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The Federal Circuit Addresses Where Participants of Amazon's APEX Program Can Be Haled Into Court

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The Federal Circuit's decision in *SnapRays, d/b/a SnapPower v. Lighting Defense Group* (May 2, 2024) addresses personal jurisdiction in federal district court actions that arise out of Amazon's Patent Evaluation Express (APEX) program.

Background

Under Amazon's APEX program, a patent owner may identify products listed for sale on Amazon's website that likely infringe a U.S. utility patent, and the allegedly infringing products may ultimately be removed from the site. A patent owner initiates the procedure by submitting to Amazon an APEX Agreement identifying potentially infringing listings. Amazon, thereafter, sends the Agreement to the sellers, who have three options: (1) proceed with an evaluation before a third-party evaluator; (2) resolve the claim directly with the patent owner; or (3) file a lawsuit for declaratory judgment of non-infringement. If the seller takes no action in three weeks, the product listings are removed from the site.

Lighting Defense Group ("LDG"), a Delaware LLC with a principal place in Arizona, initiated APEX proceedings for infringement of its patent relating to a cover for an electrical receptacle. One of the accused infringers was SnapPower, a Utah company with a principal place of business in Utah that sells electrical outlet covers. Unable to reach agreement with LDG, SnapPower brought a lawsuit in the district court of Utah for declaratory judgment of non-infringement.

The district court dismissed the action for lack of personal jurisdiction over LDG. Personal jurisdiction can be general or specific. General jurisdiction applies if the lawsuit was brought where the defendant has its principal place of business; the parties agreed that there was no general jurisdiction over LDG in Utah. The inquiry, then, turned to whether there was specific jurisdiction comports with due process, under the following test: (1) the defendant "purposefully directed" its activities at residents of the forum; (2) the claim "arises out of or relates to" the defendant's activities with the forum; and (3) assertion of personal jurisdiction is "reasonable and fair." Slip Op. at 4 (citations omitted). The district court concluded that LDG's contacts with Utah failed to meet these factors, finding instead that LDG's allegations were directed toward Amazon in Washington where the APEX Agreement was sent.

The Federal Circuit's Analysis

The Federal Circuit reversed. The Federal Circuit found the first factor met because LDG knew that, upon submitting the APEX Agreement, Amazon would notify SnapPower of the potential removal of its listings, which would "necessarily affect sales and activities in Utah." Slip Op. at 5. The Federal Circuit also found the second factor met because LDG's act of submitting the APEX Agreement was directed towards SnapPower in Utah and "aimed to affect marketing, sales, and other activities in Utah." *Id.* at 10. For the third factor, the Federal Circuit found no compelling argument that it would be unfair or unreasonable to subject LDG to personal jurisdiction in Utah.

Notably, the Federal Circuit relied on a Tenth Circuit decision that dealt with a similar e-commerce rights resolution process, eBay's Verified Rights Owner (VeRO) program. In *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008), the Tenth Circuit concluded that a Colorado district court had specific personal jurisdiction over a copyright owner who submitted a notice of infringement to the VeRO program, which automatically terminated the plaintiffs' auction on eBay. The Tenth Circuit determined that the copyright owner's intent to halt a sale in Colorado by a Colorado resident was sufficient for personal jurisdiction, even though it had no presence in Colorado and its notice was directed to eBay in California.

The Federal Circuit also relied on a Ninth Circuit case relating to domain names registered with Network Solutions, Inc. ("NSI"). In *Bancroft & Masters, Inc. v. August National Inc.*, 223 F.3d 1082 (9th Cir. 2000), the Ninth Circuit concluded that a California district court had specific personal jurisdiction over a defendant who challenged the plaintiff's domain name under NSI's dispute resolution process, which would take away the domain name unless a declaratory judgment action is filed. The Ninth Circuit similarly concluded that the defendant intentionally targeted the plaintiff in California, where the effects of losing the domain name would be felt, even though its letter was sent to NSI in Virginia.

Implications for Businesses in E-Commerce and Social Media

Procedures like APEX offer tools for patent owners to quickly resolve infringement disputes as an alternative to resolution before traditional tribunals such as district courts, the U.S. Patent and Trademark Office, and the International Trade Commission. Accused infringers who might consider removal of their e-commerce listings a dramatic remedy may look to this decision for leverage in proceeding at the district courts in their home jurisdictions as preemptive or subsequent dispute resolution measures.

The ability to choose a jurisdiction where a party is at home or has a significant presence provides tremendous value to a litigant in reduced litigation costs and the availability of a more sympathetic jury pool. The Federal Circuit disagreed with the contention that its decision would open the floodgates to lawsuits against APEX participants anywhere in the country, stating that they "will only be subject to specific personal jurisdiction where they have targeted a forum state by identifying listings for removal that, if removed, affect the marketing, sales, or other activities in that state." Slip Op. at 10. Time will tell whether this decision will encourage more declaratory judgment actions following APEX-like proceedings than would otherwise be filed.

Even if the volume of complaints from accused infringers does not expand, this decision likely will be relevant to lawsuits arising from comparable IP dispute resolution procedures on e-commerce and social media platforms. The Federal Circuit specifically relied on an appellate decision regarding eBay's VeRO program, but many other online business platforms have similar takedown measures for IP infringement claims. IP owners may benefit from reviewing those procedures as alternative or supplemental options

to their enforcement strategies, while accused infringers may become increasingly inclined to move their IP disputes to the district courts.



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