

Amazon's experimental new patent evaluation program

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Given the widespread use of Amazon's marketplace, patent owners need to be vigilant in detecting and stopping sales of infringing products on Amazon.

While Amazon has long provided mechanisms for reporting infringement of intellectual property rights on its platform, using those mechanisms to report patent infringement can prove difficult and impractical.

To address this problem, Amazon recently introduced an experimental "utility patent neutral evaluation program." The program provides a cost-effective and streamlined procedure for adjudicating infringement disputes between a patent owner and an Amazon seller.

HURDLES TO REPORTING IP INFRINGEMENT

While still in the testing phase, Amazon's new program offers various advantages over its existing systems for reporting patent infringement and appears promising in terms of reducing instances of patent infringement on Amazon's marketplace.

Generally, a rights owner who believes that someone is offering infringing goods on Amazon can report the infringement to Amazon in one of two ways. First, it can utilize Amazon's publicly available online form.¹ Second, if the rights owner has a brand registry account, it can use Amazon's brand registry program.

For reports of infringement of some IP rights, such as trademarks or copyrights, Amazon will often review the rights owner's infringement report and promptly remove the reported listings if Amazon determines that those listings likely infringe.

With reports of utility patent infringement, however, Amazon generally will not remove reported product listings unless the patent owner can provide Amazon with a court or International Trade Commission order finding patent infringement.

Amazon's requirement that a patent owner provide it with a court or ITC order finding infringement before it will take down a seller's listings makes it burdensome for patent owners without such orders to enforce their rights on Amazon.

Without such an order, Amazon typically will only provide the infringement report to the seller and ask that the parties resolve the dispute themselves.

While this can be helpful in starting a dialogue between the patent owner and the seller, the process of dealing with an Amazon seller directly can often be ineffective.

Obtaining a district court or ITC order finding patent infringement can prove costly and impractical when dealing with Amazon sellers.

For starters, it can be difficult and time-consuming just to determine an Amazon seller's true identity.

Often, the only information about a seller on Amazon.com is the name of the seller's Amazon storefront, which often bears little or no relation to the Amazon seller's actual business entity name.

Many Amazon sellers are located overseas, which can make it even more difficult to identify them.²

Even conducting test purchases from an Amazon seller often does not reveal any useful information about the seller's identity.

Amazon's new utility patent neutral evaluation program appears to be designed for patent owners seeking to enforce patents on Amazon without a court or ITC order.

Infringing products purchased from Amazon sellers often arrive in generic packaging, without brochures, manuals or other documentation that might shed light on the seller's identity.

Moreover, if Amazon does the shipping, often the only address listed on the shipping documentation is that of an Amazon warehouse.

Even after an Amazon seller has been identified, enforcing a patent against it in federal district court or the ITC can be expensive and can take some time, during which Amazon sellers can continue to sell infringing products.

Even if a patent owner obtains a preliminary injunction against an Amazon seller prohibiting it from selling the accused products during the pendency of a lawsuit, in the time it takes for a district court or ITC order to issue, multiple new Amazon storefronts could open up and begin selling the same infringing product.

Also, although a single entity operating multiple Amazon seller accounts appears to violate Amazon's terms and conditions, after being approached by a patent owner, an Amazon seller could even attempt to shut down its Amazon storefront and resume selling under a new name.

Assessing potential damages recoverable against an Amazon seller can also be difficult, especially where there are numerous sellers offering the same product such that any given seller's sales could be relatively minimal.

For these and various other reasons, patent owners can face various hurdles when trying to have infringing products removed from Amazon.

THE NEW PROGRAM

Amazon's new utility patent neutral evaluation program appears to be designed for patent owners seeking to enforce patents on Amazon without a court or ITC order.

Under the program, Amazon selects a neutral patent practitioner to receive briefing from the patent owner and the seller on a narrow set of issues and then determine whether the seller's products are likely to infringe the patent owner's patent.

A key benefit of this new program for patent owners is that if they prevail in the evaluation, they can use the evaluator's decision in the future.

The evaluation is far less expensive than a typical district court or ITC action, and the timeline from initiation to an evaluator's decision is extremely short.

Discovery is not available to the parties, and the parties may not request a trial or a hearing. If the patent owner prevails, Amazon will remove the reported listings.

Thus, the utility patent neutral evaluation program avoids many of the issues associated with obtaining a court or ITC order finding infringement, while still allowing both sides an opportunity to be heard and infringement to be decided by a neutral third party.

The evaluation process begins with a patent owner providing Amazon with basic information about itself, identifying one claim of one U.S. utility patent to be asserted in the evaluation, and identifying accused listings, called Amazon Standard Identification Numbers, to be evaluated.³

Next, Amazon contacts the seller offering products under the ASINs identified by the patent owner about the evaluation.

