



The invention story of a small ad company that won \$122 million verdict from Amazon

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Roy Shkedi

Amazon.com Inc made billions of dollars through its off-site advertising, but in June, a federal jury in Texas was convinced that profits were made by infringing patents of a little-known company: AlmondNet Inc.

The jury directed Amazon to pay AlmondNet **\$122 million**, after determining that it infringed claims in US Patents 7,822,639 and 8,671,139 – related to targeted advertising. The US District Court for the Western District of Texas case also highlighted an interesting *Alice* issue, which could be an **opportunity for patent owners**.

Amazon is the third-largest digital advertiser in the world, so AlmondNet's successful jury verdict reflects the importance of its targeted advertising patents. The tech giant denied infringement and argued that the patents were invalid. Amazon didn't respond to requests for comment.

In an exclusive interview, IAM learned from AlmondNet CEO and Inventor Roy Shkedi about his patented technology, how he saved his company from the brink of a financial collapse and why he is willing to bet on himself and his employees.

Fulfilling the American Dream

Early in his life, Shkedi was an electronics engineer in the intelligence branch of the Israeli Army. Later he was a financial analyst at Ofek Securities, a wealth management firm, where he analysed Israeli technology stocks traded in the NASDAQ. One market caught his eye: online advertising. He recognised several inefficiencies and it dawned on him that he could do something about it.

In 1998, he followed his gut and founded AlmondNet Group – based on his family name – and subsidiaries Intent IQ and Datonics.

"When my grandfather immigrated from Germany to Israel in 1930, his family name was Mandelbaum, which, in German, translates to almond tree," says Shkedi. "He changed his family name to Shkedi, which, in Hebrew, means almond tree."

Because the United States was the largest advertising market in the world, he relocated his family to the US in 2000, hoping to pursue the American Dream.

Before 2000, websites couldn't sell targeted ads to users off-site when they left one website and went to the next one. The only option for websites to sell ad space was to sign a contract with an ad network with relationships with advertisers. The problem was the website had to give the ad network its users' information without compensation.

Shkedi saw that as a missed opportunity. In 2000, he created a way for website owners to sell targeted ads off-site and profit from them instead of letting the ad network take the entire profit. This is covered by the '639 patent. Shkedi also created a way for third-party servers to authorise showing an ad off-site automatically based on a user's profile attribute information. This is covered by the '139 patent.

For example, if an advertiser wanted to target 30-to-35-year-old women with children who had searched for a minivan, the advertiser would pay more if all the attributes were met, and less if only three of the four attributes were met.

Shkedi came up with solutions that hadn't occurred to others, but the road to success was far from smooth.

From the mid-to-late 1990s, dot-com startups had become overwhelmingly popular due to the widespread adoption of the internet. But the bubble burst in March 2000.

Most of the companies founded around the same time as AlmondNet disappeared from the scene. AlmondNet did not, even as it struggled to raise venture capital funds. "We cut salaries, and we pushed along till we survived," says Shkedi. "We did not give up."

Patent licensing

In 2013, AlmondNet faced near financial ruin. Shkedi's main concern was keeping his employees at AlmondNet, Intent IQ and Datonics. He explained during his court testimony that he entered what he views as a less-than-perfect licensing deal with Google. Shkedi said the search giant offered a take-it-or-leave-it deal and there was no price negotiation. He agreed to retain his team.

"We have employees working with us for 25, 20, 15, 10 years," he says. "That is something I'm proud of because most people leave jobs after a few years for higher salaries."

Shkedi then took most of the money collected from the Google licensing deal and invested it back into AlmondNet. He acknowledges that the chance of success in a technology startup is less than 10%, but took the gamble nonetheless.

Shkedi's first gamble paid off in 2023 when he says that AlmondNet began generating significant profit. His second gamble – the risk of going after Amazon for patent infringement – also took a turn for the better this June when the Texas jury ruled in AlmondNet's favour.

Before 2012, Amazon was unable to monetise its first-party data. After 2012, Amazon was suddenly able to monetise it. The reason became clear during the trial between the two parties when Ronald Knapp, Amazon's vice-president of technology, **admitted during cross-examination** that AlmondNet's invention had cracked the code.

There are indications that patent royalties may become a larger slice of AlmondNet's revenue pie in the future. The company still has pending litigation against Samsung, Roku, Meta, LinkedIn and Oracle. Shkedi declined to comment on pending litigation.

He says that being an inventor and CEO helps him make decisions.

"A CEO who is not an inventor will have to rely on other people's analysis of the technology and where the market is headed," he says. "You don't have to be both, but you must have a comprehensive understanding of the technology. The deeper your technological understanding, the more solid your decision-making will be."

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