



12-1-2019

From Amazon's Domination of E-Commerce to Its Foray into Patent Litigation: Will Amazon Succeed as "The District of Amazon Federal Court"?

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**FROM AMAZON’S DOMINATION OF E-COMMERCE TO ITS FORAY
INTO PATENT LITIGATION: WILL AMAZON SUCCEED AS “THE
DISTRICT OF AMAZON FEDERAL COURT”?**

*Kaitly Y. Emerson**

Modern-day consumers often expect instant gratification. Instead of shopping via printed catalogues and retail stores, consumers flock to the convenience of online shopping platforms, like Amazon. On these platforms, consumers have instant access to items they need, anytime, and anywhere. The popularity of these platforms to both consumers and sellers of items has also ushered in a wave of counterfeit products to these platforms. Technology giant Amazon has a pervasive counterfeit problem that has been harming the legitimacy of its retail operation for some time. Amazon had previously employed a hands-off approach to counterfeits and left sellers to resolve disputes amongst themselves. Only recently has Amazon employed various programs aimed at removing infringing and counterfeit listings. In April 2019, Amazon launched a new anti-counterfeit enforcement protocol called the Utility Patent Neutral Evaluation Procedure. Amazon’s program aims to combat utility patent infringement on the Amazon Marketplace. This Recent Development will evaluate the new protocol as an alternative to traditional patent litigation pathways, examine Amazon’s previous attempts at curbing infringement, and will offer solutions to improve the efficacy of this program.

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I. INTRODUCTION

“Is that a ‘1’ or a ‘7’ in the recommended dosage?”¹ This was a question puzzled over by a physician who purchased a medical handbook from Amazon.² For the past two years, the guide’s legitimate publisher has been confronted with a flood of poorly-printed and hard to read counterfeit books being sold on Amazon’s Marketplace.³ Consumers have complained that Amazon’s hands-

¹ David Streitfeld, *What Happens After Amazon’s Domination is Complete? Its Bookstore Offers Clues*, N.Y. TIMES (June 23, 2019), <https://www.nytimes.com/2019/06/23/technology/amazon-domination-bookstore-books.html>

[<https://perma.cc/RA8J-FPRB>] (quoting a doctor who could not read a poorly printed, counterfeit, medical handbook).

² *Id.*

³ *Id.*

off approach, rarely checking authenticity or quality of its third-party sellers' products, is a threat to consumers, legitimate sellers, and the reputation of Amazon's Marketplace.⁴

Amazon, an e-commerce giant, reaches a consumer base of over 300 million active users.⁵ Stemming from Amazon's large consumer population is a rise in third-party vendors⁶ who sell on Amazon's global marketplace.⁷ Being at the forefront of e-commerce growth, however, also means increased exposure to the sale of counterfeited products.⁸ Counterfeit products refer to products that are illegally duplicated, violating a registered patent,

⁴ See Hillary Hoffower, *Fake Products Sold by Places like Walmart or Amazon Hold Risks of Everything from Cyanide to Rat Droppings – Here's How to Make Sure What You're Buying is Real*, BUS. INSIDER (Mar. 29, 2018), <https://www.businessinsider.com/how-to-find-fake-products-online-shopping-amazon-ebay-walmart-2018-3#1-know-whos-selling-the-product-1> [<https://perma.cc/H383-CBBQ>] (“A third-party seller ships the product to Amazon's warehouses, which then ships it to [consumers] without confirming the product is authentic beforehand.”).

⁵ Matthew J. Clark, *Leveeing a Flood of Counterfeits on Amazon*, AM. BAR ASS'N (Jan. 2019), https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2018-19/january-february/leveeing-flood-counterfeits-amazon/ [<https://perma.cc/3GXK-EQLU>] (explaining that large and small businesses sell on Amazon to access its massive customer base and global market).

⁶ Joshua Fruchter, *Amazon Takes Aim at Patent Infringement in its Marketplace*, NAT'L L. REV. (July 12, 2019), <https://www.natlawreview.com/article/amazon-takes-aim-patent-infringement-its-marketplace> [<https://perma.cc/8999-GP5E>] (explaining that gross merchandise sales in the Amazon Marketplace by independent third-party sellers has grown to 58% of total sales).

⁷ Daniel Keyes, *3rd-Party Sellers are Thriving on Amazon*, BUSINESS INSIDER (May 13, 2019), <https://www.businessinsider.com/amazon-third-party-sellers-record-high-sales-2019-5> [<https://perma.cc/M54A-XHJR>] (finding that third-party sellers make up a large share of sales on Amazon's marketplace, with sales totaling over \$160 billion in 2018).

⁸ See Robert Klara, *Counterfeit Goods Are a \$460 Billion Industry, and Most Are Bought and Sold Online*, ADWEEK (Feb. 13, 2017), <https://www.adweek.com/brand-marketing/counterfeit-goods-are-a-460-billion-industry-and-most-are-bought-and-sold-online/> [<https://perma.cc/6T88-AUV5>] (noting that most counterfeit goods are sold online because “[t]he internet makes it easy to hide.”).

copyright, or trademark.⁹ These counterfeit products typically involve an illegal replica sold at a lower price than that of the authentic product.¹⁰ A study conducted in 2017 of ten websites found that Amazon ranked fourth in sales of the most counterfeit merchandise.¹¹ Third-party counterfeit sellers are able to reach the same global audience as authentic brands, but benefit by avoiding the reach of foreign law enforcement.¹² As a result of Amazon's counterfeit product problem, the company is facing multiple lawsuits from brands and consumers who say the company should be held liable for not doing enough to eliminate counterfeit products from its website.¹³ Not only are counterfeit products an inferior version of the authentic counterpart that create a health and safety risk to consumers, counterfeits are also a violation of the intellectual property rights of a legitimate seller or manufacturer.¹⁴

In light of Amazon's counterfeit product problem, in April 2019, Amazon unveiled its Utility Patent Neutral Evaluation Procedure ("UPNEP"), a program designed to combat utility patent infringement on the Amazon Marketplace.¹⁵ The program enlists private attorneys to resolve seller disputes involving utility patent

⁹ Chris Rojek, *Counterfeit Commerce: Relations of Production, Distribution and Exchange*, 11 SAGE CULTURAL SOCIOLOGY 28 (2017).

¹⁰ *Id.*

¹¹ See Klara, *supra* note 8 (ranking AliExpress, Facebook, and Tokopedia as first, second, and third, respectively).

¹² See Clark, *supra* note 5.

¹³ See *Fox v. Amazon, Inc.*, 930 F.3d 415 (6th Cir. 2019) (involving a counterfeit hoverboard sold on Amazon that caused a fire and resulted in various injuries and destruction of Plaintiff's home); *Daimler AG v. Amazon.com Inc.*, No. 2:16-cv-00518 (W.D. Wash. filed May 13, 2019) (alleging Amazon profited from selling Mercedes-Benz replica wheels from ten distributors that Daimler claimed violated a pair of its patents and infringed on its trademark); see generally Alana Semuels, *Amazon May Have a Counterfeit Problem*, THE ATLANTIC (Apr. 20, 2019), <https://www.theatlantic.com/technology/archive/2018/04/amazon-may-have-a-counterfeit-problem/558482/> [<https://perma.cc/5Y2X-F7KV>].

¹⁴ See generally Imed Eddine Bekhouche, *Copyright and Trademark Offenses Which Might Infringe the Consumer's Rights*, 4 ATHENS L.J. 243 (2018).

¹⁵ John DiGiacomo, *Amazon's Patent Neutral Evaluation Procedure: What You Need to Know*, REVISION LEGAL (May 13, 2019), <https://revisionlegal.com/amazon/patent-neutral-evaluation-procedure/> [<https://perma.cc/5WEB-4JXP>].

infringement on the platform.¹⁶ Currently, Amazon is testing the program and the program is not yet publicly available.¹⁷ The program provides a relatively streamlined and significantly cheaper procedure for utility patent holders to protect their intellectual property rights from other sellers on Amazon in comparison to traditional judicial patent litigation.¹⁸ There are problems with the program, however, that Amazon should address before launching the UPNEP.

This Recent Development will examine the persistent counterfeit product problem plaguing Amazon's site and Amazon's foray into the business of patent infringement adjudication. Part II discusses the essential background on traditional resolution of patent infringement claims. Next, Part III discusses Amazon's past attempts at curbing intellectual property infringement and its newest approach. Part IV examines weaknesses of the UPNEP, and Part V will provide recommendations to improve the UPNEP.

II. GENERAL BACKGROUND ON INFRINGEMENT RESOLUTION

Intellectual property refers to any work, invention, or creation that the law protects from unauthorized use by others.¹⁹ Intellectual property is typically comprised of patents, trademarks, trade secrets, and copyrights.²⁰ This Recent Development will focus on the protection of patents, specifically utility patents. Patents are issued by the U.S. Patent and Trademark Office ("USPTO") and protect inventions and discoveries.²¹ A patent is issued for a term of

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Intellectual Property*, LEGAL INFO. INST., https://www.law.cornell.edu/wex/intellectual_property [<https://perma.cc/PEN9-BQZ9>] (last visited Sept. 23, 2019) (Intellectual property is defined as "any product of the human intellect that the law protects from unauthorized use by others."); *see generally* Melissa Feeney Wasserman, *Divided Infringement: Expanding the Extraterritorial Scope of Patent Law*, 82 N.Y.U. L. REV. 281, 283–85 (2007).

²⁰ Jeremy M. Wilson et al., *Product Counterfeiting Legislation in the United States: A Review and Assessment of Characteristics, Remedies, and Penalties*, 106 J. CRIM. L. & CRIMINOLOGY 521, 525–26 (2016).

²¹ 35 U.S.C. § 271(a) (2012).

twenty years from the filing date and allows the patent-holder to exclude others from producing, using, selling, or importing the invention into the U.S.²²

A U.S. patent is a document issued by the USPTO and gives the patent owner the right to prevent others from “making, using, offering to sell, or selling within the United States or importing into the United States,” products or methods that are covered by the patent.²³ Approximately 90% of patent documents issued by the USPTO in recent years have been utility patents.²⁴ Utility patents are issued for the invention of a “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof”²⁵ and permit the owner to exclude others from making, using, or selling²⁶ the invention throughout the U.S. for a period of up to twenty years²⁷ from the patent application filing date.

Patent infringement is a violation of a patent owner’s rights with respect to their invention.²⁸ When a patent is infringed, a patent owner can enforce their right to the invention by engaging in a court proceeding, such as patent litigation, or an alternative

²² *Id.*

²³ 35 U.S.C. § 271.

²⁴ *Types of Patents*, U.S. PATENT AND TRADEMARK OFFICE (Mar. 31, 2016), <https://www.uspto.gov/web/offices/ac/ido/oeip/taf/data/patdesc.htm> [<https://perma.cc/73L3-HW28>]. The other 10% comprise design patents and plant patents. *Id.*

²⁵ 35 U.S.C. § 101 (2012) (explaining what patentable inventions can be); *see* 35 U.S.C. § 102 (2012) (explaining the novelty requirement for patentability); *see also* 35 U.S.C. § 103 (2012) (explaining the non-obvious subject matter condition for patentability).

²⁶ *See* 35 U.S.C. § 271.

²⁷ *See* 35 U.S.C. § 154(a)(2) (2012); *see also* 35 U.S.C. § 154(a)(1).

