

CHAIR

Joseph M. Potenza
Washington, DC

CHAIR-ELECT

Robert O. Lindefjeld
Pittsburgh, PA

VICE-CHAIR

Lisa A. Dunner
Washington, DC

SECRETARY

Joan Morgan McGivern
New York, NY

FINANCIAL OFFICER

Theodore H. Davis Jr.
Atlanta, GA

CLE OFFICER

Kim R. Jessum
Philadelphia, PA

PUBLICATIONS OFFICER

George Washington Jordan III
Houston, TX

MEMBERSHIP OFFICER

Susan McHale McGahan
Bedminster, NJ

**SECTION DELEGATES TO
THE HOUSE OF DELEGATES**

Susan Barbieri Montgomery (2013)
Boston, MA

Jack C. Goldstein (2014)
Houston, TX

Donald R. Dunner (2015)
Washington, DC

IMMEDIATE PAST CHAIR

Robert A. Armitage
Indianapolis, IN

COUNCIL MEMBERS

Mark K. Dickson (2013)
C. Frederick Koenig III (2013)
Nancy J. Linck (2013)
Ralph Oman (2013)
Amy J. Benjamin (2014)
Darrell G. Mottley (2014)
Donna P. Suchy (2014)
Marc K. Temin (2014)
June M. Besek (2015)
Christopher A. Bullard (2015)
Denise W. DeFranco (2015)
Scott F. Partridge (2015)
Dale Cendali (2016)
Jonathan Hudis (2016)
Willard Jones II (2016)
Adriana Suringa Luedke (2016)

SECTION STAFF

Michael G. Winkler
Director

Carey Farley
Programming / Events

Amy Mandel
Communications / Publications

Hayden W. Gregory
Legislative Consultant
Washington, DC
hayden.gregory@americanbar.org

AMERICAN BAR ASSOCIATION**Section of Intellectual Property Law**

321 North Clark Street
Chicago, IL 60654-7598
(312) 988-6254

FAX: (312) 988-6800

E-mail: iplaw@americanbar.org

www.americanbar.org/iplaw

April 25, 2013

Via Electronic Mail: ip.policy@uspto.gov

The Honorable Teresa S. Rea

Acting Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office

Mail Stop OPEA

P.O. Box 1450

Alexandria, Virginia 22313-1450

Attn: Ms. Elizabeth Shaw

**Re: Comments on December 18, 2012 Federal Register Notice, 77
Fed. Reg. 243 “Patent Small Claims Proceeding in the United
States.”**

Dear Acting Under Secretary Rea:

I am writing on behalf of the American Bar Association’s Section of Intellectual Property Law (“ABA-IP Section”) to provide comments for your consideration in response to a request by the United States Patent and Trademark Office (“the USPTO”) as to “whether the United States should develop a small claims proceeding for patent enforcement.” 77 Fed. Reg. 243 (Dec. 18, 2012). These comments have not been approved by the American Bar Association’s House of Delegates or the Board of Governors and should not be considered to represent the views of the American Bar Association.

1. *Provide a general description of your understanding of the need or lack of a need for a patent small claims court or other streamlined proceedings. If you believe there is a need, please provide a description of which types of patent cases would benefit from such proceedings. If you believe that there is not a need for such a court or proceedings, please share why you hold such a view.*

The compelling need for a federal judicial forum where “small” patent infringement claims can be adjudicated in a cost-effective and expeditious manner is best expressed in historical evidence and the annual statistics collected and maintained by the Administrative Office of the United States Courts (“AO”).

a. Historical Evidence.

The need for a federal forum to adjudicate “small” patent infringement claims has been discussed by the inventor and small business communities and in academic and bar association circles for the past two decades.

On March 23, 1989, the Franklin Pierce Law Center, in cooperation with the Kenneth J. Germeshausen Center for the Law of Innovation and Entrepreneurship at the University of New Hampshire and the PTC Research Foundation, hosted a conference of leading patent litigators, corporate counsel from FORTUNE 500 companies, academics, and federal judges including Chief Judge Howard T. Markey and Circuit Judge Pauline Newman of the United States Court of Appeals for the Federal Circuit, and Judge William C. Conner of the United States Southern District of New York. *See* Homer O. Blair, *Introduction: Franklin Pierce Law Center, Second Patent System Major Problems Conference, March 23, 1989*, 30 IDEA 107 (1989); *see also id.* at 107-08 (listing attendees). The Conference examined how to streamline patent litigation and utilize nascent alternative dispute resolution techniques to better resolve “small” patent infringement claims. The potential claim threshold considered was between \$25,000 and \$1 million (in 1989 dollars), because, as one participant observed, “[y]ou can hardly litigate a case [for] much less than half a million dollars these days. And a million dollars is more like it for many cases.” *Id.* at 219. The most striking development of the Conference was the confluence of FORTUNE 500 corporations and small patent-holders that expressed a need for a forum to adjudicate “small” patent infringement claims and render a decision in a more efficient and less expensive manner than litigating before a federal district court. *Id.* at 217, 219-20 (remarks of Homer O. Blair, Donald R. Dunner, Joseph M. Fitzpatrick, Robert T. Orner, and Chief Judge Howard T. Markey).

