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To: IP Policy
Cc: Elizabeth Kiss
Subject: Comments: Patent Small Claims Proceedings

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Comments Regarding a Patent Small Claims Court and Related Procedures

These comments are submitted in response to the Call for Comments issued by the Patent and Trademark Office regarding a proposed Patent Small Claims Court.

I believe a Patent Small Claims Court could be highly advantageous.

I would suggest the following parameters for such a Patent Small Claims Court.

A. Venue. I would suggest that he Patent Small Claims court would be set up as a divsion of the United States District Courts. The Courts could be overseen by U.S. District Magistrates who are trained in issues of patent law and patent infringement litigation. These trained Magistrates could hear the cases. In addition, the cases could also be handled by a panel of specially trained and appointed Judge Pro Tempores (JPTs). These JPT's would local lawyers who have experience in trying intellectual property infringement cases. Many court's use JPT's to handle a variety of matters, and such JPT's are appointed by the courts based upon their experience. In many jurisdcitions (inlcuding Arizona where I practice), JPT's handle such cases on volunteer or reduced fee basis. This would allow these courts to handle these cases without setting up significant new procedures in most courts and on a relatively low cost basis. Further, being in the local Federal District where at least one of the parties is located would reduce the cost of litigation for the parties, compared to having one court located in the Washington, DC area.

B. Subject Matter. I would suggest the jurisdiction of these small patent courts claims be limited to handling only claims related to patent infringement and claims directly related to the patent. The claims the court could consider would be limited to infringement of one patent or a claim for declaratory relief of non-infringement of one patent. In addition, to the limit the scope of the claim, the infringement action should be limited to one patent, and with regard to that one patent, no more that allegations of infringement of no more than 10 claims total and no more than 3 independent claims. In order to accomplish the goals of keeping the lawsuit limited, these limits are necessary.

C. Jury Trials. Jury trials should not be allowed in Small Patent Claims Court. If either party wants a jury trial they should be required to move the claim to Federal Court, using normal civil procedure.

D. Requirements to initiate a claim. These should be the same as a civl complaint, as generally applicable in federal court.

E. Filing Fees. Filing Fees should be based on the amount of money in dispute. For claims of less than $1 Million, the filing fee should not be more than the filing fee in Federal Court.

F. Multiple Parties, Multiple Claims. Claims should be limited only to patent claims or claims of declaratory relief of non-infringement. Multiple parties should not be allowed; except that parent or subsidiaries of a party subject to identical claims of infringement should be allowed to participate - however, only if they are represented by the same counsel as the parent of subsidiary. Further the patent claims in issue should be limited to one patent, and further limited to a dispute involving no more than 10 patent claims in issues, with a further maximum of no more than 3 independent claims.

G. Attorneys. Parties should be allowed the assistance of counsel.

H. Case Management Characteristics. The case should be handled in 3 phases, with a possible 4th phase, as described below in remedies.

Guidelines should be adopted, generally requiring that each phase be completed in 75 to 90 days. The entire case would be resolved in 9 months, in almost all cases.

Phase 1. The first phase is claim construction and invalidity. The pleadings would track the Federal Rules of Civil Procedure with a complaint and an answer. Counterclaims would be very limited, as the only claim permitted would be claim for infringement of a single patent or a complaint for declaratory relief of non-infringement of a single patent.

Following, the complaint and answer, the first phase would be limited to claim construction and any claim of invalidity.

Claim construction, would involve first an initial meeting the the assigned judge with each party giving a preliminary discussion of any areas where they believe claim construction is necessary. The judge (actually a magistrate or JPT) would then set up a briefing schedule on claim construction, with the patent holder submitting his proposed claim construction of disputed terms. The alleged infringer would then respond and submit his proposed construction of the disputed terms. Generally the court would then rule on claim construction. If needed, limited reply briefs could be submitted.

The court would generally allow each party no more than 20 days for such briefing and the court would issue a prompt ruling, allowing the claim construction to be completed in approx. 60 days.

Any issues of invalidity based on prior art would be briefed and submitted in the same time period. It would be recommended that patents are presumed valid, and that any party alleging invalidity would generally be required to submit clear and convincing evidence to overcome such validity. Guidelines should be adopted indicating that evidence supporting such invalidity should be in the form of substantiated documentary evidence - usually either printed or published information from recognized industry sources, or equivalent type evidence.

As claim construction issues are often a key issue in patent infringement claims, and as they are also an area where there is a notable rate of reversal on appeal, I suggest providing a limited interlocatory appeal of any claim construction or invalidity rulings. In order to accomplish this in a manner consistent with the goals of a small claims procedure, I suggest the following rules apply to this type of interlocatory appeal:

(i) In order to file an appeal, the appellant would be required to post a bond in the amount of all attorneys fees incurred by the appellee prior to the appeal.

(ii) No further appeal would be permitted. In other words, this would be the only opportunity any party would have to appeal a claim construction issue.

(iii) No appeal briefing is permitted. The claim construction briefs and papers submitted in the small claims court would be the papers reviewed by the appellate panel.

(iv) The appellate panel would be a 3 judge panel consisting of magistrate judges and other patent judge pro tempores. The panel should include at least one magistrate judge. (This is roughly analogous to a Bankruptcy Appellate Panel used in Bankruptcy Court).

Phase 2 This would be a hearing on the issues of patent infringement. The magistrate or JPT would hold a hearing on infringement. Each side would be given a limited time to present their case for infringement. In order to expedite the expert process if the parties desire to present expert testimony, they would inform the Magistrate or JPT, and at the same time each side would submit a list of proposed experts. Each side would then have a limited number of days to enter objections to the experts proposed by the other side. The Magistrate or JPT would then appoint a Court appointed expert from the parties lists. Each side would share the costs of the court appointed expert. At trial, if either or both sides desired to present their own expert, they woudl be permitted to do so, but all experts, including the court appointed expert would be sworn and testify simultaneously, and each expert would be allowed to question the other experts at the same time. It is anticiapted that the Court, in conjunction with the Court appointed expert woudl lead the discussion/expert questioning and cross-questioning.

Phase 3 would be the remedies phase, both damages and injunctive relief. This is discussed in the remedies section below.

I. Remedies.

Damages - Damages would be awarded using the same standards as applies in civil lawsuits for patent infringement.

Injunctive Relief - Upon a finding of infringement, the patent holder would have a right to seek injunctive relief. However, the issue of injunctive relief would be determined by a District Court judge using the same standards as applicable to other patent infringement cases. Because of the potential significant impact of injunctive relief and the potential need for contempt sanctions for a remedy if the injunction is not followed, the preference is to have a separate hearing before a Federal District Court Judge on the sole issues of whether an injunction should be issued.

Attorneys' Fees - In order to help defray the costs to litigating opponents a general rule should be adopted that in these proceedings, that the losing party pays the attorneys' fees of the prevailing party. The Magistrate or JPT would have the authority to vary this rule; however, the rule should be varied only upon a determination that that such an award would be manifestly unjust.

J. Appeals. My preference would be to require that the parties forego any appeal rights, except for the interlocatory appeal of claim construction issues. Since the goal is for a low cost expedited procedure, eliminating appeals furthers this goal. I have allowed for appeals of claim construction issues only because this appears to be the one area where appeals are the greatest and where the statistical reversal rate shows that there is a great need for appeals on this issue. However, should there be a demand for an appeal right of all issues, I would suggest that the same type of appeal panel process be used for all appeals from the Patent Small Claims court.

[Please note that the comments offered in this letter are solely the opinion of the author.]

Respectfully submitted,

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