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Prompt, Inexpensive Relief From Patent Infringement Available to Small Startups Through Amazon's APEX Process

By Katherine Corry and Tommy Martin

Since Amazon opened up its virtual marketplace to third-party sellers in September 1999,¹ it has become a launchpad for small business and independent entrepreneurs.² But such fledgling ventures often are faced with competition from copyists who are able to undercut and outsell them before they get off the ground.

Fortunately, Amazon offers its sellers various mechanisms for warding off this type of unfair competition, particularly where the seller owns intellectual property (IP) rights that are being infringed.

This can be an extremely effective tool for small businesses and independent entrepreneurs at the early stages of their development, when establishing and maintaining market share and market presence are the most important.

Amazon presently makes up roughly 43% of all online sales and offers over 75 million products,

with that number growing every day.³ And as of June 2022, Amazon held a 37.8% share of the U.S. e-commerce market, with the second largest portion of the market share being held by Walmart at 6.3%.⁴ This massive customer base and dominant presence in the online retail sphere allows small companies and independent entrepreneurs to unlock new opportunities, transact with customers across the world, and increase their revenue and reach by launching their brands and selling their products on Amazon. But legitimate sellers also must be prepared to combat bad actors who exploit the Amazon Marketplace by selling knockoffs and engaging in other fraudulent behavior on the site.

TYPICAL SCENARIO

In the typical scenario, these bad actors find emerging or trending products on Amazon, manufacture a direct copy overseas, and sell it on Amazon at a lower price than the original product, thereby undercutting sales of the original product.⁵ Prime targets for these nefarious predations are startup companies who have insufficient resources to fund full-fledged litigation to ward off infringers. The result is that startup companies (often with minimal liquidity) are sometimes destroyed before they are able to establish themselves or the technology they created.⁶

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This unfair activity has not gone unnoticed by Amazon, and it has taken a proactive approach to fighting off bad actors in its online stores. In 2021 alone, Amazon invested more than \$900 million in efforts to combat counterfeit products and other forms of fraud.⁷ These “robust proactive controls” include seller verification tools, automated monitoring technology, strengthening channels of communication with the United States Patent and Trademark Office (USPTO), as well as hiring more than 12,000 people to aid in these efforts.⁸

In addition, Amazon has developed a number of “takedown processes”⁹ to equip rights holders with tools to protect their intellectual property from infringing knock offs and counterfeits.

TAKEDOWN PROCESSES

Amazon “takedown processes” are processes through which an interested party obtains the removal of a product listing, or Amazon Seller Identification Number (ASIN), from Amazon’s website.¹⁰ The most powerful of these tools are those available to IP rights holders, including Amazon’s “Project Zero” tool, “Report Infringement Form” and “Report a Violation” tool.¹¹ Although eligibility requirements vary among these tools, the “Report Infringement Form” and “Report a Violation” tool are fairly informal and similar in the information that they require. For example, a rights holder can submit an order from a district court or from the International Trade Commission (ITC) to establish infringement of its rights, or it may simply identify the IP right to Amazon and attempt to resolve the issue directly with the alleged infringer.¹²

Amazon also offers IP rights holders a more formal takedown process, known as the Amazon Patent Evaluation Express (APEX) process. Initially introduced as a pilot program in April 2019, APEX was officially launched as a feature within Amazon’s Brand Registry portal in 2021, “enabling brands to request evaluations for disputes of utility patents through the tool and track the decision process.”¹³

Via the APEX process, a patentee may request a decision from a neutral evaluator as to whether the patent holder is likely to prove that the accused product listing(s) infringes the patent in question. In reaching a decision, the neutral evaluator considers briefing from both the patent holder and accused infringer, although there is no formal discovery beyond any exhibits included with

the briefing. Because the briefing is so limited, it is wise to hire experienced patent counsel, who can apply their skill and expertise to make the strongest possible case within the limitations of the briefing and emphasize the one independent claim that best covers the accused product. A finding of infringement by the neutral evaluator is ultimately enforced through the removal of the infringing product listing from Amazon’s virtual shelves.