William S. Thompson, President of the American Intellectual Property Law Association (“AIPLA”), attended this Conference and subsequently led the AIPLA to consider recommending that a “small” patent claims court be authorized to preside over infringement claims of \$1 million or less. *See Federal Small Claims Procedure*, 1990 ABA SEC. PAT., TRADEMARK & COPYRIGHT L. COMM. REP. 194, 196 (1990) (“1990 ABA Comm. Rep.”) (discussing the AIPLA proposal).

In 1990, the predecessor to the ABA-IP Section recognized that “litigants with small claims based upon exclusive federal jurisdiction, such as patents[,] . . . are effectively shut out from the federal courts” and a “litigant having the economic staying power can out-litigate the opponent by simply refusing to go along with . . . alternative forms of dispute resolution.” *Id.* at 194. The ABA-IP Section, therefore, endorsed the authorization of a “small” patent claims court by adopting Resolution 401.4.

Resolution 401.4 states:

RESOLVED, that the Section of Patent, Trademark and Copyright Law favors, in principle, legislation for the establishment of an expedited, low-cost small claims procedure within the federal judiciary for the resolution of civil patent and copyright disputes subject to exclusive federal jurisdiction, having an amount in controversy less than an appropriate stated sum.

Id. at 194.

This Resolution was accompanied by a recommendation that infringement be capped at \$100,000, although a minority of members supported the higher \$1 million threshold recommended by the AIPLA. *Id.* at 195-96. Resolution 401.4 also included several other substantive recommendations:

- A magistrate would preside over all cases of “small” patent infringement claims. *Id.* at 195.
- The “small” patent infringement forum would not have supplemental or ancillary jurisdiction over related non-patent claims. Counterclaims would be allowed, but only if the counterclaim was under the \$100,000 threshold. *Id.*
- Discovery and/or trial would be subject to streamlined procedures to ensure the speedy and cost-effective resolution of “small” patent infringement claims. *Id.*
- There would be no right to a jury trial. To avoid Seventh Amendment concerns, a losing party would be able to appeal to a federal district court for a *de novo* trial. If the plaintiff did not prevail, however, it would be required to pay the prevailing party’s attorneys’ fees and court costs for the district court proceeding. *Id.*
- A “small” patent claim could be removed to a federal district court by motion of either the defendant or the defendant to a counterclaim. *Id.*
- The “small” patent claims court would not have injunctive authority, but an injunction could be requested in any *de novo* federal district court proceeding. *Id.*
- No willful damages or attorneys’ fees could be awarded. *Id.*

In 1990, the Secretary of the United States Department of Commerce formed an Advisory Commission on Patent Law Reform (the “Commerce Advisory Commission”). See ADVISORY COMM’N ON PATENT LAW REFORM, A REPORT TO THE SECRETARY OF COMMERCE (1992). In 1992, the Commerce Advisory Commission issued a Report that suggested further study of the following topics: “other means of resolving patent disputes,” “designating specialized patent courts,” “intra-circuit sharing of judges with experience in patent litigation,” and the “adoption of a ‘small claims’ procedure for patent cases in Federal courts.” *Id.* at 13-14.

An important recent law review article identified several reasons why Resolution 401.4 did not advance after 1992. See Robert P. Greenspoon, *Is The United States Finally Ready for a Patent Small Claims Court?*, 10 MINN. J. L. SCI. & TECH. 549, 556-57 (2009). First, the proposal to afford a losing party before a “small” patent claims court a *de novo* trial in federal district court was viewed as not being able to “pass the necessary test of constitutionality.” *Id.* at 556. Second, Resolution 401.4 was to be implemented nationwide, rather than in an experimental pilot program. *Id.* Third, Resolution 401.4 would have imposed a substantial amount of work on magistrate judges across the country. *Id.* at 557. Finally, allowing the defendant to remove a “small” patent claim case to a federal district court, effectively gave the defendant a veto over

the process. *Id.* Mr. Greenspoon’s proposed solution was to set a \$1 million cap on potential infringement damages; require expedited discovery; utilize interested senior judges to adjudicate these cases instead of magistrates; permit jury trials, but with strict time limitations; and roll out a pilot program in only a few jurisdictions before undertaking systemic reform. *Id.* at 561-66.

