

**Amazon not liable for infringement by third-party sellers  
United States - Alston & Bird LLP**

**Internet issues  
Infringement**

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On May 23 2017 the Federal Circuit in *Milo & Gabby LLC v Amazon.com, Inc* upheld the district court's decision that Amazon was not liable for infringement by third-party sellers offering knock-off products through Amazon's online marketplace, even where the third-party sellers use Amazon's fulfilment services to deliver the product to the ultimate customer.

Milo & Gabby LLC designs and sells a line of animal-shaped pillowcases that turn a child's pillow into a stuffed animal. They own five design patents and copyrights for the pillowcases. Amazon.com, Inc operates a website that provides an online marketplace for third-party sellers. When the third-party seller uses the online marketplace, it provides the product information, images of the product and the price for the product. Amazon automatically generates a product page that displays the information provided by the seller and identifies the seller. In addition, Amazon offers certain third-party sellers a fulfilment service where the sellers can take advantage of Amazon's logistics network. The fulfilment service stores product, pulls product from the shelf when ordered, packages it and ships it on behalf of the seller. However, even when third-party sellers use this fulfilment service, they maintain full ownership of the product stored by Amazon and can remove their stock at any time from Amazon.

In 2013, Milo & Gabby discovered knock-off pillowcases on the Amazon website. The images of the products displayed by the sellers on Amazon were images of actual Milo & Gabby product that had been copied from its promotional materials (which was evident since the material depicted the children of the owners of Milo & Gabby). Milo & Gabby sued Amazon in 2013 and Amazon removed the product listings and suspended the third-party seller. However, the suit continued. In 2015, Amazon moved for summary judgment in the district court. The district court found in favour of Amazon on the copyright infringement claim stating that there was no evidence that Amazon had "actively reviewed, edited, altered or copied" Milo & Gabby's images and also noted that Amazon was not the seller of the alleged infringing product because the third-party seller retained title and ownership of the product. Milo & Gabby's Lanham Act claims were also dismissed for lack of evidence. However, the district court held that there was a factual issue with regard to the patent infringement claims as to whether Amazon was "offering to sell" the alleged infringing product.

At trial, the district court held in favour of Amazon, determining that the online marketplace and fulfilment services offered by Amazon did not constitute Amazon offering to sell the alleged infringing product.

Milo & Gabby appealed the district court's decision. The patent and Lanham Act claims were rejected on appeal due primarily to procedural grounds and not on the merits of the claims themselves. With regard to the copyright claims, Milo & Gabby argued that the district court erred in failing to find Amazon to be either a "seller" or "distributor" of the alleged infringing product. Milo & Gabby claimed that the district court's focus on whether Amazon took legal title to the alleged infringing goods was misplaced in that there exists under the Uniform Commercial Code (UCC) numerous circumstances where a party could be considered to be a seller without taking title (eg, consignment and agency agreements). The Federal Circuit rejected these and other UCC analogy theories and held that they did not present reasons to stray from the general UCC definition that to be a "seller" one must transfer title to the buyer.

The Federal Circuit also rejected Milo & Gabby's contention that through the fulfilment service provided by Amazon, Amazon was a "distributor" of the alleged infringing product. Milo & Gabby claimed that the fulfilment service was a violation of its exclusive right to distribute copies of its copyrighted work by "sale" or "other transfer of ownership" under 17 USC § 106(3). Since Amazon's actions were not found to be a sale, Milo & Gabby was limited to the "other transfer of ownership" part of the statute. However, the court held that Milo & Gabby had waived this argument by not substantively addressing it in its opening appeal. Further, the court noted that "other transfer of ownership" would seem to also require an actual transfer of title from the distributor to the recipient.

Based on the above, the Federal Circuit affirmed the district court's decision in this matter.

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