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Intellectual Property Alert: Amazon Creates a Cost-Effective and Efficient Patent Infringement Remedy for Infringing Products Sold on its Marketplace by Third Parties

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Adding another tool to intellectual property owners' arsenal for combatting infringing products, Amazon has launched a pilot program to efficiently identify and resolve third-party patent infringement on the Amazon marketplace. This program is the "Amazon Utility Patent Neutral Evaluation Procedure" (the "evaluation"). The evaluation is voluntary and confidential, and it allows U.S. patent owners to obtain a fast evaluation of patent infringement claims relating to potentially infringing products ("accused products") listed by third-party sellers on Amazon.

This Evaluation is most useful when the accused products are similar in function to your products, but are not being used with your marks or do not look exactly like your products. Nonetheless, the evaluation procedure may be useful as an additional tool to address all types of unauthorized sales.

The key to using the evaluation is you must have U.S. utility patents whose claims read on the problematic products. Evaluations are strictly limited to unexpired U.S. utility patents; trademarks, trade dress, design patents, non-U.S. patents, etc. are not considered. Patents that have product-related claims that are clearly and cleanly drafted with a clean and supportive specification that provides clarity yet breadth are likely the most useful in these proceedings. Given the limited amount of briefing available to the Patent Owner, the cleaner the patent, the cleaner the argument for infringement and the higher likelihood the evaluator will find the Patent Owner to be likely to prove infringement, which is the key to get the accused products delisted.

In sum, to request an evaluation, a Patent Owner submits an Amazon Utility Patent Neutral Evaluation Agreement ("agreement") to Amazon identifying the patent and one claim (note the evaluation only involves a single claim of an "asserted patent") and the accused products. The Patent Owner may include multiple Amazon Standard Identification Numbers (ASINs) for the accused products in an evaluation if they are physically identical. Amazon then sends the agreement to each seller of

the accused products on Amazon and gives each seller the option of participating in the evaluation or having their listings for the accused products removed from the Amazon marketplace. The sellers have a very limited time to respond.

Should the seller(s) agree to participate, Amazon then selects an appropriate neutral patent evaluator (“evaluator”) from a list of attorneys experienced in U.S. patent disputes, presumably based on the technology presented. In the evaluation, the evaluator reviews the patent infringement claim against the accused products. Once selected, the evaluator will solicit a \$4,000 fee from both the Patent Owner and the seller(s). Note that the evaluations are not a revenue-generating program for Amazon; rather, Amazon is a facilitator of the evaluation. The fee is intended to cover the evaluator’s time. If the Patent Owner does not provide the fee within two (2) weeks, no evaluation will occur and any money submitted by the seller(s) will be returned. If a seller does not submit its \$4,000 fee, the evaluator will notify Amazon, which will remove the seller’s listings of the accused products from Amazon. Amazon does not retain any portion of the costs. The winner is refunded its \$4,000 fee at the end of the evaluation.

The evaluation is purely a briefing exercise – both the patent owner and seller submit written arguments with supporting evidence to the evaluator. The patent owner has 20 pages total for its opening brief and its reply brief; the seller has 15 pages for its response. The briefing schedule is fast: from the point in time the evaluator is selected, the patent owner has 21 days to submit its opening brief, the seller then has 14 days for its response, and finally the patent owner has seven days for its reply brief. Note in the seller’s response, the only arguments permissible are: the accused products do not infringe; the asserted patent has been declared invalid or unenforceable by a court of competent jurisdiction, the U.S. Patent and Trademark Office, or the ITC; and that the accused products (or physically identical products) were on sale one year or more before the asserted patent’s earliest effective filing date. Thus, these proceedings are limited in scope and move fast. Discovery is not allowed (e.g., depositions, document requests, interrogatories, etc.) and the parties do not have a hearing in front of the evaluator.

Based on the parties’ limited briefing, within 14 days from the submission of the patent owner’s reply brief, the evaluator makes a yes/no decision about whether the patent likely covers the accused products, taking into account the evidence and arguments submitted by the parties giving any weight to the information the evaluator deems appropriate. If the evaluator concludes that the accused product(s) is likely covered by the patent claim, the evaluator will issue a decision, and Amazon will remove the accused product(s) from its marketplace as soon as practicable, but generally within 10 business days of Amazon’s receipt of the evaluator’s decision. If the evaluator concludes that it is not likely, then Amazon will not remove the accused product. Interestingly, there is no process for appealing the evaluator’s decision.

The parties can settle the dispute prior to the date of the patent owner’s reply. If they do so, the evaluator will terminate the evaluation. The evaluator can retain up to \$1,000 to cover the evaluator’s efforts, equally divided from the parties’ payments when settlement occurs. The remainder of the payments will be refunded to the parties.

To be reinstated on Amazon, any participant can obtain a judgment or order in litigation that an accused product does not infringe or that the asserted patent is invalid or unenforceable. That participant may then submit it to Amazon, and Amazon may allow relisting of the accused product. Similarly, if the evaluator concludes infringement is not likely, but the patent owner obtains a judgment or order that the accused product infringes, the patent owner may submit the judgment or order to Amazon, and Amazon

will remove the accused product.

This evaluation procedure is an interesting effort by Amazon to create a quick and efficient means by which patent owners can effectively remove infringing products from its marketplace, both clearing the exchange from clutter and protecting Amazon from potential claims of indirect infringement via the exchange. We have established flat fee protocols for the three stages of the evaluation – evaluation and submission of the Agreement, opening brief, and reply brief – that make this procedure much more cost-effective for patent owners than seeking district court remedies. In many instances, the cost of an entire evaluation procedure, including counsel fees and the evaluation fee, is a small fraction of the cost of drafting and filing a patent infringement complaint in federal district court (with the bonus of much quicker results). Additionally, it is likely that most sellers of accused products will choose not to participate in the evaluation, and will be delisted at that point; the costs are mitigated by at least 2/3 in such instances.