²⁸ 35 U.S.C. § 271(a) (“Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”); *see also Patent Infringement*, LEGAL INFO. INST., https://www.law.cornell.edu/wex/patent_infringement [<https://perma.cc/K3UT-TAUS>] (last visited Sept. 23, 2019) (“Unless permitted by the patent owner, one commits patent infringement by making, using, offering to sell, or selling something that contains every element of a patented claim or its equivalent while the patent is in effect.”).

dispute resolution, such as a proceeding involving the U.S. International Trade Commission (“ITC”).

A. Traditional Judicial Resolution: Patent Litigation

Patent litigation is the legal process that unfolds when individuals who own patents enforce their right by suing others for infringing on the patent or appropriating the invention without permission.²⁹ To prevail in a patent infringement suit, the patent holder must prove by a preponderance of the evidence³⁰ that the defendant directly infringed on a claim of the patent, contributed to another’s infringement of the patent, or induced another to infringe on the patent.³¹ This infringement claim is typically countered by the accused party who will argue to invalidate the patent at issue.³² Patents are presumed valid,³³ but the defendant can rebut the presumption of validity by meeting a standard of clear and convincing evidence.³⁴

Patent litigation begins with the plaintiff patent owner filing and serving a complaint against the defendant.³⁵ Federal courts have exclusive jurisdiction over patent infringement cases, regardless of where the goods originate.³⁶ The plaintiff can choose

²⁹ See Wasserman, *supra* note 19, at 284.

³⁰ *Cross Med. Prods. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310 (Fed. Cir. 2005) (“To prove direct infringement, the plaintiff must establish by a preponderance of the evidence that one or more claims of the patent read on the accused device literally or under the doctrine of equivalents.”).

³¹ See 35 U.S.C. § 271(a).

³² Irfan A. Lateef & Marko R. Zoretic, *The U.S. Patent Litigation Process*, ASS’N OF CROATIAN AM. PROFESSIONALS, 1 (Dec. 3, 2010), <http://croampro.com/wp-content/uploads/2017/01/TheUSPatentLitigationProcess-IPOsgoodeDecember2010.pdf> [<https://perma.cc/WRY6-257B>] (last visited Nov. 7, 2019).

³³ 35 U.S.C. § 282(a) (2012) (“A patent shall be presumed valid” and “[t]he burden of establishing invalidity shall rest on the party asserting it.”).

³⁴ See *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 102 (2011) (“According to [§ 282’s] settled meaning, a defendant raising an invalidity defense bore ‘a heavy burden of persuasion,’ requiring proof of the defense by clear and convincing evidence.”).

³⁵ Lateef & Zoretic, *supra* note 32, at 1.

³⁶ 28 U.S.C. § 1338(a) (2012) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to

to file the complaint in any federal district court where the defendant knowingly profited from the sale of the allegedly infringing products.³⁷

The district court will then conduct a case management conference in which a judge will set the case schedule, scope of discovery, how to handle the parties' electronically-stored information, and how to handle confidential information via a protective order.³⁸ At the case management conference, the judge may explore the possibility of mediating the parties' dispute.³⁹ Next, discovery will occur.⁴⁰ Parties will find experts to testify in patent trials on the technical subject matter of the patents, the value of the patents, and any economic harm caused by the alleged infringement.⁴¹ The discovery period may last from six months to several years, depending on the complexity of the case and the court's schedule, and is generally the most expensive part of a patent litigation case.⁴²

Next, a claim construction hearing will occur.⁴³ Known as a *Markman* hearing, the court will construe patent claims to

patents Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases"); *see generally* Maria Luisa Palmese, *Patent litigation in the United States: overview*, THOMSON REUTERS PRACTICAL LAW (July 1, 2018), [https://content.next.westlaw.com/Document/I0a46282fd1a011e598dc8b09b4f043e0/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://content.next.westlaw.com/Document/I0a46282fd1a011e598dc8b09b4f043e0/View/FullText.html?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1) [<https://perma.cc/8438-4LD2>].

³⁷ *See* Lateef & Zoretic, *supra* note 32, at 2.

³⁸ *Id.*

³⁹ FISH & RICHARDSON, A GUIDE TO PATENT LITIGATION IN FEDERAL COURT 1, 6 (Lawrence K. Kolodney ed. 2019), <https://www.fr.com/wp-content/uploads/2019/05/2019-Q2-Guide-to-Patent-Litigation-in-Federal-Court-final.pdf> [<https://perma.cc/3ZVL-WMWS>] [hereinafter PATENT LITIGATION GUIDE].

⁴⁰ *See* Lateef & Zoretic, *supra* note 32, at 4.

⁴¹ PATENT LITIGATION GUIDE, *supra* note 39, at 10.

⁴² Samson Vermont, *AIPLA Survey of Costs of Patent Litigation and Inter Partes Review*, PATENTATTORNEY.COM (Jan. 30, 2017), <https://www.patentattorney.com/aip-la-survey-of-costs-of-patent-litigation-and-inter-partes-review/> [<https://perma.cc/776N-2ZY9>] (finding that the median costs of patent litigation through the end of discovery ranged from \$400,000 to \$3 million depending on amounts in controversy or at risk).

⁴³ *See* Lateef & Zoretic, *supra* note 32, at 6.

determine the meaning and scope of patent protection.⁴⁴ The court will look to claim language, the patent specification, and prosecution history.⁴⁵ After the claim construction process, summary judgment motions are typically brought if one of the parties believes that there are no genuine and material factual disputes, and as a matter of law, it is entitled to a judgment.⁴⁶

Less than five percent of patent infringement lawsuits make it to trial due to their high costs and lengthy timelines.⁴⁷ In 2019, the median patent litigation cost was between \$700,000 and \$4 million.⁴⁸ Because patent litigation is expensive and time consuming, in the vast majority of cases, parties will typically enter into a settlement agreement.⁴⁹ A settlement may be facilitated by a court by means of mediation or arbitration; otherwise, litigation will proceed to jury trial.⁵⁰

⁴⁴ See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) (holding that a district court judge must construe, as a matter of law, the scope of a patent, including specifically the meaning of its claims); 35 U.S.C. § 154 (1994). The claims in a patent establish the outer boundaries of a patent owner's exclusive right to prevent others from making, using, or selling an invention. *Id.*

⁴⁵ See *Lateef & Zoretic*, *supra* note 32, at 6 (defining prosecution history as the written record of communications between the patent applicant and the USPTO).

⁴⁶ PATENT LITIGATION GUIDE, *supra* note 39, at 13 (“[S]ummary judgment motions are prepared and filed sometime after the close of fact and expert discovery and claim construction . . . [when] the parties and the court look for ways to potentially simplify issues and streamline the case for trial.”).

⁴⁷ *Lateef & Zoretic*, *supra* note 32, at 7.

⁴⁸ Scott P. McBride, *Strategies for Controlling Costs in Patent Litigation*, LAW 360 EXPERT ANALYSIS (Sept. 12, 2019), <https://www.law360.com/articles/1198463/strategies-for-controlling-costs-in-patent-litigation> [<https://perma.cc/CEJ8-BLK3>].

⁴⁹ PATENT LITIGATION GUIDE, *supra* note 39, at 19 (explaining that a settlement agreement is often a rational choice for both parties because it avoids both the expense and uncertainty associated with taking a case to trial and through appeal).

⁵⁰ *Id.* At a *Markman* hearing, the judge will construe the claims of the patents, making the outcome of a trial more predictable, and leaves the determination of damages, a question of fact, for the jury. Philippe Signore, *On the Role of Juries in Patent Litigation*, 1, 11–23 OBLON, MCCLELLAND, MAIER & NEUSTADT, L.L.P. (Oct. 6, 2019), <https://www.oblon.com/A11960/assets/files/News/256.pdf> [<https://perma.cc/RG4F-5ETP>].

A court can issue several types of penalties if infringement is found.⁵¹ Common penalties include actual damages, royalties for unauthorized use, costs, court ordered mediation, enforced arbitration, and/or a permanent or preliminary injunction.⁵² A permanent injunction prevents the infringer from continuing to produce and sell the infringing product.⁵³ A preliminary injunction occurs at the beginning of a case and is granted if the plaintiffs can overcome a balancing test⁵⁴ that determines if a preliminary injunction is appropriate. The losing party may appeal the judgment and all appeals must be taken to the U.S. Court of Appeals for the Federal Circuit.⁵⁵ Although patent litigation is the traditional venue for patent infringement resolution, parties can also pursue alternative dispute resolution.

B. Alternative Dispute Resolution: ITC Proceedings

The ITC provides an alternative resolution proceeding to traditional patent litigation.⁵⁶ The ITC has jurisdiction over those who directly import or sell infringing goods, as well as those who generally contribute to or cause the sales or importation of the infringing products into the U.S., or whose acts have some

⁵¹ For a visualization of the traditional patent litigation process, see Appendix A.

⁵² *Types of Patent Infringement: Everything You Need to Know*, UPCOUNSEL, <https://www.upcounsel.com/types-of-patent-infringement> [<https://perma.cc/L7PU-2TZC>] (last visited Sept. 23, 2019).

⁵³ *Id.*

⁵⁴ See *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7, 24 (2008) (describing a balancing test for whether a preliminary injunction is appropriate). The Supreme Court found that the balancing test requires a court to examine whether the plaintiff is likely to succeed on the merits, whether the plaintiff is likely to suffer irreparable harm without the injunction, whether the balance of equities and hardships is in the plaintiff's favor, and whether an injunction is in the public interest. *Id.*

⁵⁵ 28 U.S.C. § 1295 (2016) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction – of any appeal from a final decision of a district court of the United States . . .”).

⁵⁶ See 19 U.S.C. § 1337 (2012). A majority of investigations under section 337 involve the alleged infringement of patents, and to a lesser extent, trademarks. Carl C. Charneski, *The Role of the Office of the Administrative Law Judges Within the United States International Trade Commission*, 8 J. MARSHALL REV. INTELL. PROP. L. 216, 217 (2009).

connection with the infringing activities.⁵⁷ According to Section 337 of the Tariff Act of 1930, the ITC can hear cases from U.S. patent holders involving patent infringement from imported goods.⁵⁸ Section 337 ITC proceedings have increased significantly over the past ten years due to the ITC's speed and lack of venue and personal jurisdiction requirements.⁵⁹

An advantage of ITC litigation includes quicker decision times in comparison to traditional patent litigation.⁶⁰ According to Section 337, the ITC must make an investigation and initial ruling “expeditiously,” or usually between 12 and 15 months.⁶¹ The ITC has thirty days to decide whether to start an investigation after the plaintiff's filing.⁶² In ITC Section 337 cases, there are no juries.⁶³ Instead, an Administrative Law Judge will hear the case and make

⁵⁷ See 82 Fed. Reg. 60215 (Dec. 19, 2017) (holding that a determination of an accused party's involvement in importing infringing products should be based on a real-world, commonsense analysis); see also Aarti Shah, *A Look at Five Cases at the International Trade Commission: Apple v. Qualcomm, Jurisdiction Issues, and Overlap with the FDA*, IPWATCHDOG (July 18, 2019), <https://www.ipwatchdog.com/2019/07/18/look-five-cases-international-trade-commission-apple-v-qualcomm-jurisdiction-issues-overlap-fda/id=111426/> [<https://perma.cc/3FLZ-TPJD>].

⁵⁸ See 19 U.S.C. § 1337(a) (2012) (§ 337 of the Tariff Act of 1930 as currently amended and codified).

