

# The Goods On IP®

September 2019



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The September 2019 issue of Sterne Kessler's *The Goods on IP*® discusses the Amazon Utility Patent Neutral Evaluation Procedure, reviews recent design patent PTO litigation statistics, and analyzes why the utility model examination in China is quietly changing.

Sterne Kessler's [Consumer Products](#) practice is focused on the unique intellectual property needs of consumer product companies. Our practice integrates utility and design patent and trademark expertise to implement the right combination of IP tools available to meet our clients' global business goals. For more information, please contact [Mark Rygiel](#) or [Tracy-Gene G. Durkin](#).

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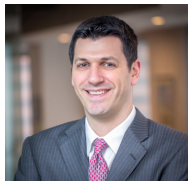


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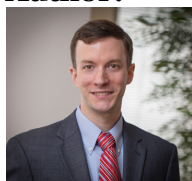


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## AMAZON SEEKS TO STRIKE BALANCE BETWEEN PATENT OWNERS AND MERCHANTS



By Jordan Brimley and [Jason A. Fitzsimmons](#)

It is no longer much of a secret that Amazon rolled out a pilot program for what it hopes will provide quick and cost-effective resolution of patent disputes for products sold on its website. The program is called the Amazon Utility Patent Neutral Evaluation Procedure, or Neutral Patent Evaluation for short.

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## DESIGN PATENT PTO LITIGATION STATISTICS (THROUGH JULY 2019)

By Patrick T. Murray

The statistics below reveal the current trends for proceeding breakdowns, institution rates, and outcomes of design patent PTO litigation proceedings. Three petitions were filed in January 2019, but none have been filed since.

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## UTILITY MODEL EXAMINATION IN CHINA IS QUIETLY CHANGING



By [Daniel A. Gajewski](#)

Published by *IPWatchdog.com*, the editor notes that according to WIPO's World Intellectual Property Indicators 2017 and 2018, "Around 95% of the world's utility model applications are filed in China, totaling more than 50% of the number of utility patent applications filed worldwide..." and "...reports show the number of regular patent applications in China filed by U.S.-based applicants increasing by about 14% from 2016 to 2017." Daniel goes on to examine the China National Intellectual Property Administration (CNIPA)'s utility model system, what has changed about the system, and its future impact on patent seekers.

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## AMAZON SEEKS TO STRIKE BALANCE BETWEEN PATENT OWNERS AND MERCHANTS

By Jordan Brimley and [Jason A. Fitzsimmons](#)

It is no longer much of a secret that Amazon rolled out a pilot program for what it hopes will provide quick and cost-effective resolution of patent disputes for products sold on its website. The program is called the Amazon Utility Patent Neutral Evaluation Procedure, or Neutral Patent Evaluation for short. Currently, it appears that the program is by invitation only; whether and when the program will open to the public is to be determined. In this article, we summarize publicly available information about the Neutral Patent Evaluation, and evaluate its potential impact.

### How it Works

#### Participants

The Neutral Patent Evaluation works basically as follows. First, upon invitation by Amazon, a patent owner submits an Amazon Utility Patent Neutral Evaluation Agreement, which identifies a single asserted patent claim and names the accused product(s). Amazon then forwards the Agreement to the accused merchant(s), who have the option to contest the allegation or remove the accused product from Amazon's marketplace. If the merchant removes the accused product from Amazon, the process stops there. If the merchant does nothing or elects not to participate, Amazon will delist the product by default. But if the merchant wants to contest the allegation, they must execute the Agreement within three weeks of receipt. Interestingly, only third-party sellers are subject to the Neutral Patent Evaluation—products sold directly by Amazon are exempt.

When a merchant executes the Neutral Evaluation Agreement, Amazon designates a “neutral evaluator” to oversee the case. The neutral evaluator is an attorney with experience in patent disputes. It is currently unclear how Amazon selects these neutral evaluators.

#### Fees

At the outset, each party pays fees of \$4,000 to the neutral evaluator. But at the end of the case, the winning party is refunded its \$4,000 fee. The neutral evaluator keeps the losing party's fee as compensation for the evaluation service. Amazon does not take a cut of these fees.

