



American Intellectual Property Law Association

AMAZON'S UTILITY PATENT NEUTRAL EVALUATION PROGRAM: PROCEDURE, REMEDIES AND DEFENSES

WEDNESDAY, APRIL 13, 2022

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AIPLA

American Intellectual Property Law Association

Amazon's Utility Patent Neutral Evaluation Program: Procedure, Remedies and Defenses

AIPLA CLE Webinar
Wednesday, April 13, 2022
12:30 pm – 2:00 pm EST

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Aaron Winger & Tim Nichols

Amazon Utility Patent Neutral Evaluation

Seller's and Patent Owner's Perspective

AIPLA

Serving the

Creative and **Legal** Communities

Aaron Winger

闻宁阁

Aaron Winger is a Senior Attorney and Director of China Intellectual Property Practice at Schwegman Lundberg & Woessner. Aaron counsels both U.S. and Chinese companies on patent and trademark portfolio development, non-infringement and invalidity opinions, and cross-border enforcement of intellectual property rights. He has worked with clients in the areas of software, networks, lasers, medical devices, semiconductors and physics. He frequently publishes articles on his blog, [China IP Law Update](#).



Tim Nichols



Tim is a partner and patent attorney at Workman Nydegger. He regularly counsels clients regarding the procurement and licensing of their intellectual property and guides them through the intricate nuances of Amazon and Alibaba to better manage, enforce, and respond to intellectual property infringement claims. Before joining Workman, Tim was a judicial clerk to the Honorable Dee V. Benson in the U.S. District Court for the District of Utah. Tim is also an adjunct associate professor at the S.J. Quinney College of Law

Agenda

- Introduction
- Overview of Procedure
- Patent Owner: Starting a Patent Evaluation
- Seller: Receiving the Notice of Evaluation
- Patent Owner: Preparing Initial Arguments
- Seller: Receiving & Responding to the Initial Arguments
- Patent Owner: Receiving Seller's Response & Replying
- Effect of Evaluation
- Conclusion

Introduction

- Started in 2019
- Limited to utility patents
- To resolve claims that third-party product listings on Amazon infringe U.S. utility patents.
- Confidential
- Main benefits:
 - Relatively low cost
 - Fast – about 2 months to a decision
- No appeal
- Evaluator will rule:
 - Do not infringe
 - Court has found the patent invalid or unenforceable
 - Accused or physically identical products were on sale more than 1 year before the earliest effective filing date of the patent
- If the evaluator finds infringement, Amazon will remove the product from Amazon.com.

Procedure

- Start Evaluation
 - Patent Owner Submits Exhibit 1
 - Amazon sends to all sellers
 - Sellers must respond within 3 weeks with Exhibit 2
 - Amazon selects neutral evaluator
- Payment
 - Patent Owner and Each Seller must wire \$4000 within 2 weeks of receiving wire instructions from Amazon
- Written Arguments
 - After payment, evaluator sets schedule.
 - 21 days for Patent Owner initial arguments
 - 14 days for Seller Response
 - 7 days for optional Patent Owner Response
 - Modifications Available for Good Cause
- Decision
 - 14 days from optional response, Evaluator will determine if product "likely infringes"
 - Reasoning provided if unlikely to prove infringement
 - Amazon to remove infringing products within 10 days

Starting a Patent Evaluation (Patent Owner)

- Pre-evaluation process
 - Client expectations
 - The right kind of patent
 - The right kind of case
 - Build an evidentiary record
 - Have a plan
- Invitation Only
 - Request or petition an invite from Amazon Legal or the Patent Evaluation Team
 - Keep it simple. Include key information and a basic claim chart
 - Positive tone. Be gracious and adhere to the facts. Do not whine to Amazon or make demands.
- Initiating a Patent Evaluation Case
 - Once invited by Amazon, Patent Owner must provide a complete and executed version of Amazon's "Evaluation Agreement" to participate in a Patent Evaluation Case
 - Up to 20 ASINS can be identified in the Evaluation Agreement
 - *Be selective*

Receiving the Notice of Evaluation – Exhibit 1

- Due Diligence
 - Confirm the complainant owns the patent based on recorded assignments.
 - Confirm maintenance fees have been paid.
 - Confirm patent hasn't been invalidated (IPR) or unenforceable.
- Make initial arguments before proceeding is initiated to get patent owner to withdraw complaint
 - DD Defenses
 - Prior sale defense if available.
 - Patent is invalid (not a defense, but a threat of potential IPR based on reasonable art might make complainant withdraw complaint)
 - No infringement.
- If not withdrawn, send back Exhibit 2 & wire fees when instructed
- Get product at issue from client to examine.