⁵⁹ Jamie McDole & Tiffany Cooke, *Will ITC Become The Forum Of Choice For Patent Litigation?*, LAW 360 EXPERT ANALYSIS (Jan. 3, 2018), <https://www.law360.com/articles/996265> [<https://perma.cc/EM3Y-68ZH>] (“ITC filings are already on the rise with an almost 60 percent increase in new complaints from 2015 to 2016, and 2017 new complaints are on pace to match or beat 2016.”).

⁶⁰ For a visualization of this process, refer to Appendix B. Note the difference in length of time between Appendix A and Appendix B.

⁶¹ Bret C. Reiser & Cyrus T. Frelinghuysen, *An Overview of Section 337 Litigation before the ITC*, LAW 360 EXPERT ANALYSIS (Aug. 9, 2010), <https://www.law360.com/articles/183706/an-overview-of-section-337-litigation-before-the-its> [<https://perma.cc/VJE7-DRZU>].

⁶² McDole & Cooke, *supra* note 59; see Paul J. Sutton, *U.S. Jurisdiction Report: ITC Patent Lawsuit as an Alternative*, <https://www.worldipreview.com/contributed-article/us-jurisdiction-report-its-patent-lawsuit-as-an-alternative> [<https://perma.cc/FMQ9-VYBG>] (explaining that the ITC can choose to decline to proceed with an investigation, leaving the patent owner without this course of action).

⁶³ Reiser & Frelinghuysen, *supra* note 61.

the decision.⁶⁴ The ITC has *in rem* jurisdiction over all imported goods, so a single plaintiff can bring an action against several parties at once and the parties can reside in different jurisdictions.⁶⁵ If the plaintiff patent holder wins the case, the ITC will prevent already-imported products from being sold and distributed domestically and will ask U.S. Customs to prevent the infringing product from entering the country.⁶⁶ If there are several infringing products from several sources, the ITC can issue a general exclusion order, which includes barring products from parties not named within the ITC lawsuit.⁶⁷ Thus, a patent holder will not have to keep filing suits in order to keep the infringing product out of the country.⁶⁸

Although the ITC offers advantages over traditional patent litigation in federal court, there are a few drawbacks. The ITC does

⁶⁴ Administrative Law Judges are the initial triers of fact, administrators, and decision-makers in Section 337 cases. *See generally* Charneski, *supra* note 56.

⁶⁵ *See* Wesley Newcomb Hohfeld, *Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 26 YALE L.J. 710, 718–20 (1916-17) (defining *in rem* jurisdiction as rights that avail against the rest of the world and “availing respectively against persons constituting a very large and indefinite class of people”). *In rem* jurisdiction operates against things, rather than persons, and bars importation of infringing goods. Merritt R. Blakeslee, *Pursuing Patent Infringement Litigation at the U.S. International Trade Commission and in Federal District Courts*, BLAKESLEE LAW FIRM (Sept. 2010), <https://www.sema.org/files/attachments/Government-Affairs-2010-09-Merritt-Blakeslee-ITC-Patent-Infringement-Cases.pdf> [<https://perma.cc/H9AS-HGYY>].

⁶⁶ Reiser & Frelinghuysen, *supra* note 61.

⁶⁷ *See* 19 U.S.C. § 1337(d)(2) (2012); *see also* *ITC General Exclusion Orders are an Increasingly Popular Tool to Fight Knockoffs*, FINANCIER WORLDWIDE MAGAZINE (Oct. 2016), <https://www.financierworldwide.com/itc-general-exclusion-orders-are-an-increasingly-popular-tool-to-fight-knockoffs#.XbeYGOhKjD4> [<https://perma.cc/7FN7-JAEL>] (“[General Exclusion Orders] reach infringing products of parties that were not part of the investigation, and even to parties which may not have been producing infringing items when the [General Exclusion Order] issued.”). Parties who have obtained these orders include Louis Vuitton, Converse, Crocs, Segway, Canon, and Epson, among others. *Id.*

⁶⁸ *See generally id.* (explaining that the ITC’s jurisdiction is *in rem*, as opposed to *in personam*, meaning the ITC can prohibit importation of the infringing products by *any* person, even a non-party, through the general exclusion order).

not have jurisdiction over infringing goods that are produced in the U.S.⁶⁹ In such cases, litigation over domestically produced goods must take place in federal district court. Section 337 ITC investigations are quick, complex, challenging, and high-stakes, requiring highly-skilled attorneys who have a combination of litigation experience and technical knowledge of the ITC's unique procedural framework.⁷⁰ The accelerated pace of Section 337 proceedings can cause attorney fees to skyrocket unless closely managed.⁷¹ A prospective complainant must make extensive preparations before filing a Section 337 complaint, and an ITC proceeding requires more documentation than does a notice pleading in federal district court, often requiring an attorney with expertise and dedicated staff to monitor the progress of the ITC proceeding.⁷²

Both traditional patent litigation and ITC proceedings require highly skilled attorneys, extensive paperwork, a timeline of at least a year until a decision is reached, and often come at a high monetary cost to parties involved. For an authentic seller whose sales are suffering because of competition from infringing goods, speedy relief is crucial. Although the ITC offers relief in a shorter amount of time than traditional patent litigation, Amazon's anti-counterfeit programs can offer further expedited relief to the company's sellers.

III. AMAZON'S APPROACHES

Third-party merchants and consumers have long complained that Amazon's lax policing of counterfeits has cost them sales and

⁶⁹ See 19 U.S.C. § 1337 (2012) (authorizing the ITC to have *in rem* jurisdiction over imported articles at issue).

⁷⁰ *ITC Proceedings / Section 337*, ROPES & GRAY, <https://www.ropesgray.com/en/practices/intellectual-property/intellectual-property-litigation/ITC-Proceedings-Section-337> [<https://perma.cc/EN2L-AYSU>] (last visited Sept. 23, 2019).

⁷¹ SECTION 337 PRACTICE, COVINGTON & BURLING LLP, https://www.cov.com/files/FirmService/57264b42-5957-4794-a4bb-bef3b7838748/Presentation/ceFirmServiceBrochure/ITC_Section_337_Brochure.pdf [<https://perma.cc/GSK3-4X6H>] (last visited Sept. 23, 2019).

⁷² *Id.* at 2.

compromised their brands, leaving consumers “to figure out whether the box on their doorstep actually contains what they ordered or a shoddy copy.”⁷³ Amazon prohibits the sale of counterfeit goods on its platform, but at the same time, has been reaping the rewards of third-party counterfeit sales, while shifting the blame to the third-party merchants selling these items.⁷⁴

Courts have yet to find Amazon liable for selling counterfeit goods because the company has successfully argued that it is a platform for sellers, rather than a seller itself.⁷⁵ Large and small brands that sell on Amazon are pressuring the technology giant to take action against counterfeit products being sold on its Marketplace.⁷⁶ Amazon has responded to seller and consumer concerns as well as litigation by acknowledging the counterfeit problem and initiating programs to hunt down counterfeit goods on its Marketplace.⁷⁷

⁷³ Taylor Telford, *Amazon Moves to End The Scourge of Fake Goods On Its Platform*, WASH. POST (Feb. 23, 2019), <https://www.washingtonpost.com/business/2019/02/28/amazon-moves-end-scourge-fake-goods-its-platform/> [<https://perma.cc/QD5X-DVSL>].

⁷⁴ *Id.* Amazon has thrived from the sale of counterfeit goods because sellers of counterfeit goods, like authentic sellers, pay transaction and shipping fees. See David Pierson, *Must Reads: Extra Inventory. More Sales. Lower Prices. How Counterfeits Benefit Amazon*, L.A. TIMES (Sept. 28, 2018, 3:00 AM), <https://www.latimes.com/business/technology/la-fi-tn-amazon-counterfeits-20180928-story.html> [<https://perma.cc/YMX4-7WRH>]. The presence of cheaper counterfeits often puts a downward pressure on authentic sellers to lower prices, drawing more consumers to Amazon’s Marketplace. *Id.*

⁷⁵ See *Fox v. Amazon, Inc.*, 930 F.3d 415, 425 (6th Cir. 2019) (holding that Amazon did not exercise enough control over the counterfeit product to be deemed a seller and was not liable for plaintiff’s injuries). Thus, courts seem to indicate that only sellers of the counterfeit products are liable for infringement.

⁷⁶ See Semuels, *supra* note 13, at 1.

⁷⁷ Marc Bain, *Amazon Has Finally Admitted to Investors That it Has a Counterfeit Problem*, QUARTZ (Feb. 5, 2019), <https://qz.com/1542839/amazon-has-finally-admitted-to-investors-that-it-has-a-counterfeit-problem/> [<https://perma.cc/ZG7T-TWX9>] (“Amazon for the first time has acknowledged sales of counterfeits and pirated items as a risk in its annual earnings report to investors and the U.S. Securities and Exchange Commission.”). Amazon admitted that it “could be liable” for the activities of its sellers. The technology giant went on to explain that the sale of counterfeit goods could harm its

A. *Past Attempts and Shortcomings*

The sale of counterfeit products harms the reputation of brands that sell authentic products and also harms consumers who purchase counterfeit goods.⁷⁸ Amazon's pervasive counterfeit problem has caused some legitimate brands to pull their products from the Marketplace.⁷⁹ Birkenstock, for example, pulled its products from Amazon and warned shoppers that Birkenstock products on Amazon cannot be trusted to be authentic, believing Amazon's counterfeit problem jeopardized the reputation of the brand.⁸⁰ In response to this harm felt by authentic brands and consumers, Amazon has initiated several programs to boost its efforts in eliminating counterfeits, notably Brand Registry, Project Zero, and its newest effort, the UPNEP.⁸¹

1. *Brand Registry*

In May 2017, Amazon launched the Brand Registry program.⁸² This program constituted Amazon's first attempt to curb the sale of counterfeit products and continues to be an influential program. Brand Registry helps protect brands that have a government-

business, damage its reputation, and could open the company up to civil or criminal liability for unlawful activities by its sellers. *Id.*

⁷⁸ Marc Bain, *Birkenstock Says Amazon is Rife with Counterfeits: How to Avoid Getting Suckered into Buying Them*, QUARTZ (July 23, 2016), <https://qz.com/738620/birkenstock-says-amazon-is-rife-with-counterfeits-how-to-avoid-getting-suckered-into-buying-them/> [<https://perma.cc/YLB6-YAS9>].

⁷⁹ *Id.* (explaining that Birkenstock is pulling its products from Amazon because the company "felt the fake sandals on the site, which sell for about \$20 less than the real product, were hurting its brand, and it will tell shoppers that Birkenstock products on Amazon can't be trusted to be authentic.").

⁸⁰ *Id.*

⁸¹ See Molly Bryant, *Brand Registry is Just the Beginning: A Roundup of Amazon Anti-Counterfeiting Programs*, SELLERLABS (July 15, 2019), <https://www.sellerlabs.com/blog/brand-registry-just-beginning-roundup-amazon-anti-counterfeiting-programs/> [<https://perma.cc/UJ6Q-4LA3>]; see also Matthew Bultman, *Want to Avoid Costly Patent Cases? Amazon Offers A Hack*, LAW 360 (May 1, 2019), <https://www.law360.com/articles/1153478/want-to-avoid-costly-patent-cases-amazon-offers-a-hack> [<https://perma.cc/BZC6-J5PA>].