## **Timing**

The neutral evaluator is responsible for reviewing and analyzing written arguments by the parties. After fees are paid, the patent owner has three weeks to file initial arguments, identifying the accused product(s) and outlining the infringement contentions. Then, the merchant has two weeks to file a response, limited to fifteen pages. Finally, the patent owner has the option to file a reply within one week of the merchant's response. Page limitations for the patent owner's initial arguments and reply are unclear. From certain accounts, the filings have a flavor of summary judgment briefs, although less case law is cited than in typical court briefing.

After the written briefings are submitted, the neutral evaluator has two weeks to render a decision as to whether the accused product(s) "likely infringes" the patent claim. If so, Amazon will delist the product(s). All-in-all, the process of Neutral Patent Evaluation takes no longer than four months. The entire process is confidential.

## **Arguments and Decision**

Arguments are generally limited to infringement contentions. But the neutral evaluator will honor a determination of invalidity or unenforceability made by a federal court or federal agency. According to at least one source, the evaluator will also consider independently verifiable evidence that the product was on sale one year before the asserted patent's earliest effective filing date. The evaluator does not otherwise consider invalidity defenses. This keeps the proceeding simple.

Unlike district court litigation, there is no discovery and no oral hearing. Also, there is no opportunity to request reconsideration by the neutral evaluator, or to appeal the decision to a higher authority. And the decision of the neutral evaluator that a product likely infringes a patent claim is controlling on future requests for Neutral Patent Evaluation based on the same patent claim and asserted against identical products. However, the dissatisfied party can still sue in federal court, seeking a judgment of infringement or noninfringement. This is in contrast with many arbitration agreements, which typically bind the parties to the decision of the arbitrator.

Furthermore, Amazon will honor a judgment of a court or an agency irrespective of a Neutral Patent Evaluation decision. For example, if a court or agency finds a product to infringe a patent, Amazon will delist the product. Conversely, if a court or agency finds a patent to be invalid or unenforceable, Amazon will relist a product that was previously removed as a result of a Neutral Patent Evaluation proceeding involving that patent.

## **Ramifications for the Parties**

The Neutral Patent Evaluation appears to be Amazon's attempt to strike an efficient, cost-effective balance in the battle against counterfeit goods sold on its website that affords legitimate merchants an opportunity to be heard. The pilot program has benefits both to patent owners and merchants. Of course, a major advantage to both sides is the speed and low cost, relative to litigation.

For patent owners, the Neutral Patent Evaluation could provide a simple way of fighting infringement without having to track down potential infringers (quite often small or overseas merchants) and hail them into court. Even the relatively modest fee may deter blatant counterfeiters from entering the program, resulting in delisting of their product(s) from Amazon. Thus, the process may provide a quick, inexpensive resolution for patent owners to a significant proportion of infringing activity, given Amazon's significance in the marketplace.

For merchants, who previously had little recourse when a product was delisted other than confronting the patent owner, the Neutral Patent Evaluation could provide a significant upgrade. Previously, there was no procedure for an Amazon seller to contest an allegation of patent infringement, even if the allegation was meritless. For a merchant who believes their product does not infringe the asserted patent, the Neutral Patent Evaluation may be well worth the upfront fee, especially given the opportunity to recoup that fee if they can show their product does not infringe the asserted claim. This may deter meritless accusations of infringement by a patent owner banking on Amazon delisting the product rather than getting caught up in the dispute.

But there may be shortcomings of the Neutral Patent Evaluation as well, most of which stem from its limited scope. For one, the program only applies to third-party merchants, making products sold by Amazon itself off-limits to patent owners. And because a patent owner may assert only one claim of one U.S. utility patent, that claim must be carefully selected. Design patents—a powerful tool against counterfeits—are ineligible for the program, as are foreign patents, thus limiting the procedure’s applicability to overseas parties.

Furthermore, the procedure’s simplicity does not allow for addressing complex questions of infringement that can come up in district court litigation. For example, it is unclear how assertions of contributory infringement or induced infringement would be addressed. And perhaps the most significant disadvantage to merchants is the inability to mount an invalidity defense. Thus, a patent owner could assert its broadest claim to capture a potential infringer, even if that claim would be susceptible to a validity challenge in another forum. Not only that, but even if victorious in the Neutral Patent Evaluation, the merchant is still open to a patent infringement claim in district court.

Additionally, the simplicity of the program likely will not replace the need—in most cases—to hire an attorney to help navigate the process. Merchants typically will want legal counsel to safeguard their ability to continue offering products on Amazon. Aside from the upfront \$4,000 fee, attorneys’ fees could be a barrier to small merchants from participating in the program, resulting in a default delisting of their product(s).