Preparing Patent Owner Initial Arguments

- Research participating Seller(s) and opposing counsel (if any)
- Patent Owner may use a total of 20 double-spaced 8.5 x 11" pages between its initial arguments and reply
 - Claim charts and exhibits are not counted against page limits
- Draft initial arguments (2-week deadline)
 - Introduction
 - Claim Construction- Legal standard
 - Infringement
 - *Legal standard*
 - *Define key terms broadly (plain and ordinary meaning and alternative constructions)*
 - *Patent Owner must argue doctrine of equivalents in its opening brief to be considered*

Preparing Patent Owner Initial Arguments (cont.)

- Draft initial arguments (2-week deadline)
 - Infringement
 - *Address each limitation*
 - *Cite to specification and figures for construction*
 - *Use extrinsic evidence as needed for construction and comparison to Accused Product*
 - *Use visual aids to highlight infringing elements of Accused Product*
 - *Be strategic in scope and depth of initial arguments*
 - *Preserve pages for Patent Owner Reply*
 - *Leverage the limited nature of a Patent Evaluation Case*
 - Conclusion

Receiving Patent Owner Initial Arguments

- Research Evaluator
 - Experience
 - Patent Attorney
 - Technical Background
- Review patent owner filings
 - Petition
 - Exhibits
 - *Claim chart*
 - *Assignment(s)*
 - *File History*
 - *User Guide(s)*
 - *Amazon product page*
 - *Declaration*

Responding to Patent Owner Initial Arguments

- Draft Response – 2-week deadline
 - 15-page limit (double spaced)
 - Statement of Law
 - *Based on petition and experience of evaluator*
 - *Challenge broadness of claim construction*
 - Claim Construction
 - *No Markman hearing*
 - *Define key claim terms narrowly*
 - *Will it preclude you from defining claim terms broadly in a later invalidation?*
 - *Functional Claiming?*
 - *Define based on intrinsic evidence: specification, drawings, etc.*
 - *Review file history for file history estoppel*
 - *Extrinsic evidence OK – exhibits don't count towards page count*
 - *Dictionaries, expert testimony, etc.*

Responding to Patent Owner Initial Arguments (cont.)

- Draft Response – 2-week deadline
 - Prior sale defense.
 - *Accused Products (or physically identical products) were on sale one year or more before the asserted patent's earliest effective filing date, only by using credible evidence that the Evaluator can independently observe (such as a date of first sale on amazon.com, or on the Wayback Machine).*
 - *The Evaluator will not accept affidavits, declarations, or mere arguments about the date of first sale; the Seller must come forward with independently verifiable objective evidence that the Evaluator can confirm.*
 - Invalidity – sellers can only prove invalidity and/or unenforceability of the asserted patent claim by providing a finding by a court of competent jurisdiction, or by the U.S. Patent Office or U.S. International Trade Commission (“ITC”), that the asserted patent claim is invalid or unenforceable.

Responding to Patent Owner Initial Arguments (cont.)

- Draft Response – 2-week deadline
 - Which limitations are missing?
 - All-elements rule.
 - Do not need to address every element – but more the better.
 - *Address strongest arguments first, or*
 - *Address limitations in order of appearance.*

Receiving Seller(s) Response

- Evaluate Seller's arguments/evidence of construction and non-infringement
 - Identify conceded limitations
 - Identify inadmissible arguments/evidence
 - *Asserted prior art*
 - *Affidavits, declarations or mere arguments about date of first sale*
 - *Manipulation of Accused Products*
 - *Manipulation of listings for Accused Products*
 - *False information*
 - Identify admissible arguments/evidence
 - Develop counter-arguments
- Evaluate settlement