⁸² Tara Johnson, *Amazon Brand Registry: How Does it Work, and Is it Worth it?*, TINUITI (July 19, 2018), <https://cpcstrategy.com/blog/2018/07/amazon-brand-registry/> [<https://perma.cc/6BXG-2BKF>].

registered trademark.⁸³ Amazon allows enrollment for brands that have both text-based and image-based marks and requires brands to submit a government-registered trademark number, a list of product categories, and a list of countries where the brand's products are manufactured and distributed.⁸⁴ Once a brand has been authenticated and approved by Amazon, Amazon will assign the brand an Amazon Standard Identification Number ("ASIN").⁸⁵ Brands are then able to assign the ASIN to every product unit they manufacture, and Amazon will use this code to authenticate the products during Amazon's product fulfillment and shipment process.⁸⁶ Currently, more than 60,000 brands are registered in Brand Registry and the brands on average report 99% fewer suspected infringements than prior to the launch of Brand Registry.⁸⁷

This program, however, is only available to registered trademark holders. In general, trademarks are words, phrases, logos, and symbols used by producers to identify their goods.⁸⁸ Because trademarks are typically text, logo, or image-based, the Brand Registry program can scan the Marketplace for other sellers who are using the same text, logo, or image and will notify

⁸³ *Id.* (explaining that Amazon currently accepts trademarks that have been issued by government trademark offices in the United States, Brazil, Canada, Mexico, Australia, India, Japan, France, Germany, Italy, Spain, the United Kingdom, and the European Union); *see also* 15 U.S.C. § 1127 (2012) (defining a trademark as "any word, name, symbol, or design, or any combination thereof, used in commerce to identify and distinguish the goods of one manufacturer or seller from those of another and to indicate the source of the goods.").

⁸⁴ *See* Johnson, *supra* note 82.

⁸⁵ Sunitha Sundaran, *What is Amazon Brand Registry 2.0? Ultimate 2019 Guide*, SELLERAPP, <https://www.sellerapp.com/blog/new-amazon-brand-registry/> [<https://perma.cc/U96Q-VS7Y>] (last visited Sept. 23, 2019) (explaining that an ASIN is a 10-character alphanumeric unique identifier assigned by Amazon and denotes that the brand is actively enrolled for Brand Registry). Brand Registry simplifies the process of finding cases of potential infringement with global search, image search, ASIN searches, and provides brands with simple workflows on how to report potential infringement claims for Amazon's review. *Id.*

⁸⁶ *See* Johnson, *supra* note 82.

⁸⁷ *Id.*

⁸⁸ 15 U.S.C. § 1127 (2012).

registered brands of potential trademark infringement. Upon a finding of potential infringement, Amazon investigators will respond and take action. In addition, products that are “fulfilled by Amazon”⁸⁹ will receive Brand Registry protection via an ASIN scan prior to product fulfillment and shipment, verifying that the product is authentic. Products that are not “fulfilled by Amazon” are excluded from Brand Registry protection.⁹⁰ There are currently no safeguards in place to prevent sellers that do not use “fulfilled by Amazon” from continuing to sell counterfeit products under another account with a different name.⁹¹

2. Project Zero

Project Zero emerged in February 2019 as Amazon finally acknowledged⁹² the risk unlawful merchants pose to its business, and it is the company’s second attempt at removing counterfeit

⁸⁹ When a product is “fulfilled by Amazon,” Amazon acts as the middleman between the consumer and the true seller of the product. Edgar Alvarez, *Amazon Needs to Get a Handle on its Counterfeit Problem*, ENGADGET (May 31, 2018), <https://www.engadget.com/2018/05/31/fulfilled-by-amazon-counterfeit-fake/> [<https://perma.cc/34LT-4UDT>]. When Amazon fulfills an order, it simply stores, ships, and processes payments. *Id.* The only thing it does not claim to do is be the owner of the product, shielding the company from liability. *Id.*

⁹⁰ Brand Registry allows products that are “fulfilled by Amazon” to be checked for authenticity via the ASIN scan prior to product fulfillment and shipment to the consumer. *See* Johnson, *supra* note 82. In addition, through Brand Registry, if a registered seller can prove that someone has counterfeited a product, Amazon will dispose of any counterfeit inventory it is holding through “fulfilled by Amazon.” Cory Checketts, *Understanding Amazon Brand Registry and Its Limitations*, SELLERLABS (Sept. 1, 2016), <https://www.sellerlabs.com/blog/understanding-amazon-brand-registry-limitations/> [<https://perma.cc/24DY-7DYD>].

⁹¹ Although it is a violation to have multiple Amazon seller accounts, there are guides that instruct users on how to create multiple Amazon seller accounts. *See Ultimate Guide About Multiple Amazon Seller Account*, CHINABRANDS (Aug. 1, 2019), <https://www.chinabrands.com/dropshipping/article-ultimate-guide-about-multiple-amazon-seller-account-13368.html> [<https://perma.cc/Y9TK-MTJZ>] (“If you want to operate multiple accounts, you should make Amazon believe that these accounts are possessed and operated by different people.”).

⁹² *See* Bain, *supra* note 77 (explaining that in February 2019, Amazon added a first-time warning about counterfeit products to its 10K regulatory filing earnings report).

listings.⁹³ In order to participate in Project Zero, the brand must have a government-registered trademark and must also be enrolled in Brand Registry.⁹⁴ Project Zero empowers brand owners to automatically take down counterfeit listings, without having to contact Amazon, through a self-service counterfeit removal tool.⁹⁵ Project Zero also uses machine learning⁹⁶ to automatically scan the Marketplace for potential counterfeits and remove them proactively, without brand owner intervention.⁹⁷ Amazon's machine learning scans over 5 billion listings every day to look for suspected counterfeits.⁹⁸ In addition to the self-service removal tool and machine learning scans, Project Zero utilizes product serialization to assign a unique code to each product manufactured by a brand, and asks the brand to put the code on its products as part of its manufacturing process.⁹⁹ Similar to Brand Registry, the product serialization allows "fulfilled by Amazon" employees who fulfill Amazon orders to scan these codes to confirm authenticity of a registered brand's products, and can stop counterfeit products from reaching a consumer.¹⁰⁰

Although Brand Registry and Project Zero have proven effective¹⁰¹ at eliminating counterfeit products on the basis of

⁹³ Telford, *supra* note 73.

⁹⁴ Greg Swan, *What Is Amazon Project Zero & How it Helps Fight Counterfeit Listings*, TINUITI (Mar. 25, 2019), <https://cpcstrategy.com/blog/2019/03/amazon-project-zero/> [<https://perma.cc/KER8-5H65>].

⁹⁵ *Amazon Project Zero*, AMAZON, <https://brandservices.amazon.com/projectzero> [<https://perma.cc/VM8U-9UX5>] (last visited Oct. 6, 2019).

⁹⁶ *Machine Learning: What it is and Why it Matters*, SAS, https://www.sas.com/en_us/insights/analytics/machine-learning.html [<https://perma.cc/LB9A-ADJY>] (last visited Oct. 6, 2019) (explaining that machine learning allows computers to learn from data, identify patterns, and make decisions with minimal human intervention).

⁹⁷ Swan, *supra* note 94.

⁹⁸ Dharmesh M. Mehta, *Amazon Project Zero*, AMAZON BLOG (Feb. 28, 2019), <https://blog.aboutamazon.com/company-news/amazon-project-zero> [<https://perma.cc/C36K-SWU7>].

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ Amazon's automated protections, on average, stop 100 times more suspected counterfeit products as compared to removing listings based on reports from brands and sellers. *Id.*

trademark identification through machine learning, the speed at which counterfeit listings are removed is not sufficient to protect brands from infringement, given the speed at which counterfeiters can create a new Amazon account and produce and advertise counterfeits online.¹⁰² Thus far, Amazon has limited its anti-infringement efforts to trademarks, but has done little to protect patents from infringement. This may be a result of limits to its machine learning and automated protections. When brands provide Amazon with key data points, including the trademark text, logo, and images, Amazon's machine learning system continuously scans the Marketplace to proactively identify and remove infringing uses of the text, logos, and images.¹⁰³ Utility patents, however, are more complicated in that they protect the function, structure, and interior workings of an invention and may not be readily identified with text, logos, or images.¹⁰⁴ Machine learning may not be advanced enough to sufficiently scan and identify inventions that function similarly, pushing Amazon to take a different approach to combat utility patent infringement.

B. New Initiative: Utility Patent Neutral Evaluation Program

Amazon's latest intellectual property protection effort is the Utility Patent Neutral Evaluation Procedure ("UPNEP").¹⁰⁵ Although this program is still in its testing phase and has not yet been released to the public, it is an attempt to combat utility patent infringement through a quasi-judicial process, rather than the internal quality-control approach Amazon has previously taken for

¹⁰² Laura Urquizu, *Can Amazon's New Project Zero Stem The Rise of Online Counterfeit Sales?*, DIGITALCOMMERCE360 (Mar. 28, 2019), <https://www.digitalcommerce360.com/2019/03/28/can-amazons-new-project-zero-stem-the-rise-of-online-counterfeit-sales/> [https://perma.cc/5XUT-JN5V] (explaining that "counterfeiters are a resourceful and agile group able to respond to new challenges relatively quickly" and "when policing methods improve, counterfeiters migrate their sales and marketing operations to other platforms.").

¹⁰³ See Mehta, *supra* note 98.

¹⁰⁴ 35 U.S.C. § 101 (2012).

¹⁰⁵ For a visualization of the UPNEP, see Appendix C. Note the difference in length of time compared to traditional patent litigation in Appendix A and a Section 337 ITC proceeding in Appendix B.

trademark infringement.¹⁰⁶ Under this program, a registered utility patent owner who believes infringing products are listed on Amazon can submit a takedown notification against the accused seller and infringing product with a signed agreement to participate in the UPNEP.¹⁰⁷ Amazon will then notify the accused seller, who will have twenty-one days to contest the infringement allegation.¹⁰⁸ If the seller does not contest the claim of infringement, Amazon will promptly remove the listing.¹⁰⁹ To contest, the accused seller must agree to participate in the UPNEP.¹¹⁰ To continue through the UPNEP, the accused seller and the utility patent owner must deposit \$4,000 each to a neutral evaluator selected by Amazon.¹¹¹ The neutral evaluator is a lawyer experienced in patent disputes and will decide whether the patent covers the accused products.¹¹²

If both parties agree to the UPNEP, the parties will participate in compact briefing over a roughly two-month period¹¹³ and the

¹⁰⁶ Bultman, *supra* note 81 (explaining that the UPNEP is still in its testing phase and has not been fully made available to the public).

¹⁰⁷ Bill McKenna, *Amazon Debuts New Pilot Program to Combat Utility Patent Infringement*, WOODARD, EMHARDT, HENRY, REEVES & WAGNER, LLP (Feb. 12, 2019), <https://www.uspatent.com/2019/02/amazon-debuts-new-pilot-program-to-combat-utility-patent-infringement/> [<https://perma.cc/JSU9-LLP9>].

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* Sellers who do not return the agreement to participate within three weeks, or who fail to pay the deposit, will suffer automatic removal of accused products, and the accusing patent owner's deposit will be returned. *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.* (explaining that these deposits will be wired to the neutral evaluator and held in escrow during the pendency of the evaluation procedure). There is a concern as to whether the neutral evaluator is actually neutral, considering the evaluator is hired by Amazon. Currently, there is no information available as to how Amazon finds and hires neutral evaluators, and if the neutral evaluator position is full-time or part-time.

¹¹² *Id.* Amazon has not released information regarding where the company will find neutral evaluators, or if the neutral evaluator solely works for the UPNEP.