The seller then has three weeks to agree to participate in the evaluation and provide Amazon with certain basic information about the seller.

If the seller chooses not to participate in the evaluation, Amazon will remove all of its ASINs for the accused products.

If the seller does choose to participate in the evaluation, Amazon will use the information provided by the patent owner and the seller to select a neutral patent practitioner to evaluate the alleged infringement.

Once a neutral evaluator has been selected, each party receives instructions on how to wire \$4,000 to the evaluator to cover the evaluator's fees.

If either party fails to transmit payment to the evaluator within two weeks, that party essentially loses the evaluation.

After the evaluator receives payment from the parties, it sets a schedule for briefing patent infringement and invalidity.

The briefing schedule typically gives the patent owner 21 days to submit an opening brief, gives the seller 14 days to file a response, and gives the patent owner seven days to submit a reply.

After all of the briefing has been submitted, the evaluator has 14 days to issue a decision as to whether the patent owner is likely to prove infringement with respect to the seller's products.

The evaluation process is expected to take less than 10 weeks from the date the evaluator is selected.

If the evaluator finds for the patent owner, Amazon will remove the seller's listings promptly.

The evaluator will also return the patent owner's \$4,000 payment and keep the seller's \$4,000 payment.⁴

If the evaluator finds for the seller, the seller's listings will remain available on Amazon and the evaluator will return the seller's \$4,000 payment and retain the patent owner's \$4,000 payment.

If the evaluator finds for the patent owner, the evaluator will not provide any reasoning for its decision. If it finds in favor of the seller, it will provide a brief explanation as to why it found the patent owner not likely to prove infringement.

There is no provision for appealing or seeking reconsideration of an evaluator's decision, though Amazon will honor a subsequent district court, ITC or U.S. Patent and Trademark Office order that is contrary to the evaluator's decision.

On a substantive level, the program is extremely streamlined. The evaluation is limited to only one asserted claim of one utility patent.

Other than arguing noninfringement, the seller can raise only the following two defenses:

- The asserted claim has already been found invalid or unenforceable by a court, the USPTO or the ITC.

- Invalidity by showing that the accused product (or a physically identical product) was on sale one year or more before the asserted patent's earliest effective filing date.

Moreover, the second of these defenses can only be based on credible evidence that the evaluator can independently verify (such as a date of first sale of a product on Amazon.com).

In addition to providing a quick and cost-effective way to have a particular Amazon seller's infringing listings taken down without having a court or ITC order, a key benefit of this new program for patent owners is that if they prevail in the evaluation, they can use the evaluator's decision in the future for purposes of reporting infringement to Amazon just like they would use a court or ITC order.

Thus, once a patent owner has successfully gone through the evaluation process, it can utilize Amazon's existing infringement reporting procedures (such as the online infringement reporting form or the Amazon brand registry) to have listings for infringing products removed.

This option has the potential to be extremely beneficial for patent owners, especially where many Amazon sellers offer the same infringing products.

While Amazon's neutral evaluation program is still in the testing phase, experiences of those who have participated in the program appear to have been positive so far.

At present, participation in the program is available only by invitation upon request.

Patent owners facing infringement on Amazon would be wise to consider utilizing the program to the extent that it is available to them.

Should Amazon's utility patent neutral evaluation program go beyond the testing phase and become available to the public, it may prove to be extremely effective at stemming the tide of infringing products on Amazon.com.

Given the potential impact on patent enforcement on Amazon, a potential public rollout of the program is something likely

to be closely monitored by patent owners, Amazon sellers and other e-commerce platforms.

NOTES

¹ Available at <https://amzn.to/2XSmerq>.

² See, e.g., Jon Emont, *Amazon's Heavy Recruitment of Chinese Sellers Puts Consumers at Risk*, WALL ST. J., Nov. 11, 2019, <https://on.wsj.com/37xLxmR>.

³ Amazon has not published the procedural rules governing the utility patent neutral evaluation program, and the descriptions of the program provided herein are intended to be general in nature and to convey the author's understanding of the procedures based on the author's own experience utilizing the program and on information obtained from Amazon and other sources. Given that this is an experimental program, these procedures or other aspects of the program may change or may no longer be applicable.

⁴ If there are multiple sellers, each must pay the evaluator \$4,000 at the beginning of the process. If the patent owner prevails in the evaluation, the evaluator keeps a total of \$4,000 from the sellers' combined fees, and the remainder of the sellers' fees is donated to the Amazon Smile charity of the patent owner's choosing.

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