Compared to litigation in district court or proceedings before the USPTO or the ITC, the APEX program delivers fast results and is inexpensive. On average, APEX cases are decided within fourteen weeks of initiation by a patent holder.¹⁴ And while the patent holder and accused infringer are each required to deposit \$4000 with the neutral evaluator, the winner’s deposit is refunded once the neutral evaluator’s decision is rendered.¹⁵ Thus, a prevailing rights holder must only pay its attorney fees for the limited briefing required.

In addition to being quick and cost effective, the APEX program is confidential and voluntary, as accused seller’s must choose to opt in to the evaluation and agree to treat all submissions as confidential.¹⁶ It also offers widespread relief, as a rights holder can remove up to twenty infringing product listings in a single action. Moreover, an APEX decision can then be used in Amazon’s other takedown tools in a similar manner as a district court or ITC order, which allows the rights holder to remove even more listings without going back through the APEX process again.

CONCLUSION

These aspects of the APEX process make it particularly well suited for small businesses and independent entrepreneurs seeking to establish and maintain market share while they are still in growth phases and are unable to afford the expenses of protracted litigation in district courts or the ITC. The process is affordable and swift. It also is painful for infringing sellers, who often bank on the reviews and other good will that they ultimately lose when their product listings are removed.

Notes

1. <https://www.cnn.com/interactive/2018/10/business/amazon-history-timeline/index.html>.
2. See, e.g., Amazon Staff, Young business owners with innovative new products are able to reach millions of customers through Amazon, AboutAmazon.com (Jul.

-
- 26, 2021), available at <https://www.aboutamazon.com/news/small-business/teens-are-building-million-dollar-businesses-with-amazon>; Kathleen Elkins, A 34-Year-Old Entrepreneur Earns Up to \$42,000 in Revenue a Month Selling Socks and Tights on Amazon. She Explains How She Built Her E-Commerce Business with \$2,000 Upfront, *BusinessInsider.com* (Nov. 9, 2022), available at <https://www.businessinsider.com/how-to-make-money-amazon-entrepreneurship-ecommerce-business-side-hustle-2022-11>; Rodger Dean Duncan, Why Is America So Entrepreneur-Friendly?, *Forbes.com* (Dec. 20, 2022), available at <https://www.forbes.com/sites/rodgerdeanduncan/2022/12/20/why-is-america-so-entrepreneur-friendly/?sh=219b4df43ed3>.
 3. <https://www.inc.com/business-insider/facts-about-amazon-jeff-bezos-seattle-2017.html#:~:text=Amazon%20Makes%20Up%2043%20Percent%20of%20All%20Online,robots%20roam%20the%20floors%20of%20Amazon%27s%20warehouses.%20>
 4. <https://www.statista.com/statistics/274255/market-share-of-the-leading-retailers-in-us-e-commerce/#:~:text=%2C%20Aug%2026%2C%202022%20As%20of%20June%202022%2C,in%20third%20place%20by%20Apple%2C%20with%203.9%20percent.>
 5. <https://smithhopen.com/2020/06/22/amazons-neutral-patent-evaluation/>.
 6. <https://smithhopen.com/2020/06/22/amazons-neutral-patent-evaluation/>.
 7. Amazon Brand Protection Report, Introduction, June 2022.
 8. Amazon Brand Protection Report, p. 6-7, June 2022.
 9. An Amazon takedown is a process through which an interested party obtains the removal of a product listing. A product listing corresponds to an Amazon Seller Identification Number (ASIN). See <https://sellercentral.amazon.com/help/hub/reference/external/U5SQCEKADDAQRLZ>.
 10. <https://sellercentral.amazon.com/help/hub/reference/external/U5SQCEKADDAQRLZ>.
 11. Id.; <https://www.amazon.com/report/infringement>.
 12. <https://sellercentral.amazon.com/gp/help/external/U5SQCEKADDAQRLZ> (“If your notice is valid, we will inform the responsible sellers about your claim and share your secondary contact information with them should they have any follow-up questions.”).
 13. Amazon Brand Protection Report, p. 11, June 2022.
 14. Id.
 15. Id.
 16. If the seller does not elect to opt in, Amazon will remove the reported Amazon Seller Identification Number (ASIN). A product listing corresponds to an ASIN.

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