¹¹³ The UPNEP's use of a neutral evaluator and a two-month timeline is reminiscent of the structure and timeline of the Uniform Domain Name Dispute Resolution Policy ("UDRP"). *Frequently Asked Questions: Internet Domain Names*, WIPO: WORLD INTEL. PROP. ORG., <https://www.wipo.int/amc/en/center/faq/domains.html> [<https://perma.cc/W8H3-2UJN>] (last visited Nov. 10, 2019). The UDRP is a process established by the Internet Corporation for

neutral evaluator will issue a decision shortly thereafter.¹¹⁴ Compact briefing consists of one written statement from each side that can be no more than fifteen pages.¹¹⁵ Unlike traditional patent infringement litigation, the UPNEP process eliminates depositions, document requests, and hearings.¹¹⁶ The lack of these procedures drives the cost of the program down in comparison to traditional patent litigation. The entire process should take no longer than four months.¹¹⁷ Similar to traditional patent infringement litigation, before the conclusion of the UPNEP, the parties may choose to settle with one another.¹¹⁸ If the parties come to a settlement agreement, the neutral evaluator keeps \$1,000 from each party, and the balance is returned to the parties.¹¹⁹ If the parties proceed through the UPNEP, based on the neutral evaluator's decision, Amazon will either maintain or remove the product listing.¹²⁰ If the neutral evaluator finds infringement, Amazon will remove the infringing product listing in an action similar to a permanent

Assigned Names and Numbers ("ICANN") for the resolution of disputes between trademark holders and internet domain name owners. *Id.* Under the UDRP, if a trademark-owner's complaint is successful, the internet domain name owner loses his or her right to be the registrant of the disputed domain name, and the domain name is transferred to the trademark holder (or can be cancelled instead). *Id.*

¹¹⁴ McKenna, *supra* note 107 (explaining that the entire UPNEP proceeding is capped at four months with a decision rendered within 14 days of receipt of all written submissions).

¹¹⁵ Bultman, *supra* note 81.

¹¹⁶ *Id.* This is the parties' only opportunity to have their arguments heard. In addition, parties may not speak directly to the evaluator, but they may speak to one another to discuss amicable resolution of their differences. If an agreement is reached, the evaluator may keep up to \$1,000 of the deposit from each party as compensation for work completed. DiGiacomo, *supra* note 15.

¹¹⁷ DiGiacomo, *supra* note 15.

¹¹⁸ James M. Smedley, *Amazon's New Patent Infringement Review Process is Boon to Patent Holders but Holds the Potential for Abuse*, SIGMA LAW BLOG (May 29, 2019), <https://blog.sigmalawgroup.com/2019/05/29/amazons-new-patent-infringement-review-process-is-boon-to-patent-holders-but-holds-the-potential-for-abuse/> [<https://perma.cc/38AM-JJN4>]. This settlement may resemble a settlement one would see in traditional patent litigation. *Id.*

¹¹⁹ *Id.*

¹²⁰ McKenna, *supra* note 107.

injunction in traditional patent litigation.¹²¹ The UPNEP infringement holding is comparable to the *in rem* jurisdiction and holding of a Section 337 ITC proceeding. In particular, similar to the ITC's issuance of a general exclusion order, the UPNEP neutral evaluator's decision will control all future UPNEP complaints involving counterfeit sellers with physically identical, infringing product listings.¹²² If the evaluator does not find infringement, both sellers and their product listings may continue to remain on Amazon's Marketplace.¹²³ Either way, the prevailing party will get its \$4,000 deposit back, and the losing party's \$4,000 deposit will be retained by the neutral evaluator as an attorney fee.¹²⁴

The UPNEP does not foreclose either party from pursuing another form of relief, such as one through traditional litigation or an ITC proceeding.¹²⁵ If parties decide to pursue the infringement claim in federal court or through the ITC, the UPNEP will honor any subsequent court decision.¹²⁶ Further, Amazon does not provide for an internal appeal of the UPNEP evaluator's decision.¹²⁷ In implementing the UPNEP, Amazon has created a pathway for utility patent holders to have infringing listings removed while purportedly taking itself out of the infringement determination.¹²⁸

¹²¹ *Id.* (noting that the neutral evaluator's decision will control all future UPNEP complaints involving physically identical products). Amazon will remove the infringing product within ten business days of receiving the decision from the neutral evaluator. *Id.*

¹²² *Id.*

¹²³ DiGiacomo, *supra* note 15.

¹²⁴ Bultman, *supra* note 81. Amazon does not take any portion of this fee. *Id.*

¹²⁵ DiGiacomo, *supra* note 15 (explaining that the parties do not waive any rights to pursue their claims in court, with the U.S. Patent Office, or before the ITC if they choose to participate in the UPNEP).

¹²⁶ *Id.*

¹²⁷ *Id.* ("For example, if the evaluator determines that the Accused Product likely does not infringe the Accused Patent, but a court later determines it does, the Owner can present this order to Amazon, which will then remove the Accused Product.")

¹²⁸ McKenna, *supra* note 107.

The UPNEP is comparable to a “simplified . . . ‘version’ of a proceeding at the [ITC].”¹²⁹ The UPNEP and ITC litigation are similar in that both processes are quick and offer their own versions of an exclusion order. The ITC can prevent the infringing product from entering the country and the UPNEP can remove infringing listings of claimed products from the Amazon Marketplace. The UPNEP and an ITC proceeding are also similar in that stringent adherence to strict deadlines is crucial, and missing one could result in forfeiture of the case. The UPNEP and an ITC proceeding differ in that the UPNEP is vastly simplified in comparison to an ITC proceeding. The UPNEP requires only one fifteen-page written argument from each side and is much cheaper than an ITC proceeding. The significant increase in ITC proceedings¹³⁰ could indicate a preference for quick resolution and low cost of patent and trademark infringement claims. This could bode well for the success of Amazon’s UPNEP.

IV. WEAKNESSES OF THE UPNEP

Although Amazon’s UPNEP offers a viable and cost-effective platform for patent owners and sellers to adjudicate their rights quickly and relatively easily, there are some policy concerns that must be considered and resolved before Amazon fully launches the program.

A. *Potential for Abuse*

The UPNEP is a “quick and inexpensive way to get infringing products removed from one of the world’s largest retail platforms.”¹³¹ As such, the UPNEP is appealing to small, cash-

¹²⁹ Bultman, *supra* note 81 (quoting patent attorney Kenneth Weatherwax). In comparison to the ITC proceeding, the UPNEP values simplicity, and sellers do not need attorney representation to successfully navigate the UPNEP. *Id.*

¹³⁰ Levent Hergüner & Vishal Khatri, *Statistics from ITC’s Busy 2018*, JONES DAY: ITC NEWS (Jan. 24, 2019), <https://jonesdayitcblog.com/statistics-from-itcs-busy-2018/> [<https://perma.cc/H9B5-J6AC>] (explaining that 2018 marked one of the busiest fiscal years at the ITC). The number of active investigations increased from 117 in 2017 to 130 in 2018, becoming the ITC’s record high to date. *Id.*

¹³¹ Bultman, *supra* note 81.

strapped companies that otherwise may not be able to embark on a traditional and costly patent infringement lawsuit. Bad actors or non-practicing entities,¹³² however, may infiltrate the UPNEP and abuse the system. These bad actors may include entities that purchase and accumulate a variety of patents¹³³ for the sole purpose of profiting off of them, rather than using them as sincere expressions of innovation. Just as these bad actors regularly initiate patent infringement litigation in federal courts,¹³⁴ they may use the UPNEP as another venue to target sellers and bring infringement claims. They may bank on bringing claims against sellers who cannot afford¹³⁵ to participate in the UPNEP and fail to respond, allowing the bad actors to win by default.¹³⁶ Bad actors may also

¹³² A non-practicing entity is a party who owns a patent but has no intention to develop the patented product or process. Margaret Rouse, *Non-Practicing Entity (NPE)*, WHATIS.COM, <https://whatis.techtarget.com/definition/non-practicing-entity-NPE> [<https://perma.cc/NF6J-93FF>] (last visited Oct. 28, 2019). Non-practicing entities include universities or research organizations who may not have the resources to further develop the product. *Id.* Patent trolls are a type of non-practicing entity and accumulate patents with the intention of initiating patent infringement lawsuits against other companies. *Id.*

¹³³ These bad actors, who usually do not use the patented technology for any legitimate innovative purpose, may acquire a patent portfolio through bankruptcy sales, corporate asset purchases, or from individual inventors for the sole purpose of asserting them and profiting off them. Vincent R. Johnson, *Minimizing the Costs of Patent Trolling*, 18 UCLA J.L. & TECH. 1, 2–3 (2014). These patents may even be extremely weak or overbroad. *Id.*

¹³⁴ *The Enormous Toll of Patent Troll Litigation*, CONCORD L. SCH. (June 12, 2019), <https://www.concordlawschool.edu/blog/news/enormous-toll-patent-troll-litigation/> [<https://perma.cc/P2BF-7R7W>] (noting a six-fold increase in patent litigation between 1990 and 2010, involving nearly 5,000 unique defendants per year).

¹³⁵ Nathaniel Borenstein, *More Patent Trolls Are Targeting Startups. Here's What You Can Do*, ENTREPRENEUR (Apr. 10, 2018), <https://www.entrepreneur.com/article/310648> [<https://perma.cc/AM3C-PGZW>] (explaining that startups are often targets for trolls and often the mere presence of a lawsuit is itself a drain on a startup's limited resources). More than 50% of businesses targeted by patent trolls make less than \$10 million in revenue per year. *Id.*

¹³⁶ Recall that if the accused seller does not respond, the accused product is automatically removed from Amazon, regardless of the merits of the petitioning company's infringement claim. DiGiacomo, *supra* note 15.

use the UPNEP to intimidate sellers¹³⁷ and extract settlements¹³⁸ or royalties via licensing agreements.

Further, unlike litigation in federal courts where there is a possibility of patent invalidation,¹³⁹ the UPNEP neutral evaluator is unable to invalidate patents. Given the limited arguments available to a seller through the UPNEP¹⁴⁰ as compared to traditional litigation, bad actors who bring claims of infringement will not fear patent invalidation, regardless of how weak or overbroad their patents are. This may encourage bad actors to force settlements or licensing agreements on sellers who rely on selling on the Amazon Marketplace. Amazon claims that it supports¹⁴¹ small and medium-sized businesses, but the UPNEP seems to be yet another venue in which bad actors can take advantage of small and medium-sized businesses' lack of resources.

B. *An Unenforceable Holding*

The UPNEP's resolution of removing an infringing listing from the Amazon Marketplace is similar to an injunction traditionally

¹³⁷ *The Enormous Toll of Patent Troll Litigation*, *supra* note 134 (explaining that the threat of a lengthy legal proceeding is enough to pressure most defendants into agreeing to a settlement). 87% of defendants settle before trial because the cost of litigation is so high. *Id.*

¹³⁸ Borenstein, *supra* note 135 (explaining that bad actors impose costly lawsuits against startups with limited resources because startups are more likely to settle than fight).

¹³⁹ Roger Ford, *Patent Invalidity Versus Noninfringement*, 99 CORNELL L. REV. 71, 78 (2013) (explaining that nearly every patent lawsuit rises or falls on one of two defenses: invalidity or noninfringement). The defendant bears the burden of proving invalidity by clear and convincing evidence. 35 U.S.C. § 282(a) (2012).

¹⁴⁰ Recall that participants in the UPNEP may not claim patent invalidity, unless it was a decision previously made by a federal court or the USPTO. In addition, participants must consolidate their arguments into a single 15-page written argument, with no opportunity for depositions, document requests, or hearings.

