [Echelon Fitness](#), which is backed by the private equity firm [North Castle Partners](#). Icon, in turn, filed counterclaims alleging that Peloton has copied its features, while Echelon accused Peloton of unfair competition and false advertising.

Echelon was a natural target to [sue](#) back in 2019 because its cheaper at-home bikes threatened to undercut Peloton's growth from sales of its bike and the monthly subscriptions required to tap its connected bells and whistles.

Echelon is leaning on the Flywheel settlement as it fights back. In court papers, Echelon cited Peloton's disclosure in a regulatory filing that it paid \$59 million in legal settlements during the time it resolved the Flywheel case, "likely paying millions for Flywheel's silence and cooperation."

"Peloton's strategy in filing this lawsuit is simple," Echelon said in its filing. "It wants to stifle competition by forcing its competitors to spend money litigating over patents that it likely knows are invalid."

[Read More: Dish Sues Peloton, Lululemon, Icon Over Streaming Technology](#)

Gregory Lundell, a patent lawyer at [Haley Guiliano](#) not involved in the Peloton litigation, said the company's courtroom offensive has worked so far. He called the lawsuit against Flywheel "a large domino" in the sequence of events that led to its demise, and he noted that Icon, which has touted its [desire to go public](#), [failed](#) in its bid to block sales of Peloton's Bike+ while a suit Icon filed last year proceeds.

Lundell, like other experts, says Peloton is vulnerable in proceedings at the U.S. Patent and Trademark Office because its portfolio isn't all that deep.

As of June 30, the company said in its most recent annual report, Peloton held nine issued U.S. patents that expire between 2025 and 2034, with 23 applications pending. Six more have been issued since July 1 — a [total of 15](#) U.S. patents.

"Objectively, for a technology hardware company," Lundell said, "I would expect more."

Beyond the danger of having its own patents declared invalid, Peloton faces a threat if Icon gains traction with its infringement claims, filed in July, targeting Peloton's treadmill and its app.

Peloton "has invented absolutely nothing," Icon said in its complaint, pointing to a case the companies settled in 2016 and claiming that its own patents "disclose and cover the very thing Peloton claims it

invented" — the leaderboard. Icon, which touts "hundreds of industry-leading patents," said it developed that technology "at least 12 years before Peloton was founded."

Icon also said that before Foley founded Peloton, he "was warned" at a meeting with executives at Icon's headquarters in Logan, Utah, that his idea, if implemented, would infringe Icon's patents.

"Depending on the reach of the app accusations," Lundell said, "Peloton could have a real problem."

But the general consensus is that, at least for now, the company will keep coasting on the brand it has built.

"The Peloton cult," Martin said, "is more important than the leaderboard."

### **Peloton's Patent Lawsuits**

- Peloton Interactive Inc. v. Flywheel Sports Inc., filed in Marshall, Texas (2018)
- Peloton Interactive Inc. v. Echelon Fitness Multimedia LLC, filed in Wilmington, Delaware (2019)
- Peloton Interactive Inc. v. Icon Health & Fitness Inc., filed in Wilmington (2020)
- Peloton Interactive Inc. v. Echelon Fitness Multimedia LLC, filed in Wilmington (2021)
- Icon Health & Fitness Inc. v. Peloton Interactive Inc., filed in New York City (2016)
- Icon Health & Fitness Inc. v. Peloton Interactive Inc., filed in Wilmington (2020)
- Icon Health & Fitness Inc. v. Peloton Interactive Inc., filed in Wilmington (2021)

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<https://www.bloomberg.com/news/features/2021-04-16/peloton-s-revolutionary-technology-faces-test-in-patent-wars>