In September 2011, Congress enacted the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (the “AIA”) to create “a patent system that is clearer, fairer, more transparent, and more objective. It is a system that will ultimately reduce litigation costs . . . [and] make it simpler and easier to obtain valid patents and to enforce those patents[.]” 157 CONG. REC. S5319 (daily ed. Sept. 6, 2011) (statement of Sen. Kyl). It also revises and expands *inter parte* reexamination, now known as an *inter partes* review (“IPR”), as “an inexpensive substitute for district court litigation[.]” *Id.* The IPR is intended to be a limited proceeding wherein a petitioner may request the USPTO to cancel one or more claims based on invalidity over published patents or printed publications. *See* AIA, 35 U.S.C.A. § 311(b). Under the AIA, an IPR issues if the USPTO Director determines “there is a reasonable likelihood that a petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” AIA, § 314(a). In addition, a post-grant review program (“PGR”) was authorized to allow a petitioner to request that the USPTO cancel patent claims for invalidity. § 321(b). A PGR petition, however, must be initiated within 9 months after the patent is issued. § 321(c). Both IPR and PGR proceedings provide an inexpensive means to resolve challenges to a patent’s validity. Neither an IPR nor a PGR, however, was designed to adjudicate patent infringement claims, award damages, or afford injunctive relief. Although the AIA is anticipated to reduce the cost of some patent litigation, an efficient, low-cost forum to resolve “small” patent infringement claims was not addressed by the AIA.

In early 2012, the Under Secretary of Commerce for Intellectual Property and Director of the USPTO, recognizing that the AIA is not the end of patent reform, endorsed the concept of a federal “small” patent claims forum that “could settle patent disputes quickly and cheaply.” *See U.S. Patent Director, An Alum, Says New Approach Needed For Tech Transfer*, UC DAVIS NEWS AND INFORMATION (Jan. 30, 2012), *available at* http://www.dateline.ucdavis.edu/dl_detail.lasso?id=12714 (last viewed Feb. 1, 2013). In February 2012, the ABA-IP Section decided to examine anew the viability of requesting Congress to authorize a federal forum with jurisdiction to adjudicate “small” patent infringement claims in a cost-efficient manner and appointed a Task Force to identify decisional issues and prepare a presentation to the Council.¹

¹ Judge Susan G. Braden, Washington D.C., was appointed to serve as Chair of the Task Force. The following members of the ABA-IP Section were appointed to serve on the Task Force: Erica H. Arner, Finnegan Henderson, Farabow, Garrett & Dunner, LLP, Washington, D.C.; Steven P. Caltrider, Deputy General Counsel, Eli Lilly & Co., Indianapolis, Indiana; Samson Helfgott, Katten Muchin Rosenman LLP, New York, New York; Pamela Banner Krupka, The Krupka Law Group, P.C., Los Angeles, California; Don Martens, Knobbe Martens Olson & Bear LLP, Irvine, California; Scott F. Partridge, Baker Botts, L.L.P., Houston, Texas; Stephanie L. Roberts, Steptoe & Johnson, Washington, D.C.; and Harrie Samaras, ADR and Law Office of Harrie Samaras, West Chester, Pennsylvania.

The assistance of the AO staff in providing statistical data and the research of the Librarian of the United States Court of Appeals for the Federal Circuit was particularly helpful in preparing this comment. Judge Braden’s Law Clerks Mike Knobler and Alex Larro also provided research assistance. Her Judicial Assistant, Karen Glanden was responsible for editorial and production assistance.

To support the work of the ABA-IP Section Task Force, the USPTO requested that the George Washington Law School convene an Intellectual Property Small Claims Roundtable (“GWL Roundtable”) that took place on May 10, 2012 to bring together: practicing lawyers; academics; representatives from the small invention community; USPTO senior staff officials; ABA-IP Task Force members; and former and current federal judges. The GWL Roundtable began with a presentation by Mr. Paul Stoer, Copyright and Intellectual Property Enforcement Policy Officer at the United Kingdom’s Intellectual Property Office in London, who described the recent experience of the Patents County Court in England and Wales (the “UK-PCC”),² and Professor Richard Pierce’s observations on constitutional issues.

Subsequently, the ABA-IP Task Force prepared a written presentation to the ABA-IP Section Council on August 1, 2012, participated in a Forum held at the USPTO on October 1, 2012, and hosted several Inns of Court and related intellectual bar association roundtable discussions in Washington, D.C., Philadelphia, Pennsylvania, and Dallas, Texas,³ to ascertain the current views of the small inventor community, practitioners, intellectual property owners, and academics.

b. Annual Statistics Collected and Maintained by the Administrative Office of the United States Courts.