¹⁴¹ Jeff Wilke, *Amazon's Impact on Small Businesses*, AMAZON BLOG (May 6, 2019), <https://blog.aboutamazon.com/small-business/amazons-impact-on-small-businesses> [<https://perma.cc/PV36-JCUR>] (“Since 2011, we’ve invested tens of billions to help [small and medium-size businesses] succeed working with Amazon.”).

offered by federal courts in patent litigation. An injunction is an equitable remedy in the form of a court order that requires a party to do or refrain from doing specific acts.¹⁴² A party that fails to comply with the injunction can face criminal or civil penalties and may have to pay damages or accept sanctions.¹⁴³ The ITC offers temporary and permanent injunctive relief in the form of exclusion orders and works with U.S. Customs to ensure exclusion of infringing products from importation into the U.S.¹⁴⁴ With the help of Customs, the patent holder is not the only party responsible for enforcing the decision.¹⁴⁵

A drawback of the UPNEP is whether Amazon's remedy of removing an infringing listing is truly an enforceable remedy.¹⁴⁶ Amazon has readily admitted that "[t]here are bad actors that attempt to evade our systems" and has removed problematic listings, only to find the product re-listed under a different seller name.¹⁴⁷ Unlike Brand Registry and Project Zero, the UPNEP does not use machine learning and automated protections to scan for the presence of the infringing product on the Marketplace because utility patent infringement is more complex to search for than trademark infringement.¹⁴⁸ Similar to Brand Registry and Project Zero, there are no safeguards in place to prevent the same infringing sellers from making another username and posting the same product, so the patent holder must continuously monitor the Marketplace and track down potential infringers.

¹⁴² See, e.g., FED. R. CIV. P. 65 (2019).

¹⁴³ See, e.g., FED. R. CIV. P. 11(c) (2019).

¹⁴⁴ McDole & Cooke, *supra* note 59.

¹⁴⁵ *Id.*

¹⁴⁶ Alexandra Berzon et al., *Amazon Has Ceded Control of Its Site. The Result: Thousands of Banned, Unsafe, or Mislabeled Products*, WALL STREET J. (Aug. 23, 2019), <https://www.wsj.com/articles/amazon-has-ceded-control-of-its-site-the-result-thousands-of-banned-unsafe-or-mislabeled-products-11566564990> [<https://perma.cc/JMC6-QLD5>].

¹⁴⁷ *Id.* Within two weeks of Amazon's removing counterfeit listings, at least 130 items with the same violations reappeared, sold by the same vendors under different listings. *Id.*

¹⁴⁸ Recall that trademarks can be searched for with machine learning based on text, a logo, or an image. See Mehta, *supra* note 98. Utility patents protect the function of a product and thus, are not easily detected through machine learning technology.

Amazon's struggle to police its Marketplace indicates that a remedy under the UPNEP may not be an enforceable remedy after all and may actually be a futile effort, ultimately draining the resources of legitimate sellers. If the UPNEP cannot offer an enforceable remedy, sellers will likely have to turn to traditional litigation or a Section 337 ITC proceeding to truly prevent the importation and sale of infringing goods. This problem could ultimately defeat the value of the UPNEP's cost and time-effective method of adjudicating infringement claims.

C. *An Inherent Conflict of Interest*

Although the UPNEP has been likened to a "District of Amazon Federal Court," unlike the neutrality of a federal court, the neutrality of the UPNEP is questionable.¹⁴⁹ The UPNEP may not be truly neutral, as the evaluators are employed by Amazon, and are arguably beholden to Amazon's interests. The UPNEP "neutral evaluator," as a direct or contract employee of Amazon, and Amazon's ability to profit from infringing sellers and counterfeit products, raises conflict of interest concerns.¹⁵⁰

Whether the neutral evaluator is a direct employee or a contract employee, Amazon is arguably the evaluator's overarching client while the evaluator is working on UPNEP cases. It may be within Amazon's interest to continue to sell infringing products on its Marketplace.¹⁵¹ The increased availability of products, counterfeit

¹⁴⁹ Paul Morinville, *The Newest Patent Litigation Venue: District of Amazon Federal Court*, IPWATCHDOG (May 2, 2019), <https://www.ipwatchdog.com/2019/05/02/newest-patent-litigation-venue-district-amazon-federal-court/id=108808/> [<https://perma.cc/4B3E-8XR3>].

¹⁵⁰ Neutral evaluators and Amazon may have a conflict of interest because Amazon does not truly have an incentive to regulate the conduct of sellers offering counterfeit goods. Joseph M. Forgione, *Counterfeiting, Couture, and the Decline of Consumer Trust in Online Marketplace Platforms*, 61 N.Y.L. SCH. L. REV. 195, 201 (2016–2017) ("Counterfeiting is a profitable enterprise that provides income to these platforms largely through transaction fees, so there is no real incentive for site administrators to regulate infringing listings.").

¹⁵¹ *Id.* at 196 (explaining that there is a great opportunity for platforms to profit from counterfeit sales, so the platforms have no real incentive to regulate the conduct of sellers offering counterfeit products). See Fara S. Sunderji, *Protecting Online Auction Sites from the Contributory Trademark Liability*

and authentic, increases consumer choices and lowers prices, ensuring loyal and returning consumers.¹⁵² It is possible that it is in Amazon's best interest to merely *appear* to have effective anti-infringement mechanisms, in order to attract legitimate sellers to sell in its Marketplace and to placate the concerns voiced by sellers and consumers. Further, Amazon may actually have anti-infringement mechanisms that are not as effective as they could be in order to attract counterfeit sellers to sell in its Marketplace. It should come as no surprise that Amazon collects a fee¹⁵³ from third-party sellers and their sales. The increase and growth¹⁵⁴ in Amazon's third-party Marketplace have been one of the keys to Amazon's success.¹⁵⁵

Storm: A Legislative Solution to the Tiffany Inc. v. eBay Inc. Problem, 74 FORDHAM L. REV. 909, 938 (2005) (explaining that Tiffany Inc. suggested in its complaint against eBay that online marketplaces profit from the sale of infringing goods via charging listing fees or a percentage of the final sale price).

¹⁵² Keith Anderson, *The Struggle is Real for Brands Competing with Amazon's 3P Sellers*, PROFITERO: BLOG (Apr. 18, 2016), <https://www.profitero.com/2016/04/the-struggle-is-real-for-brands-competing-with-amazons-3p-sellers/> [<https://perma.cc/5LCM-CMTQ>] (stating that the availability of counterfeit goods enhances price competition, selection, and profitability for Amazon); Morinville, *supra* note 149; *see also* J. Clement, *Number of Amazon Prime Members in the United States as of June 2019 (in Millions)*, STATISTA (Sept. 3, 2019), <https://www.statista.com/statistics/546894/number-of-amazon-prime-paying-members/> [<https://perma.cc/4J8C-KR72>] (finding that as of June 2019, there were approximately 105 million U.S. Amazon Prime subscribers). "On average, Amazon Prime members spent [\$1,400] on the e-retail platform per year" whereas non-Prime members only spent \$600 annually, indicating Prime customer loyalty. *Id.*

¹⁵³ To sell on Amazon.com, sellers are charged either a \$39.99 monthly subscription fee plus per-item selling fees for a Professional selling plan, or \$0.99 per item sold plus other selling fees for an Individual plan. *Sell on Amazon: Frequently Asked Questions*, AMAZON SERVICES (Oct. 6, 2019), <https://services.amazon.com/selling/faq.html> [<https://perma.cc/8GMZ-PHUL>].

¹⁵⁴ Motley Fool, *Amazon's Third-Party Sales Are Exploding*, FOX BUS. (Apr. 13, 2019), <https://www.foxbusiness.com/markets/amazons-third-party-sales-are-exploding> [<https://perma.cc/X2AM-5AY9>]. In 2018, third-party sellers accounted for 58% of all physical goods sold through Amazon, selling \$160 billion worth of goods in the marketplace that year. *Id.*

¹⁵⁵ *Id.*

Further, the UPNEP excludes Amazon's private label merchandise¹⁵⁶ from adjudication under the program.¹⁵⁷ Recently, Amazon has faced criticism for selling Amazon-branded products in its Marketplace alongside nearly identical products from third-party sellers.¹⁵⁸ By controlling and owning the marketplace, Amazon utilizes data from third-party sellers to determine what the top-selling items are.¹⁵⁹ Amazon has the ability to track what consumers are buying, as well as what they search for and cannot find.¹⁶⁰ This data then allows Amazon to advantageously navigate around patents¹⁶¹ in order to develop and promote its own products

¹⁵⁶ See Connie Chen, *Amazon Now Sells 76 of its Own Private-Label Brands – From Clothes to Baby Wipes*, BUS. INSIDER (July 2, 2018), <https://www.businessinsider.com/amazon-private-label-brands-list-2018-4> [<https://perma.cc/PBG7-KU5E>] (listing Amazon private label brands, including Lark & Ro, Paris Sunday, Indigo Society, Goodthreads, Scout + Ro, Amazon Essentials, Happy Belly, Presto!, Stone & Beam, Amazon Basics, and many others).

¹⁵⁷ Bultman, *supra* note 81 (noting that the UPNEP is confined to products sold by third-party sellers and items that are sold by Amazon are immune from the process).

¹⁵⁸ Rachel Kraus, *Elizabeth Warren is Coming After AmazonBasics. Why Amazon Shouldn't Fight It*, MASHABLE (Mar. 8, 2019), <https://mashable.com/article/elizabeth-warren-amazon-basics/> [<https://perma.cc/ELD6-KJMA>]. Amazon has introduced its own products, including the AmazonBasics line, into its marketplace. *Id.* AmazonBasics consists of everyday products, such as batteries, power cords, and electronics cables, which are sold on Amazon at lower prices in direct competition with third-party merchants. *Id.*

¹⁵⁹ Julie Creswell, *How Amazon Steers Shoppers to Its Own Products*, N.Y. TIMES (June 23, 2018), <https://www.nytimes.com/2018/06/23/business/amazon-the-brand-buster.html> [<https://perma.cc/P5MT-PHFL>] (“Now, with its expansion into private label, Amazon has shifted away from being an impartial, may-the-best-product-win distribution partner to being a direct competitor to those other vendors.”).

¹⁶⁰ *Id.*

¹⁶¹ Spencer Soper, *Got a Hot Seller on Amazon? Prepare for E-Tailer to Make One Too*, BLOOMBERG (Apr. 20, 2016), <https://www.bloomberg.com/news/articles/2016-04-20/got-a-hot-seller-on-amazon-prepare-for-e-tailer-to-make-one-too> [<https://perma.cc/NGH3-9BXC>]. Rain Design had been selling a laptop stand with a rain drop cut-out for more than a decade for \$43 that had a 5-star rating. *Id.* In July 2015, AmazonBasics rolled out a similar stand with an Amazon logo cut-out, for half the price. *Id.* Following Amazon's release of its laptop stand, Rain Design's sales have slipped, and the company cannot do

in competition with third-party sellers.¹⁶² If the UPNEP were truly neutral, it would not bar merchants from bringing claims against Amazon-branded products. In addition, if Amazon is confident that it has not infringed on any third-party intellectual property, it should have no problem subjecting its products to claims under the UPNEP.

Amazon in charge of the UPNEP is an inherent conflict of interest and Amazon, as a corporation, is expected to act in its own self-interest. Amazon's small incentive to regulate the counterfeit market and the exclusion of Amazon-branded products from the UPNEP compromise the neutrality of the Utility Patent *Neutral* Evaluation Procedure.

