

Patent Holder Sues Wal-Mart, Others

A company called RFID World claims that leading adopters using RFID for inventory control have violated its patent, and it is suing for damages.

By Mark Roberti

Aug. 30, 2006-Back in April 2002, an individual named Ronald Bormaster filed a patent application for an inventory-control system using radio frequency identification. That patent was awarded by the U.S. Patent Office on Nov. 22, 2005. Bormaster has since set up a company, RFID World, and transferred the patent to that company. He is now suing Wal-Mart, Gillette, Michelin, Home Depot, Target and Pfizer.

RFID World has filed suit in the United States District Court for the Eastern District of Texas, Tyler Division, which reportedly finds in favor of the plaintiff 88 percent of the time, compared to 68 percent nationwide. The original complaint reads: "Wal-Mart, on information and belief, uses an inventory-control system utilizing the RFID technology claimed in [Bormaster's patent]. By utilizing such systems, Wal-Mart has in the past and continues to infringe at least claim 1 of the patent."

The same claim is repeated against the other defendants. The claim goes on to say: "The Defendants' infringement of the patent alleged above has injured RFID World and, thus, it is entitled to recover damages adequate to compensate for the Defendants' infringement, which in no event can be less than a reasonable royalty."

The patent describes a generic RFID tracking system and mentions several "embodiments" of the system, including tracking livestock, golf clubs in a bag, medical instruments in an operating room and children in a defined play area. There is no mention in the patent of RFID use to track products in warehouses, distribution centers or stores, as Wal-Mart and others named in the suit use the technology.

"The golf bag was where the inspiration came from," says Edward Goldstein, a partner at Goldstein, Faucett & Prebeg, LLP and lead attorney on the case for RFID World. "But claim one is not limited to golf-bag inventory. It's much broader than that."

Rel S. Ambrozy, a partner with McKenna Long & Aldridge, a law firm with a burgeoning RFID practice, says it's notable that the suit was not brought against the manufacturers of the RFID technology employed by the end-users. "Similarly positioned end users need to make sure that they consider indemnification very carefully when purchasing such technology," he says.

The suit raises concerns about lawsuits by patent holders similar to the suits filed by the heirs of Jerome Lemelson, an inventor who had a patent on bar-coding technology. The aim of the RFID World suit, some believe, is to use a patent to extract a settlement payment from large end-user companies.

"I believe the lawsuit is frivolous," says Craig Harmon, president and CEO of Q.E.D. Systems, an organization that provides standards development, educational, advisory and systems-design services. "It is in a very dangerous venue for defendants. Notwithstanding that fact, I'm hopeful that the RFID technology and

end-user community is able to send a message to discourage future frivolous lawsuits."

"We've looked at the prior art," says Goldstein, referring to existing RFID patents. "We think [Bormaster's] patent is distinguishable from prior art. Wal-Mart has been involved in setting an RFID standard for its suppliers, and if [the suppliers] comply with that standard, they are in violation of this patent. It is not a frivolous suit at all."

Ambrozy of McKenna Long & Aldridge says suits like this one are not uncommon when a technology begins to gain wide use and/or acceptance. "When genetically modified foods became profitable in the late 1990s, there were a series of patent litigations, often referred to as the 'corn wars,' to establish who owned the underlying technology," he says. "The same thing has been happening recently in regard to flat-panel TVs and computer displays. Because RFID technology has not only become cheaper to obtain, but is being required by both the private and government sectors, lawsuits like the RFID World suit will probably become more common in the near future."

Summonses have been issued. The next step is for the defendants to respond to the complaint. They can request a transfer to a different jurisdiction if they wish. If the suit is heard in the eastern Texas court, then discovery and motions will begin within 60 days.

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