The statistics collected and maintained by the AO also demonstrate the need for an alternative federal forum to adjudicate “small” patent claims.

During the 12-month periods, beginning September 30, 2008 through 2012, statistics collected and maintained by the AO indicate that the number of patent cases filed in the United States District Courts increased by 78.4%.⁴

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
-------------	-------------	-------------	-------------	-------------

² In 1990, the UK-PCC was established in to handle patent, registered design, and trademark cases, under less expensive and more streamlined procedures than those used in the Patent Court of the High Court. Cases can be transferred from the Patent Court of the High Court to the UK-PCC and vice versa. At the UK-PCC, cases are heard by a single judge or an appointed deputy and may be argued by a patent agent or solicitor, instead of a barrister. Generally, the damages at issue in UK-PCC cases are no more than £500,000, excluding interest other than that payable under an agreement and costs. An appeal of a patent case from the UK-PCC is heard by the Court of Appeal, provided that leave is granted. The Court of Appeal focuses primarily on the correctness of the decision on points of law, not on issues of fact. A further appeal on a point of law is possible to the Supreme Court, although permission must be sought and is rarely granted. The legal costs of an appeal, however, are awarded to the winning party on a “loser pays” basis, whether in the Court of Appeal or the Supreme Court.

³ On February 28, 2013, the University of Illinois Law School and the AIPLA hosted a day-long conference to discuss how to implement a “small” patent claims forum. On May 1, 2013, the AIPLA also will convene a panel discussion to discuss the merits of a “small” patent claims forum in Seattle.

⁴ See ADMIN. OFFICE OF THE U.S. COURTS, 2011 ANNUAL REPORT OF THE DIR.: JUDICIAL BUS. OF THE U.S. COURTS, at 151 (2012), *available at* <http://www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2011/JudicialBusiness2011.pdf> (last viewed Jan. 30, 2013).

No. of Patent Cases Filed	2,909	2,792	3,301	4,015	5,189 ⁵
---------------------------	-------	-------	-------	-------	--------------------

The AO does not collect or maintain statistics on the size of the damages claimed. Of the 1,032 AIPLA members who responded to the association’s most recent, 2011 Economic Survey, approximately a third reported that they handled a case with \$1 million damages or less at stake.⁶ An unpublished October 21, 2012 draft article examining 340 patent infringement cases decided between 1995 and 2008, indicates that 40% of those involved patent cases where \$2 million or less was awarded. *See* <http://ssrn.com/abstract=2164787> at 14 (Figure 4). These estimates, however, do not separately account for patent suits filed by non-practicing entities, a matter discussed in response to Request 2(s). Therefore, it may be assumed that at least 30% of the patent cases filed each year constitute “small” patent claims.

2. *Please share your views, along with any corresponding analysis and empirical data, as to what a preferred patent small claims proceeding should look like. In doing so, please comment on any of the following issues:*

(a) *What the possible venues for a small claims proceeding should be, including whether patent small claims should be heard by Federal District Court judges or magistrates, whether patent small claims should be handled by an Article I court, such as the U.S. Court of Federal Claims, or whether patent small claims should be heard in another venue not specifically listed here.*

i. United States District Court and Magistrate Judges.

The United States District Courts and magistrate judges have demonstrated the substantive ability to adjudicate patent cases that involve complex technology and have an immediate impact on the economy. In addition, fourteen federal district courts recently volunteered to participate in a ten year pilot program to enhance expertise in patent cases. *See* Pub. L. No. 111-349.⁷ These federal district courts were selected because they had the “largest number of patent and plant variety protection cases in 2010” or intended to adopt special local rules to handle such matters in an attempt “to enhance expertise in patent cases [and] . . . to analyze and report certain statistics (*e.g.*, time to disposition and reversal rate”). Robert Gunther

⁵ In January 2013, 530 new patent cases were filed, a 46% increase over the same period one year ago, *i.e.*, two and a half times the number of patent cases filed in January 2012 (or an increase of 147%). *See available at* <http://trac.Syr.edu/tracereport> (“Three-Year Rise in Patent Lawsuits.”) (last viewed Feb. 20, 2013).

⁶ *See* AM. INTELLECTUAL PROP. LAW ASS’N, REPORT OF THE ECONOMIC SURVEY, at I-153-54 (2011).

⁷ The initial federal pilot patent courts include the: Eastern District of New York; Southern District of New York; Western District of Pennsylvania; District of New Jersey; District of Maryland; Northern District of Illinois; Southern District of Florida; District of Nevada; Eastern District of Texas; Northern District of Texas; Western District of Tennessee; Central District of California; Northern District of California; and Southern District of California. *See* Exhibit A.