V. RECOMMENDATIONS FOR AN IMPROVED UPNEP

The UPNEP can confer a significant benefit to sellers on Amazon if the program's limitations are acknowledged and corrected. Amazon and UPNEP users must recognize that the UPNEP's power to protect intellectual property and its limited holding will never rise to the same level of protection conferred by a federal court, the USPTO, or the ITC. If the program's limitations are addressed and resolved, however, the UPNEP may offer a beneficial remedy appreciated by Amazon's legitimate sellers and consumers.

A. *Dampening the Potential for Abuse*

Patent litigation is extremely technical, and often requires an analysis of several claims in a patent. The complexity of patent law and litigation is one of the reasons why federal courts are filled with infringement cases.¹⁶³ The UPNEP aims to be simple through implementing a cheaper mechanism for small and medium-sized

anything about this because Amazon's stand design avoids infringing on the patented design of Rain Design's product. *Id.*

¹⁶² *See id.*

¹⁶³ Approximately 3,380 patent infringement lawsuits were filed in federal courts in 2018. Richard Lloyd, *Latest Data Points to Another Drop in US Patent Litigation*, IAM (Oct. 1, 2018), <https://www.iam-media.com/defensive-aggregation/latest-data-points-another-drop-us-patent-litigation> [<https://perma.cc/28N7-T7P5>].

sellers to address infringement without having to pay the traditionally costly attorney fees associated with patent litigation.

The UPNEP has limitations. While the UPNEP may be more streamlined and efficient than patent litigation, it is also less nuanced and robust. For the sake of simplicity and to stay within the UPNEP's four month timeline, the UPNEP limits a complaint to focus on only one claim from one utility patent.¹⁶⁴ Both sides are giving up many arguments that would be available to them in typical patent litigation.¹⁶⁵ For example, accused infringing sellers cannot argue that a patent is invalid, except when a federal court or the USPTO has already made that determination.¹⁶⁶ Consequently, the simplicity of the program may cause problems when patent owners with complex and technical infringement claims seek to enter the program.¹⁶⁷

The UPNEP's substantive determinations should reflect the limitations of its streamlined process. In order to keep with its mission of being simple, inexpensive, and quick, the UPNEP should only issue determinations in clear-cut cases. A clear-cut case will require clear and convincing evidence of either infringement or lack of infringement. "Clear and convincing" means that the evidence shows that infringement is highly probable;¹⁶⁸ thus, under this standard, the UPNEP neutral evaluator would need to be highly certain that infringement occurred.

While federal courts make infringement determinations based on the less rigorous "preponderance of the evidence" standard, this standard is not appropriate for UPNEP proceedings. The time, expense, and expertise that are devoted to patent litigation in the federal courts permit fact-finders to make fine distinctions. While the structure of the UPNEP reduces the time, expense, and expertise devoted to the determination process, it also means that

¹⁶⁴ Bultman, *supra* note 81.

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

¹⁶⁸ See 1 CLIFFORD S. FISHMAN & ANNE T. MCKENNA, JONES ON EVIDENCE § 3:10 (7th ed. 2019) ("'Clear and convincing evidence' falls somewhere between a 'preponderance' and the much more demanding criminal standard of 'beyond a reasonable doubt.'").

the fact-finders are not well positioned to make the fine distinctions that are necessary to decide close cases. Thus, UPNEP evaluators should only issue infringement or non-infringement determinations when the evidence is clear and convincing. Considering that under the clear and convincing evidence standard, the evidence must show that infringement is highly probable, the neutral evaluator should be able to decide a clear-cut case in a maximum of one business day from beginning to read the parties' written arguments¹⁶⁹ with a simple "yes, infringement," or "no, not infringement." This is a standard that evaluators should be able to apply easily, even if based on gut instinct.

The clear and convincing evidence standard is not new to cases involving patents. Indeed, the U.S. Supreme Court adopted the clear and convincing evidence standard for patent invalidity cases.¹⁷⁰ While the UPNEP does not allow parties to argue patent invalidity as a defense to patent infringement, it should import the clear and convincing evidence standard into its infringement determinations. This Recent Development's proposal of applying the clear and convincing standard to patent infringement cases signals a significant departure from the preponderance of evidence¹⁷¹ standard of proof required in traditional judicial resolution of patent infringement claims. The departure from the preponderance of evidence standard in patent infringement cases is a necessary consequence of the UPNEP's streamlined process and timeline.

¹⁶⁹ Having a shorter consideration window could warrant lowering the fee below \$4,000, but the cost will be based on market forces and is outside the scope of this Recent Development.

¹⁷⁰ *See* *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 114 (2011) (unanimously affirming the Federal Circuit's long-established precedent that in all patent invalidity cases, an accused infringer must prove patent invalidity by clear and convincing evidence); *see also* *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1, 2 (1934) ("There is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence.").

¹⁷¹ *See* *Cross Med. Prods. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310 (Fed. Cir. 2005) ("To prove direct infringement, the plaintiff must establish by a preponderance of the evidence that one or more claims of the patent read on the accused device literally or under the doctrine of equivalents.").

If the neutral evaluator is basing his or her decision on written statements produced by parties, some of whom may not be able to afford attorney representation, the determination of infringement or non-infringement can be obvious in some cases, but murkier in others. Murky cases would benefit from representation by counsel and would generally take more than one written statement from each side to resolve the issue. In short, murky cases deserve a more robust process than the UPNEP provides. Thus, the UPNEP's streamlined process and truncated timeline should be reserved for clear-cut cases of infringement or non-infringement.

Under the current model of the UPNEP, the evaluator will collect \$4,000 upon making a determination, regardless of whether the case is murky, and will have the incentive to make a determination, even if it is one that is unfair. To prevent unfair decision-making, if the neutral evaluator receives a murky case and is unable to fairly decide on the infringement claim, the party who initiated the UPNEP action should lose \$2,000. This creates an incentive for parties to self-regulate and initiate an UPNEP action, not on a whim or based on fraud, but only in obvious and clearly infringing cases. Additionally, if the evaluator receives a murky case and cannot fairly decide on the infringement claim, the \$2,000 still compensates the evaluator for time spent working on the case. The \$2,000 penalty may also deter bad actors from abusing the system.

Policy considerations support the use of a clear and convincing evidence standard and a restructured evaluator compensation structure in the UPNEP. Filing an infringement claim through the UPNEP is relatively easy, as compared to undergoing traditional patent litigation or an ITC proceeding, but the sanctity of the program must be safeguarded against fraudulent and murky claims of infringement. Parties defending against charges of infringement may receive heightened protection against fraud, unfairness, and bad actors under this proposed model.

B. Enforcing the Holding

While Amazon's anti-infringement programs advertise proactive removal of infringing sellers, the technology giant has yet to adopt safeguards to keep flagrant repeat offenders out of the

Marketplace.¹⁷² Legitimate sellers have described Amazon’s efforts as a game of “whack-a-mole,” in which infringing seller accounts with the same infringing products appear more quickly than they are being removed.¹⁷³ Seeing as the technology giant is losing the whack-a-mole game to infringing sellers who continue to reappear even after removal via Brand Registry and Project Zero, the removal of an infringing seller through the UPNEP seems to be an unenforceable remedy and a hollow threat to infringing sellers.

Although Amazon prohibits the operation and maintenance of multiple seller accounts,¹⁷⁴ this policy has been futile in the face of sneaky and creative counterfeit sellers. As a technology giant, Amazon should implement advanced technical defenses against the creation of multiple seller accounts. These defenses could include tracking seller data. One specific method is to track seller media access control (“MAC”) addresses.¹⁷⁵ A MAC address is a

¹⁷² Telford, *supra* note 73 (“Amazon’s marketplace has been flooded with overseas merchants and manufacturers, [making] it tougher to keep tabs on sellers peddling fake goods Amazon [has] refused to agree to active measures against counterfeits and unauthorized retailers.”). Even Amazon has admitted that the company may be unable to prevent sellers from profiting off the sale of counterfeit goods. *Id.*

¹⁷³ Nicole Nguyen, *Stolen Artwork Is All Over Amazon – And the Creators Want the Company To Do Something About It*, BUZZFEED NEWS (Jan. 23, 2019), <https://www.buzzfeednews.com/article/nicolenguyen/amazon-counterfeit-art-sellers-fakes-copyright-infringement> [https://perma.cc/5F47-UAUA] (“And even when the company does remove infringing listings, the same stolen artwork often crops up again elsewhere on the site.”); Ari Levy, *Amazon’s Chinese Counterfeit Problem is Getting Worse*, CNBC (July 8, 2016), <https://www.cnbc.com/2016/07/08/amazons-chinese-counterfeit-problem-is-getting-worse.html> [https://perma.cc/5PFL-U45Q] (“The designers described it as a game of whack-a-mole, where fakes pop up more quickly than they’re taken down.”).

¹⁷⁴ *Selling Policies and Seller Code of Conduct*, AMAZON SELLER CENTRAL, https://sellercentral.amazon.com/gp/help/external/G1801?language=en-US&ref=efph_G1801_cont_200386250 [https://perma.cc/JG7A-WKWK] (last visited Nov. 7, 2019) (stating that multiple selling on Amazon accounts is prohibited unless the seller has received permission from Amazon based on a legitimate business need).

¹⁷⁵ Rodolfo Ramirez et al., *Location! Location! Location!*, 30-WTR CRIM. JUST. 19, 20 (2016) (explaining that tracking via MAC address can identify a

permanent unique identifier that is assigned to a phone or computer when it is manufactured and the MAC address is used to identify a specific device.¹⁷⁶ Unlike an Internet Protocol (“IP”) address that can change when a device joins a different Wi-Fi network, the MAC address remains unchanged.¹⁷⁷ A problem with this recommendation will arise if the seller utilizes different computers for each account.

Often the same type of counterfeit product is sold by the same seller, but under a different account.¹⁷⁸ If Amazon is legitimately interested in permanently removing infringing sellers, it should implement a task force dedicated to tracking down and aggregating similar counterfeit products being sold on Amazon. Amazon should then study the similarities and differences in MAC address, IP address, Amazon username, email address, password, and other identifying data¹⁷⁹ between these accounts. If there are too many similarities between the accounts, Amazon should proactively shut them down and blacklist any other accounts that utilize the same identifying information. Utilizing advanced technology to track

specific device because the MAC address remains unchanged during the life of the smartphone or computer).

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* An IP address is a numerical label assigned to each device connected to a computer network that uses the Internet to communicate over a network. Mike Williams, *What is an IP Address?*, TECHRADAR (June 17, 2019), <https://www.techradar.com/news/what-is-an-ip-address> [https://perma.cc/RZS2-ASY4].

¹⁷⁸ Nat Levy, *Amazon Sues Alleged International Counterfeiting Ring, Escalating Battle Against Knock-off Products*, GEEKWIRE (June 25, 2019), <https://www.geekwire.com/2019/amazon-sues-alleged-international-counterfeiting-ring-escalating-battle-knock-off-products/> [https://perma.cc/WP9X-CZUH] (“The fact that Defendants created multiple Amazon seller accounts . . . to facilitate their counterfeit sales of Nite Ize products demonstrates they are likely to continue to do so.”).