While Amazon’s Neutral Patent Evaluation is not perfect, it may deter some bad actors—merchants and patent owners alike. At the very least, it appears to provide quick, relatively inexpensive dispute resolution between patent owners and merchants’ products that are sold on Amazon and accused of infringing a patent.

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## Sources

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<https://www.jdsupra.com/legalnews/amazon-institutes-new-patent-dispute-40211/>

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## DESIGN PATENT PTO LITIGATION STATISTICS (THROUGH JULY 2019)

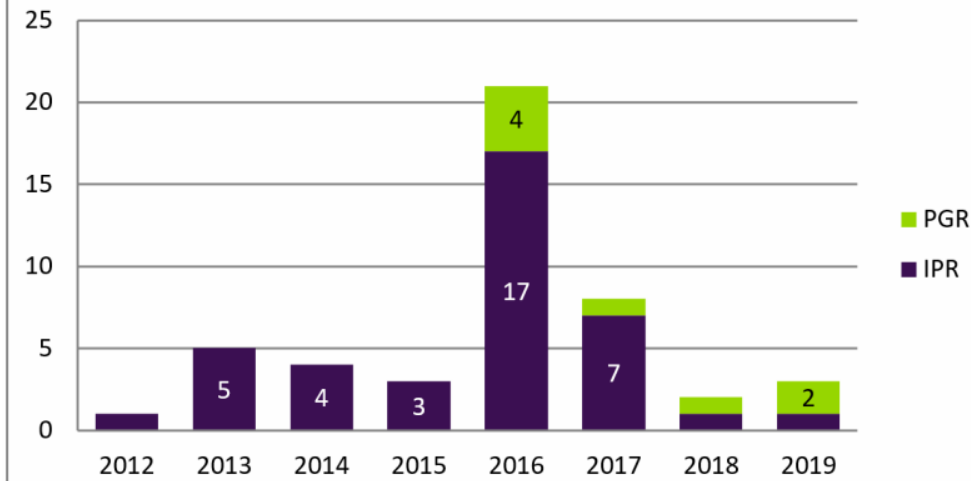
By Patrick T. Murray

The statistics below reveal the current trends for proceeding breakdowns, institution rates, and outcomes of design patent PTO litigation proceedings. Three petitions were filed in January 2019, but none have been filed since. In the past six months, three institution decisions, but no final written decisions, have issued. Only two proceedings involving design patents are currently pending.

### I. Proceeding Breakdown

Year	IPR	PGR	Grand Total
2012	1		1
2013	5		5
2014	4		4
2015	3		3
2016	17	4	21
2017	7	1	8
2018	1	1	2
2019	1	2	3
<b>Grand Total</b>	<b>39</b>	<b>8</b>	<b>47</b>

## Design Patent PTAB Petition Filings



### II. Institution Rates/Case Statuses

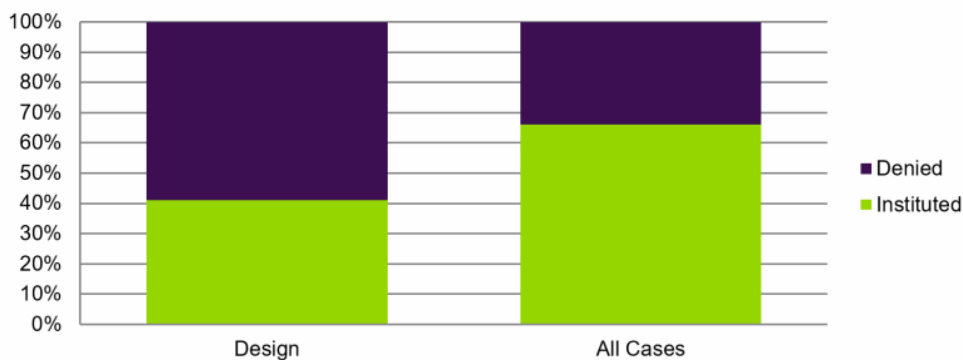
The institution rate for design patents, for both claims and proceedings, is 41% (19/46).

For cases overall, the proceeding institution rate is 66%, and the claim institution rate is 60%.