& Omar Kahn, “*Patent Pilot Program, One Year Later*,” N.Y. L.J. (Jan. 7, 2013) (bold in original).⁸

The purpose of a federal “small” patent claims forum, however, is to adjudicate these disputes in an expedited and less expensive manner than is typically the case. It would appear that imposing a “fast track” adjudication of claims on the federal district courts and their magistrates may not always be feasible, given the current caseload, as demonstrated in the following charts. Moreover, some of the Patent Pilot Program courts may not want to incorporate a “fast track” procedure that would advance adjudication of “small” patent claims ahead of more complex patent cases.

During the 12-month periods, September 30, 2008 through September 30, 2012, statistics collected and maintained by the AO, however, indicate that the number of patent cases that actually proceed to trial, either by a judge, jury, or magistrate are fewer than four percent.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
% of cases that proceed to trial	3.8%	4.0%	3.9%	2.9%	3.4% ⁹

What happens to the rest of the patent cases filed? The AO collects and maintains statistics on how many patent cases are terminated in a fiscal year, at what juncture they are terminated, and the months from the date a complaint is filed to any case termination, but the AO does not collect or maintain statistics on how many patent cases are settled or how many cases are dismissed on summary judgment by the trial court or by a plaintiff who elects not to proceed.¹⁰ Nor does the AO collect or maintain statistics that reflect how many plaintiffs run out of funds to proceed or simply abandon lawsuits that are not moving toward adjudication.

⁸ In the Patent Pilot Program, “patent cases filed in participating district courts are initially randomly assigned to all district judges, regardless of whether they have been designated to hear such cases. A judge who is randomly assigned a patent case and is not among the designated judges may decline to accept the case. That case is then randomly assigned to one of the district judges designated to hear patent cases.

The Judicial Conference Committee on Court Administration and Case Management will help implement the pilot. [That] Committee is encouraging the pilot courts in the project to use their case assignment system to ensure fairness in the distribution of the court's workload and provide for the assignments of additional civil cases to those judges who decline patent cases.” See http://www.uscourts.gov/News/NewsView/11-06-07/District_Courts_Selected_for_Patent_Pilot_Program.aspx (last visited Jan. 28, 2013).

⁹ See Table C-4 U.S. District Courts – Civil Cases Terminated, by Nature of Suit and Action Taken, During the 12 Month Period Ending September 30, 2012.

¹⁰ For example, for the 12-month period ending September 30, 2012, statistics collected and maintained by the AO report that of 4,042 patent cases that were terminated—1,129 cases were terminated, on average, with no court action after 4.3 months; 2,181 other cases were terminated on average with some pre-trial court action after 7.3 months; 593 other cases were terminated during or after an average of pretrial court action, after 13.8 months; and another 139 cases were terminated during trial, after 31.1 months. See Table C-5A.

ii. United States Court of Federal Claims.

In light of the small percentage of patent cases that actually are adjudicated by the United States District Courts or their magistrates, the United States Court of Federal Claims may be a viable alternative federal forum for a pilot program to adjudicate “small” patent claims. A brief description of the history and jurisdiction of the court follows.

In 1887, Congress authorized the Court of Claims to adjudicate suits against the United States for breach of contract and issue binding judgments. In 1982, the Federal Courts Improvement Act of 1982 abolished the existing Court of Claims and Court of Customs and Patent Appeals and created two new federal courts: the United States Claims Court, renamed in 1992 as the United States Court of Federal Claims,¹¹ and the United States Court of Appeals for the Federal Circuit. The Tucker Act is the core jurisdictional statute of the United States Court of Federal Claims,¹² but the money-mandating authority must be derived from a different source. *See United States v. Testan*, 424 U.S. 392, 398 (1976). Under the Fifth Amendment Takings Clause and a wide variety of money-mandating statutes, the court has exclusive jurisdiction over claims against the federal government in excess of \$10,000, including suits involving: government contracts; bid protests; federal tax refunds; Indian claims; civilian and military pay claims; and vaccine injury claims.

More importantly, Congress has authorized the United States Court of Federal Claims with jurisdiction to adjudicate claims for patent infringement:

if the Government uses or manufactures a patented invention without a license or if the use or manufacture of a patented invention is by a contractor, subcontractor, or any person, firm, or corporation for the government, with the authorization or consent of the government.

28 U.S.C. § 1498(a); *see also Hughes Aircraft Co. v. United States*, 534 F.2d 889, 897 (Ct. Cl. 1976).¹³ These patent cases,¹⁴ like a significant portion of the court’s other substantive docket,

¹¹ *See* Federal Courts Administration Act of 1992, Pub. L. No. 102-572, § 902, 106 Stat. 4506 (1992).