Preparing Patent Owner's Reply

- Draft Patent Owner reply – 1-week deadline
 - Burden of Proof
 - *A Patent Owner need only show it "is likely to prove that the Accused Product infringes the asserted claim."*
 - Infringement
 - *Score any limitations conceded by Seller for Patent Owner*
 - *Focus on disputed limitations*
 - Construction
 - Comparison to Accused Product
 - Undercut and or disqualify Seller's arguments and evidence
 - Conclusion

Effect of Evaluation

- If the Evaluator finds the Patent Owner is likely to prove infringement, Amazon will remove the Accused Product generally within 10 business days of Evaluator's decision.
- **Patent Evaluation Enforcement Code**
 - After one or more wins, Amazon may provide Patent Owner an enforcement code that allows the Patent Owner to submit future claims via the online Report Infringement form or through the Brand Registry Report a Violation portal
 - *Reported products must be materially similar to products accused in Patent Evaluation(s)*
- If the Evaluator finds the Patent Owner is unlikely to prove infringement, Amazon has no obligation to take any action
- No damages, attorney's fees, or costs

Conclusion

- **Understand and follow Amazon's procedures**
- **Leverage the limited nature of Patent Evaluation**
- **Carefully prepare your case**
- **Consider incorporating Amazon's Patent Evaluation into a comprehensive IP enforcement strategy**

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Thank you for your interest!

Questions?

These materials are for general informational purposes only. They are not intended to be legal advice, and should not be taken as legal advice. They do not establish an attorney-client relationship.

Questions?

Question and Answer

Welcome to Q&A

Questions you ask will show up here. Only host and panelists will be able to see all questions.

1. Type question here

I have a question

Send anonymously

Cancel

Send

Who can see your questions?

Type your questions in the Q&A Pod on your screen. Questions will be answered in the order received.

Thank you for participating in today's program!

If you have any questions for today's presenters that were not addressed or were stuck in the queue, please email them to:

Seminar_Questions@aipla.org

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Amazon's Neutral Evaluation for Utility Patent Infringement – A Seller's Perspective
Aaron Winger
Schwegman Lundberg & Woessner, P.A.

Several years ago, Amazon instituted a neutral evaluation procedure for patent infringement for patent infringement complaints. As Amazon often functions as the main or even sole marketplace for Chinese sellers, a negative result in an evaluation could have almost the same effect as an exclusion order in an International Trade Commission 337 investigation. However, as in 337 investigation, Chinese sellers sometimes don't respond to takedown notices. Accordingly, Chinese sellers that do respond to complaints listing multiple sellers can, ironically, gain a monopoly or duopoly if they get the patent owner to withdraw the request and/or successfully defend themselves in the neutral evaluation.

Procedure

Evaluations are invite only and to participate, the Patent Owner responds to the invite by submitting an Amazon Utility Patent Neutral Evaluation Agreement ("Agreement") to Amazon, with all information requested in its Exhibit 1. Information for Exhibit I includes patent owner name and contact information, related corporate entities, authorized representative, the U.S. utility patent number and a single patent claim number in the patent for evaluation, and Amazon Standard Identification Number (ASIN) of Accused Products. Note that up to 20 ASINs from multiple sellers can be listed in a single evaluation request.

Amazon then sends that Agreement to each Seller listing Accused Products and gives each the option of: (i) executing and returning the Agreement within three weeks, with all information requested in its Exhibit 2 (which request similar contact information as Exhibit 1 but for seller as well as a list of ASINs for which Seller will participate (doesn't have to be all of seller's products identified in Exhibit I); or (ii) having their listings on Accused Products removed from www.amazon.com. If a Seller does not participate in the Evaluation or does not comply with the Agreement, Amazon will remove its listings of Accused Products. After receiving a completed Agreement from one or more Sellers, Amazon will use the information in Exhibits 1 and 2 of the Agreement to select a neutral individual from a list of attorneys experienced in U.S. patent disputes.

Preferably, a seller can contact the patent owner to request the patent owner withdraw the request. The seller should specify both why the seller's product is not infringing and why the patent is invalid (e.g., based on prior art). If relevant, the seller should also show that the product was sold on Amazon or elsewhere one year before the priority date of the patent application. If the patent owner agrees to withdraw the request, then Amazon will notify the seller and the seller will not have to file Exhibit II and pay \$4,000 per below. Ideally, the contact to the patent owner should come from a U.S. Patent Attorney for credibility and will defend aggressively.