Here is a breakdown of the current case statuses for all of the design cases:

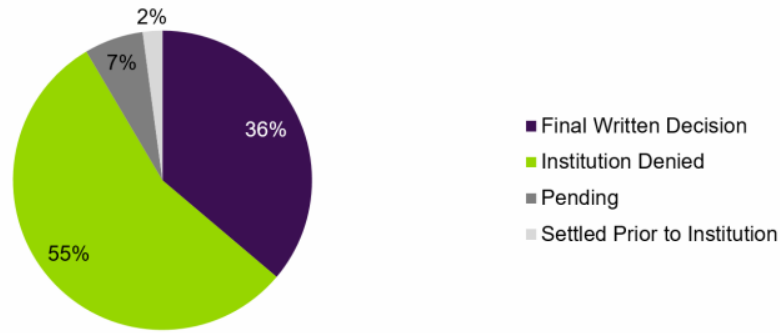
Status	Total
Final Written Decision	17
Institution Denied	27
Pending	2
Settled Prior to Institution	1
<b>Grand Total</b>	<b>47</b>

### Institution Rates - Proceedings





## Design Patent IPR/PGR Case Statuses

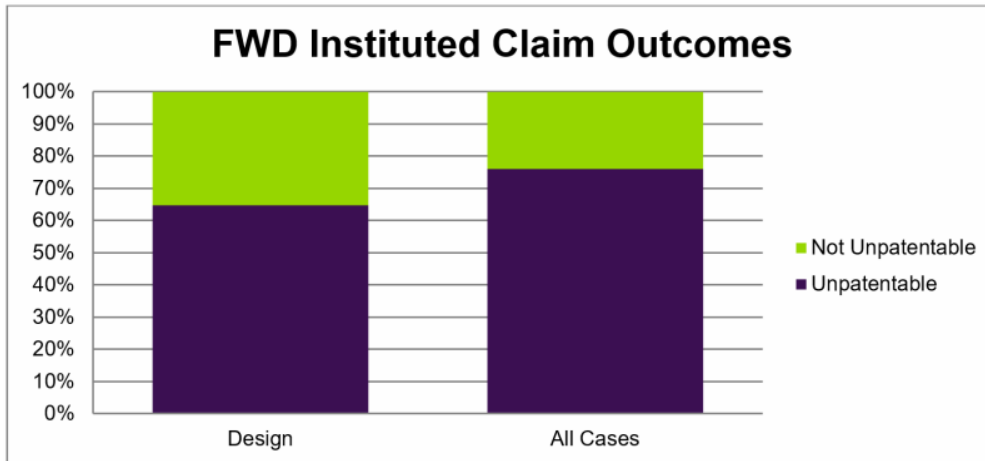


### III. Final Written Decision (FWD) Outcomes

#### A. Claim Cancellation Rate

The instituted claim has been cancelled in 11 of 17 design FWDs (65%). The overall claim cancellation rate is 76%.

#### B. FWD Ground Type



Claim Outcome	FWD Ground Type			Grand Total
	102/103	102/112	103	
Not Unpatentable	2	0	4	6
Unpatentable	4	1	6	11
Grand Total	6	1	10	17

#### C. FWD Prior Art Type

Trial Number	FWD Ground Type	FWD Prior Art Type
PGR2017-00019	102/112	NPL
PGR2018-00073	103	Patent
IPR2018-01006	103	Patent
IPR2017-00096	102/103	Patent
IPR2017-00095	103	Patent
IPR2017-00094	103	Patent
IPR2017-00091	103	Patent
IPR2016-00826	103	Patent
IPR2016-00816	103	Patent
IPR2016-00130	102/103	NPL
IPR2015-01453	102/103	NPL
IPR2015-00416	103	NPL/Patent
IPR2015-00306	103	Patent
IPR2013-00580	102/103	Patent
IPR2013-00501	102/103	Patent
IPR2013-00500	102/103	Patent
IPR2013-00072	103	Patent

Claim Outcome	FWD Prior Art Type			Grand Total
	Patent	NPL	Both	
Not Unpatentable	4	2	0	6
Unpatentable	9	1	1	11
Grand Total	13	3	1	17

#### IV. Technology Areas

Tech Area	#
Footwear	15
Household Items	12
Construction	4
Retail Fixtures	4
Electronics	4
Automotive	2
Furniture	2
Apparel	1
Aviation	1
Gaming	1
Medical Devices	1

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