¹² The Tucker Act provides:

The United States Claim Court shall have jurisdiction to render judgment upon any claim against the United States founded upon either the Constitution, or any Act of Congress or any regulation of an executive department, or upon any express or implied contract with the United States, or for liquidated or unliquidated damages in cases not sounding in tort.

28 U.S.C. § 1491(1)(1) (2006).

¹³ The United States Court of Federal Claims also has jurisdiction to adjudicate claims by a patent applicant or owner to recover compensation for damages caused by the imposition of a Secrecy Order on a patent application by one of the military or intelligence departments, where there has been subsequent use by the Government resulting from the disclosure of the invention covered by the Secrecy Order. *See*

entail: the review of extensive records; require findings of fact; and resolution of complex issues of law. Trials often involve expert witnesses and electronic evidence. Although the United States Court of Federal Claims is housed in Washington, D.C., in the same physical building as the United States Court of Appeals for the Federal Circuit, the United States Court of Federal Claims has *nationwide* jurisdiction and its judges regularly conduct proceedings in other federal district courts around the country for the convenience of the parties. Appeals of final judgments of the United States Court of Federal Claims are reviewed by the United States Court of Appeals for the Federal Circuit.

The court has authority to award money damages, but is also authorized to issue declaratory judgments or injunctions in bid protest cases. *See* 28 U.S.C. § 1491(b)(2); *see also* 28 U.S.C. § 1651 (“The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.”).

The judges of the United States Court of Federal Claims, like judges on the United States District Courts, are appointed by the President, subject to confirmation of the Senate and afforded the same salary and benefits. The judges of the United States Court of Federal Claims, however, are Article I judges who serve for a fifteen year term, but are eligible at the end of their term to: 1) retire, if they satisfy the Rule of 80, *i.e.*, are sixty-five years old with fifteen years of judicial service; 2) request reappointment from the President for an additional fifteen year term; or 3) request the Chief Judge to appoint them to serve as a senior judge, based on the requirements of the court.¹⁵

On February 28, 2013, one of the sixteen active judges retired. On March 31, 2013, another active judge also retired. On October 22, 2013, the term of five other judges also will end: one intends to retire and three are eligible to retire, be reappointed, or assume senior status. This presents an opportunity for the President to nominate three or more judges to this court with “hands on” patent law experience to complement the United States Court of Federal Claims’ existing expertise in patent claim construction and adjudicating patent infringement claims.

35 U.S.C. § 183; *see also Hornback v. United States*, 301 F.3d 1382 (Fed. Cir. 2010). In addition, the court has jurisdiction over patent issues arising under the Foreign Assistance Act, 22 U.S.C. § 2356.

¹⁴ Typically, the patent infringement cases adjudicated by the United States Court of Federal Claims concern claims arising out of significant government military contracts, entail highly technical and cutting edge technology, FORTUNE 500 government contractors, and multi-million dollar damage claims. At present, there are thirty-one patent infringement cases pending in the United States Court of Federal Claims. This is comparable to the number of patent claims currently pending in the United States District Court for the District of Columbia.

¹⁵ The United States Court of Federal Claims is an Article I court, because it has jurisdiction to adjudicate congressional references regarding compensation of individual claims. *See* 28 U.S.C. § 1492. In the past 20 years only two congressional references have been sent to the court. Therefore, if Congress no longer ascertains a need for reference cases, the issue arises as to why the United States Court of Federal Claims should not be afforded Article III status, since no cost would be imposed on the taxpayer for that transition.

The following chart summarizes factors relevant to considering the United States Court of Federal Claims as a forum to adjudicate “small” patent claims:

Experience In Patent Claim Construction and Adjudicating Infringement Claims	234 published patent cases to date by the United States Court of Federal Claims, of which 49 have been reviewed in a published opinion of the United States Court of Appeals for the Federal Circuit
Docket Capacity	✓ ¹⁶
Accessibility to Parties	✓ National Jurisdiction
Knowledge of Governing Appellate Jurisprudence	✓ (reversal rate 12%) ¹⁷
Injunctive Authority	Limited
Alternative Dispute Program	ADR Automatic Referral Program

There is a hybrid option worth discussion with the AO, Federal Judicial Center, and judges participating in the Patent Pilot Program. For plaintiffs that satisfy the venue requirements of one of the fourteen federal district courts participating in the Patent Pilot Program, “small” patent claims would be filed there. In the event that a Patent Pilot Program court would be unable to accommodate a fast track adjudication of “small” patent claim, that case could be transferred to the United States Court of Federal Claims for adjudication. For plaintiffs that cannot satisfy the venue requirements of one of the Patent Pilot Program courts, the United States Court of Federal Claims would serve as the default federal forum for adjudicating a “small” patent claim case.