¹⁷⁹ CHINABRANDS, *supra* note 91 (explaining that to achieve operating different accounts, sellers should avoid association between already-made Amazon seller accounts). This website lists the identifying information Amazon already tracks, including IP address of the user, Amazon user login name, email address, Amazon login password, browsers and browser plug-ins, computer operating system, and cookies stored on the computer. *Id.* This website recommends that users wishing to operate multiple seller accounts use each account respectively on a fixed, clean computer, with a clean router. *Id.*

seller data and implementing a task force to aggregate similar counterfeit seller accounts will arm the UPNEP with enforceable holdings, making the program more legitimate.

C. Resolving the Conflict of Interest and Neutrality Issue

Neutrality is a concern when Amazon's own products are prohibited from being brought under the UPNEP. In order to produce a truly neutral evaluation procedure, Amazon should not house the UPNEP. The UPNEP should be run by a third-party company with third-party employees, completely disconnected from Amazon's corporate interests.

The Uniform Domain Name Dispute Resolution Policy ("UDRP") is a dispute resolution process operated by a neutral third-party.¹⁸⁰ The UDRP was established and adopted by the Internet Corporation for Assigned Names and Numbers ("ICANN") for the resolution of disputes between trademark holders and internet domain name registrants.¹⁸¹ ICANN is a nonprofit, private U.S. corporation established to manage the internet domain name system by handling domain name disputes as well as accrediting domain name registrars.¹⁸² ICANN has accredited various organizations, such as the World Intellectual Property Organization ("WIPO") and National Arbitration Forum, as resolution service providers.¹⁸³ The resolution service providers offer "highly qualified neutral panelists, thorough and expeditious administrative procedures, and overall impartiality and credibility."¹⁸⁴ When a complaint is filed under the UDRP, ICANN's resolution service provider will appoint a panel of trademark law experts to review and decide the case.¹⁸⁵ ICANN

¹⁸⁰ See *What is the UDRP?* ICA: INTERNET COMMERCE ASS'N, <https://www.internetcommerce.org/what-is-the-udrp/> [https://perma.cc/BA9X-W6ZS] (last visited Nov. 10, 2019).

¹⁸¹ *Id.*

¹⁸² *What Does ICANN Do?*, ICANN, <https://www.icann.org/resources/pages/what-2012-02-25-en> [https://perma.cc/3C47-4BE5] (last visited Nov. 10, 2019).

¹⁸³ *Frequently Asked Questions: Internet Domain Names*, *supra* note 113.

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

and its resolution service providers are disconnected from a trademark holder's and domain name registrant's corporate interests, allowing for a neutral evaluation of a UDRP case.¹⁸⁶ The UPNEP should adopt the UDRP's third-party management structure in order to gain independence from Amazon and to encourage neutral decision-making from its evaluators.

Another technology giant, Facebook, is currently creating a "Facebook Oversight Board" to "review Facebook's most challenging content decisions – focusing on important and disputed cases."¹⁸⁷ Mark Zuckerberg has likened Facebook's Board to a "Supreme Court" for the platform, where the Board will check Facebook's decision-making and can even overturn decisions made by the company.¹⁸⁸ To ensure the Board's independence from the company, Facebook has created a trust to fund the Board. The trust is endowed with "fiduciary duties related to establishing, compensating, and overseeing the [B]oard," limiting Facebook's ability to exert direct control over the Board's operations.¹⁸⁹ The trust functions to add a layer of independence and will help promote the Board's neutral decision-making.

The Board members will have fixed three-year terms and their compensation will be set in advance and is unable to be changed.¹⁹⁰ Zuckerberg believes that the fixed tenure and compensation are

¹⁸⁶ *See id.*

¹⁸⁷ DRAFT CHARTER: AN OVERSIGHT BOARD FOR CONTENT DECISIONS, FACEBOOK, (Jan. 28, 2019), <https://fbnewsroomus.files.wordpress.com/2019/01/draft-charter-oversight-board-for-content-decisions-1.pdf> [<https://perma.cc/5C99-C9JF>] [hereinafter DRAFT CHARTER]; *see* Evelyn Douek, *Facebook's "Oversight Board:" Move Fast with Stable Infrastructure and Humility*, 21 N.C. J.L. & TECH. 1, 3 (Oct. 2019) (explaining that the Oversight Board is a product of "revelations of fake news and disinformation" on the Internet and companies looking for solutions to the problems of content moderation).

¹⁸⁸ *See* Douek, *supra* note 187, at 3 ("[I]t seems that Zuckerberg is intending to introduce a check and balance into the governance of his sovereign domain of 'Facebookistan.'").

¹⁸⁹ Brent Harris, *Establishing Structure and Governance for an Independent Oversight Board*, FACEBOOK NEWSROOM (Sept. 17, 2019), <https://newsroom.fb.com/news/2019/09/oversight-board-structure/> [<https://perma.cc/8B69-L3F4>].

¹⁹⁰ *Id.*

essential to preserve the members' neutrality and independence from Facebook.¹⁹¹ The Board may offer policy recommendations to Facebook and will make binding decisions to cases submitted by both Facebook and Facebook users.¹⁹² Facebook has agreed to promptly implement the Board's decisions.¹⁹³

A crucial aspect of Facebook's Oversight Board is that the Board's decisions and explanations will be made available to the public.¹⁹⁴ The publicity of the Board's decisions adds another layer of neutral decision-making and will help ensure quality decisions.¹⁹⁵ Facebook's Oversight Board aims to provide guidance over Facebook's content moderation decisions in order to protect Facebook users' free expression and association on the site.¹⁹⁶

The UPNEP should follow portions of the UDRP's and the Facebook Oversight Board's structure in order to gain independence from Amazon. Concerns regarding the UPNEP's neutrality and conflict of interest with Amazon could be resolved if a disinterested third-party company oversaw the appointment of neutral evaluators to UPNEP cases or if Amazon created a separate trust to fund the adjudicatory process, ensuring that the neutral evaluators are independent from Amazon. The neutrality of UPNEP evaluators could also be ensured through the adoption of fixed tenures and compensation. A compensation table may provide for exactly what compensation evaluators should expect for each type of decision they make. Additionally, making UPNEP decisions public could ensure quality decision-making and could serve as a check on the neutral evaluator to ensure the evaluator is only making decisions based on clear and convincing evidence. UPNEP adoption of the UDRP's and Facebook Oversight Board's structure may enhance the program's neutrality and transparency, produce quality decisions, and legitimize Amazon's attempt at removing counterfeit sellers.

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *Id.*

¹⁹⁴ DRAFT CHARTER, *supra* note 187, at 3.

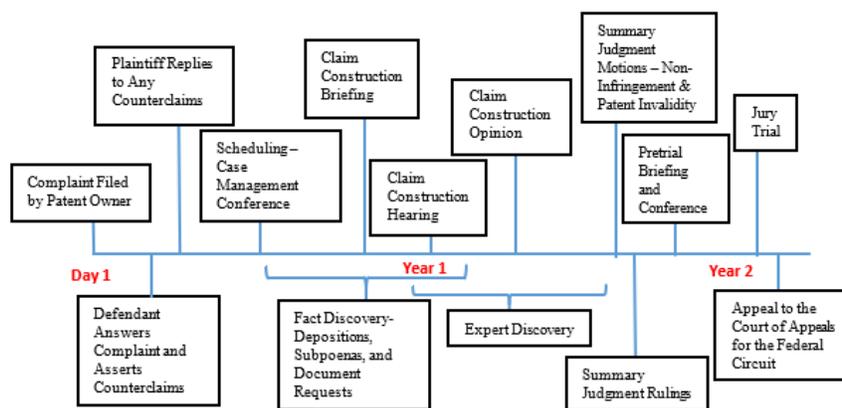
¹⁹⁵ *Id.*

¹⁹⁶ Douek, *supra* note 187, at 47.

VI. CONCLUSION

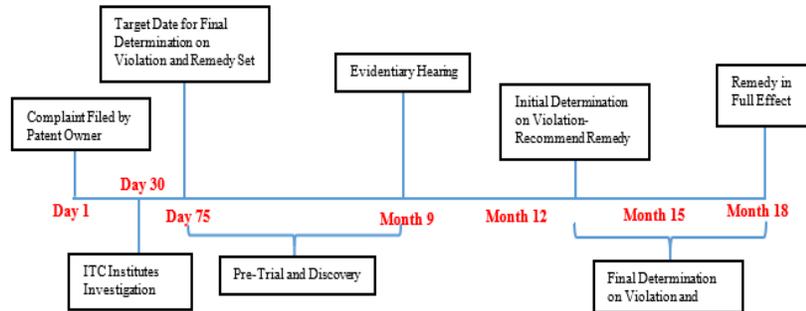
While Amazon's Utility Patent Neutral Evaluation Procedure, at first glance, seems to be a savior for small and medium-sized businesses whose patents have been infringed on Amazon's Marketplace, there are inherent difficulties with Amazon stepping into the shoes of federal courts. Amazon is a business and it seeks profit. Thus, Amazon may lack real incentive to regulate the sale of infringing goods and may be implementing anti-counterfeit programs as a smokescreen in order to appease legitimate sellers and consumers. If Amazon is legitimately interested in regulating the conduct of sellers offering counterfeit goods on its Marketplace, the UPNEP must be modified. To avoid the potential for abuse by bad actors and to enforce UPNEP neutral decision-making, the neutral evaluators should limit their decisions to clear-cut cases with a clear and convincing evidence standard. Although it is a massive undertaking, ensuring that Amazon sellers are limited in their ability to make accounts, either through tracking phone numbers, IP addresses, and/or email addresses, is an innovative start to enforcing the UPNEP's removal of infringing sellers. Ultimately, to truly legitimize and remove bias from the UPNEP, Amazon must implement significant structural changes.

*Appendix A: Traditional Patent Litigation Timeline*¹⁹⁷



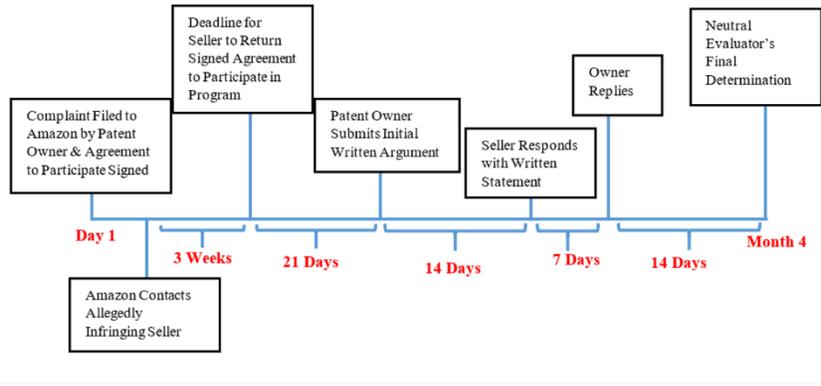
¹⁹⁷ IP Hawk, *BlackBerry Back on The Patent Offensive*, SEEKING ALPHA (Aug. 17, 2016), <https://seekingalpha.com/article/4000370-blackberry-back-patent-offensive> [<https://perma.cc/V57Y-VMMX>] (image taken from source, but timeline inserted by author).

*Appendix B: ITC Proceeding Timeline*¹⁹⁸



¹⁹⁸ *Lifecycle of a Typical Section 337 Investigation*, CADWALADER, WICKERSHAM & TAFT LLP, <https://www.cadwalader.com/assets/misc/ITC-Timeline.pdf> [<https://perma.cc/U7YT-DJ48>] (last visited Sept. 24, 2019) (Section 337 ITC Proceeding information placed on a timeline).

*Appendix C: UPNEP Timeline*¹⁹⁹



¹⁹⁹ DiGiacomo, *supra* note 15 (author imposed technical information from article onto a visual timeline).