

**UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION**

PELTON INTERACTIVE, INC.,

*Plaintiff,*

vs.

FLYWHEEL SPORTS, INC.,

*Defendant.*

Civil Action No.:

**JURY TRIAL DEMANDED**

**COMPLAINT FOR PATENT INFRINGEMENT**

Plaintiff Peloton Interactive, Inc. (“Peloton”) brings this action against Flywheel Sports, Inc. (“Flywheel”), and alleges as follows:

**SUMMARY OF THE ACTION**

1. In 2011, Texas native John Foley was struggling to find time to exercise. His favored workouts were in-studio cycling classes, which provided him with the perfect mix of competition and community. But as the president of e-commerce at Barnes & Noble, and a husband and father of two, it was nearly impossible for him to find time to schedule and attend in-studio classes. At the same time, there was no at-home exercise option that provided anything close to the experience of an in-studio class. A graduate of Georgia Tech and Harvard Business School, Foley set out to solve this problem with his technical and business acumen. Soon thereafter, Foley established Peloton with the goal of creating a product that would bring the studio exercise class experience directly into a person’s own home. This led to the invention of the Peloton Bike, which Foley, along with his co-founders, developed and brought to market in 2012.

2. The Peloton Bike is the first ever at-home exercise bike that incorporates a sophisticated graphical user interface—presented on a 22-inch HD, multitouch tablet—that displays live and on-demand cycling classes led by some of the world’s most elite instructors. The Peloton Bike uses sensors to measure the rider’s performance and can display a leaderboard comparing the rider’s performance at each point in the class with the performance of every other rider that is currently taking—or has ever taken—the same class. This “Leaderboard” is a unique technology that allows Peloton riders to see how their performance ranks in comparison to all other riders at every point in the class.

3. The invention of the Peloton Bike solved two major problems for would-be exercisers. First, it allowed busy Americans—from harried executives to sleepless new parents—the flexibility to exercise in their own home and on their own schedule. Second, it gave them the motivation to do so, by providing live and on-demand classes that recreate the real-time competition and community engagement that has made in-studio classes so popular. To protect this invention, Foley and Peloton applied for, and received, the U.S. Patents at issue in this case.

4. Since its inception in 2012, Peloton has disrupted the fitness industry, creating a new category of fitness equipment with its remarkable success. In less than six years, Peloton has delivered over 250,000 Peloton Bikes, and established a member base of more than 600,000 active riders. The Peloton Bike has received near-universal adulation, with Men’s Health naming it “the best cardio machine on the planet.” Peloton now employs more than 900 people across the country, with plans to hire hundreds more, including at a major new campus in Plano, Texas. Peloton was recently valued at \$4.15 billion and earned more than \$300 million in revenue in 2017 alone.

5. Defendant Flywheel, on the other hand, primarily operates studio cycling classes in brick-and-mortar locations across the country. In or around 2017, having witnessed Peloton's success—and knowing that it had been losing customers to Peloton—Flywheel decided it needed to shift gears. But rather than innovating and investing, as Peloton had, Flywheel infringed the Peloton Patents by creating a copycat of the Peloton Bike experience called the “FLY Anywhere” that, among other things, detects, synchronizes and compares the ride metrics of remote users on a graphical user interface. With its FLY Anywhere bike, Flywheel infringes the Peloton Patents by, among other things, displaying live and archived cycling class content to remote riders, tracking a remote rider's performance, and comparing that remote rider's performance against the performance of other remote riders.

6. Flywheel's infringement of Peloton's patents is ongoing and willful. Indeed, just three months before Flywheel announced its development of the FLY Anywhere bike, one of its largest investors, Michael Milken—the prominent businessman previously convicted of securities law violations—attended a private investment conference for high net worth investors to meet with the chief executives of several companies, including Peloton. At that conference, Milken falsely presented himself to Foley as a potential investor in Peloton and pressed for—and obtained—information from Foley about Peloton's technology and business strategy—all without ever disclosing his existing multi-million-dollar investment in Flywheel. On information and belief, Milken provided this information to Flywheel, which then used this information to facilitate the development, sales and marketing of the infringing FLY Anywhere bike.

7. Peloton brings this suit to protect its rights and put an end to Flywheel's willful infringement.

### **THE PARTIES**

8. Peloton is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 125 West 25th Street, 11th Floor, New York, New York, 10001. Peloton has a showroom and sales office in Plano, Texas, located at Legacy West, 7500 Windrose Avenue, Plano, Texas 75024. In addition, Peloton recently announced that it is opening its second corporate headquarters in Plano's Legacy Central development, where it plans to hire 400 workers over the next several years.

9. Flywheel is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 53 West 23rd Street, Floor 9, New York, New York 10010.

### **JURISDICTION AND VENUE**

10. Certain claims in this civil action arise under the patent laws of the United States, 35 U.S.C. § 1 et seq. This Court has subject matter jurisdiction over the patent claims pursuant to 28 U.S.C. §§ 1331 and 1338(a).

11. This Court has personal jurisdiction over Flywheel pursuant to the laws of the State of Texas and the United States Constitution because Flywheel regularly and continuously transacts business in the jurisdiction, including marketing and selling Flywheel services and products throughout the State of Texas, including in this district. Flywheel places infringing products within the stream of commerce, which stream is directed at this district, with knowledge and/or understanding that those products will be sold in the State of Texas, including in this district.

12. Flywheel has infringed or caused infringement in the State of Texas, including in this district by, among other things, promoting, offering for sale and selling the infringing FLY

Anywhere bike in the District. Flywheel also provides services and assembles products that are and have been used, offered for sale, sold, and purchased in the State of Texas, including in this district. Flywheel has at least three physical locations at which it transacts business and recruits and hires employees in the State of Texas, including in this district. Flywheel has registered with the Texas Secretary of State's Office to do business in the State of Texas and has appointed a registered agent for service. Therefore, the exercise of jurisdiction over Flywheel is appropriate under the applicable jurisdictional statutes and would not offend traditional notions of fair play and substantial justice.

13. Venue is proper for claims of patent infringement in this district under 28 U.S.C. §§ 1391(b) & (c) and 1400(b) because Flywheel has a regular and established place of business within the district and has committed, and continues to commit, acts of patent infringement within the district.

14. Flywheel owns and operates a Flywheel studio in this district at 5964 West Parker Road, Suite 100, Plano, Texas 75093. At this location, Flywheel owns or rents real estate, hires and pays employees, advertises in the community, and engages in business. In addition, from this location, Flywheel has promoted, offered for sale, and sold the infringing FLY Anywhere bike. Flywheel Plano likewise actively promotes for sale the infringing FLY Anywhere bike on its Facebook page.

15. Flywheel actively markets and sells the FLY Anywhere bike to customers across the United States, including in the Eastern District of Texas.

16. Additionally, Flywheel has a showroom for the infringing product—the FLY Anywhere bike—in Dallas, Texas, less than 20 miles from the Eastern District of Texas. Flywheel intends to and does advertise, demonstrate, offer for sale, and sell the infringing

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