Once an Evaluator is selected, Amazon will contact the Patent Owner and each Seller with instructions to wire \$4,000 to the Evaluator. If the Patent Owner does not submit \$4,000 to the Evaluator within two weeks, no Evaluation will occur and any money submitted by Sellers will be returned. If a Seller does not submit \$4,000 within two weeks, the Evaluator will notify Amazon, who will then remove that Seller's listings of Accused Products. If no Seller submits \$4,000, Amazon will remove all participating Sellers' listings of the Accused Products and the Evaluator will return the Patent Owner's payment.

After the Patent Owner and a Seller have timely submitted \$4,000, the Evaluator will set a schedule for submission of written arguments ("Schedule"). In general, the Schedule will provide: (i) the Patent Owner with 14 days for its initial arguments; (ii) Sellers with 14 days to respond; and (iii) the Patent Owner with 7 days to optionally reply. No modifications to the schedule can be requested. The Patent Owner may use a total of 20 double-spaced 8.5 x 11" pages between its two submissions. Each Seller may use 15 double-spaced pages in its response. Claim charts and exhibits are not counted against page limits. Each submission must be in English and emailed to the Evaluator and to the opposing Participants in the same email; physical exhibits cannot be submitted. Failure to timely make a submission by a Participant will generally result in a finding by the Evaluator against that Participant and forfeiture of its payment, except that the Patent Owner may waive reply. Extensions are available for good cause.

Only two defenses other than non-infringement based on failure to meet one or more claim limitations will be considered by the Evaluator. First, Sellers can defend on the basis of invalidity and/or unenforceability of the asserted patent claim by providing a finding by a court of competent jurisdiction, or by the U.S. Patent Office or U.S. International Trade Commission ("ITC"), that the asserted patent claim is invalid or unenforceable. Second, Sellers may show that the Accused Products (or physically identical products) were on sale one year or more before the asserted patent's earliest effective filing date, only by using credible evidence that the Evaluator can independently observe (such as a date of first sale on amazon.com, or on the Wayback Machine). The Evaluator will not accept affidavits, declarations, or mere arguments about the date of first sale; the Seller must come forward with independently verifiable objective evidence that the Evaluator can confirm.

Decision

Within 14 days of the reply date, the Evaluator will announce a decision, choosing between: (i) the Patent Owner is likely to prove that the Accused Product infringes the asserted claim; or (ii) the Patent Owner is not likely to prove that the Accused Product infringes the asserted claim. The Evaluator need not provide reasoning if the Evaluator decides that the Patent Owner is likely to prove that the Accused Product infringes the asserted claim. If the Evaluator decides that Patent Owner is not likely to

prove that the Accused Product infringes, the Evaluator may provide a brief explanation of why the Patent Owner is unlikely to prove infringement. The Participants will not contact or question the Evaluator regarding his or her decision. There is no process for appeal or reconsideration of the decision.

Remedy

If the Evaluator decides the Patent Owner is likely to prove that all Accused Products infringe, the Evaluator will return the Patent Owner's \$4,000 and retain a total of \$4,000 divided evenly among the participating Sellers. If more than one Seller has participated and is found to infringe, the Evaluator will give any amount of Seller-deposited money in excess of \$4,000 to an Amazon Smile charity chosen by the Patent Owner. If the Evaluator decides the Patent Owner is not likely to prove that any Accused Product infringes, the Evaluator will return participating Sellers' payments and retain the Patent Owner's \$4,000.

If the Evaluator finds the Patent Owner is likely to prove that an Accused Product infringes, Amazon will remove that Accused Product from www.amazon.com as soon as practicable, but generally within 10 business days of Amazon's receipt of the decision. If the Evaluator finds that the Patent Owner is not likely to prove that an Accused Product infringes, Amazon will have no obligation to take any action as a result of the Evaluation. No other action is contemplated or required as a result of the Evaluation and no damages, attorney's fees or costs may be awarded.

Conclusion

In a best-case scenario for a seller (the reader), a patent owner will file the request against multiple sellers including the reader and products and only the reader will respond and get the request withdrawn with respect to the reader's product. The reader's competitors will not respond and have their products removed from Amazon, leaving the reader with a duopoly (with the patent owner's product) despite not having gone through the time and expense of securing US patent protection nor enforcing that patent protection.