¹⁶ It is estimated that the docket would consist of approximately 975 “small” patent claims cases per year, excluding non-practicing entity cases from the 5,189 patent cases filed in 2012. Those cases would be assigned on a wheel among the sixteen judges authorized to serve on the United States Court of Federal Claims. Therefore, each judge would be assigned approximately sixty new cases over the course of a year. If the court recalled six of the current senior judges who will be retired on October 1, 2013, each judge would be assigned approximately forty-four new cases over the course of a year. The potential availability of willing retired senior judges to be recalled would be a significant cost-savings factor to be considered, since they receive full compensation, whether they are retired or serve as a Senior Judge. If the court also retained three of the active judges currently expected to request senior status in 2013 and the eight current Senior Judges, each judge would be assigned thirty-nine new cases over the course of a year.

In addition, since some of the judges of the United States Court of Federal Claims currently utilize the LMM Program students from the George Washington School of Law as interns, these students potentially could serve as specialized patent law clerks for a semester and receive academic credit, instead of a salary.

¹⁷ See Exhibit B. The reversal rate for federal district court patent cases is also twelve percent. See Admin. Office of the U.S. Courts, *2011 Annual Report of the Dir.: Judicial Bus. of the U.S. Courts*, at 151 (2012), available at <http://www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2011/JudicialBusiness2011.pdf> (last viewed Jan. 30, 2013).

iii. United States Patent and Trademark Office.

Another potential alternative forum not discussed in the Federal Register notice is the USPTO administrative law judges in the new field offices in Detroit, Dallas, Denver, and San Jose. In light of the current patent application backlog and the existing docket of the Patent and Trademark Appeal Board judges with the new AIA proceedings, this may not be a feasible option. In addition, the lack of familiarity with managing adjudication and discovery infringement and damage issues are other factors that militate against using the USPTO as a forum to handle “small” patent claims proceedings. The USPTO may wish to weigh the merits of this option, however, in making its recommendations to Congress.

(b) *What the preferred subject matter jurisdiction of the patent small claims proceeding should be, including which if any claims, counterclaims, and defenses should be permitted in a patent small claims proceeding.*

i. Patent Subject Matter.

Subject matter jurisdiction defines the legal authority of a court to adjudicate a particular type of case or controversy. *See* ERWIN CHEMERINSKY, FEDERAL JURISDICTION 247 (2d ed. 1994) (“CHEMERINSKY”). Recognizing the distinct substantive nature of copyright and trademark law and that the damages at issue in such infringement cases generally entail damages of \$150,000 or less, both GWL Roundtable breakout sessions expressed a preference for a forum to adjudicate copyright and trademark claims separate from “small” patent claims. *See* 76 Fed. Reg. 2008 (Oct. 27, 2011) (Notice of Inquiry re: Remedies for Small Copyright Claims); 77 Fed. Reg. 164 (Aug. 23, 2012) (same); 77 Fed. Reg. 179 (Sept. 14, 2012) (same); *see also* Draft List of Issues in Structuring a Copyright Small Claims Procedure, IP Small Claims Roundtable, The George Washington University School of Law (May 10, 2012) (suggesting the maximum amount of damages as \$80,000); David Nimmer, “Proposal For Small Copyright Infringement Claims,” submitted on behalf of the American Photographic Artists (Jan. 17, 2012) at 15.

Accordingly, the federal “small” patent claims forum should have subject matter jurisdiction over only patent infringement claims.

ii. Supplemental Jurisdiction.

As a general matter, it has been considered desirable for a federal court to have “supplemental” jurisdiction, *i.e.*, “ancillary” jurisdiction and “pendant” jurisdiction, to adjudicate claims that do not otherwise meet the requirements of federal subject matter. *See* CHEMERINSKY § 5.4 at 312; *see also* 28 U.S.C. §1367.¹⁸ “Supplemental” jurisdiction affords litigants an

¹⁸ The Judicial Improvements Act of 1990 provides:

[I]n any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. Such supplemental

opportunity to resolve all related claims in one forum, nominally decreasing the time and cost of resolution. Likewise, permitting counterclaims, cross claims, or third party claims authorized by FED. R. CIV. P. 18(a) could provide an opportunity to resolve all issues in one forum. And, as in federal district court cases, permitting “supplemental” and compulsory counterclaims could effectuate an even playing field and likelihood of settlement, but inevitably increase the complexity of the case and exceed the maximum monetary exposure of a defendant.

Accordingly, the federal “small” patent claims forum should not have supplemental jurisdiction over any substantive claim other than patent infringement and a validity counterclaim. If a “small” patent claim is challenged within eighteen months after patent is issued, the court may stay the case to afford the plaintiff the ability to utilize existing USPTO procedures under the AIA, as was suggested by the USPTO. *See* Letter from Bernard J. Knight Jr., USPTO General Counsel to Judge Susan G. Braden, Chair, ABA-IP Task Force (Aug. 15, 2012).

(c) *Whether parties should agree to waive their right to a jury trial as a condition of participating in a small claims proceeding.*

Under the Seventh Amendment to the United States Constitution, either party may seek an adjudication by jury trial, when monetary damages are requested. *See* U.S. CONST. amend. VII; *see also Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (holding “there is no dispute that [patent] infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.”). Therefore, both parties must waive their right to a jury trial, which should be a jurisdictional prerequisite to seeking an adjudication in the federal “small” patent claims forum.

(d) *Whether there should be certain required pleadings or evidence to initiate a small claims proceeding.*

At the time a complaint is filed, the following supporting exhibits should be submitted: the patent; filing history; a statement of prior art; and statement summarizing evidence of the product, machine, or process alleged to have been infringed. *See* Judge William C. Conner, United States District Judge for the Southern District of New York, “*A Proposal For Quick and Inexpensive Resolution of Patent Controversies*,” 30 IDEA at 111 (1989). In addition, a sworn affidavit of the plaintiff or a corporate officer must be filed with the complaint, attesting that an estimate of the amount of damages requested is made in good faith and based on information and belief.

jurisdiction shall include claims that involve the joinder or intervention of additional parties.

28 U.S.C. § 1367.

- (e) *Whether a filing fee should be required to initiate a small claims proceeding and what the nature of that fee should be.*

The parties should be required to pay filing fees authorized under 28 U.S.C. § 1914, 28 U.S.C. § 1926(a), and 2012 US ORDER 0015 (C.O. 0015) (Miscellaneous Fee Schedules District Court Miscellaneous Fee Schedule; United States Court of Federal Claims Fee Schedule).

- (f) *Whether multiple parties should be able to file claims in a small claims proceeding and whether multiple defendants may be sued together.*

The issue of multiple party actions can be problematic in managing any case in an expedited and cost effective manner. For this reason, the federal “small” patent claims forum should adhere to the new joinder rules set forth in 35 U.S.C. § 299 (*amended by Pub. L. No. 112-274, 126 Stat. 2456 (Jan. 14 2013)*). In addition, no party should be able to remove the case to any other judicial forum more than ten days after an answer is filed.

- (g) *What role attorneys should have in a small claims proceeding including whether corporations should be able to represent themselves.*

Attorneys, whether in the private bar or corporate counsel, should be able to appear before the “small” patent claims forum, so long as they are admitted to practice in that forum.

- (h) *What the preferred case management characteristics that would help to control the length and expense of a small claims proceeding should be.*

The federal “small” patent claims forum must provide litigants with the cost effective disposition of cases by management directives, procedural rules, and model pleadings to facilitate settlement or adjudication. In particular, the rules implemented must ensure: early initial disclosure of relevant documents and potential witness names, including experts; limited discovery, including use of a tailored CAFC E-Discovery Model Order;¹⁹ “rocket docket” procedures to limit pre-trial practice;²⁰ and expedited claim construction and invalidity rulings.

¹⁹ UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, *An E-Discovery Model Order* (2011), available at http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf (last visited Feb. 1, 2013).

²⁰ See e.g., Exhibit C. The UK-PCC has implemented a procedure where both parties are required to submit a detailed statement of the case very early, setting forth the facts and law supporting their positions. The statement of the case can be limited in size and can include supporting documents, claim charts, etc. After the statements are exchanged, a case management conference is held to determine the schedule for disclosure of documents, witness evidence, and expert evidence. After reviewing the statements of the case, the judge and parties may determine that only written factual and expert evidence will be permitted or that no additional document exchange will be needed. The UK-PCC rules give the judge broad latitude to set the schedule and procedures in order to accomplish the goal of an efficient and economical resolution. According to Practice Direction 63 ¶ 31.2, the UK-PCC should “endeavor to

The following timeline suggests a proposed schedule for proceedings before a federal “small” patent claims forum:

Action	“Small” Patent Claims Forum
Complaint filed	Filing and serving complaint, with supporting exhibits, damage affidavit, and any TRO (Day 1).
Answer Due	21 days after complaint filed, with supporting exhibits if affirmative defenses are raised.
Initial Exchange of Documents	ASAP after Answer, but no later than 30 days thereafter.
Initial Scheduling Conference	Trial date set with issuance of a Pre-Trial Order (Day 45).
Claim Construction Hearing	Claim construction hearing (Day 90). ²¹ Preliminary Claims Construction Decision, issued orally or in writing (Day 120).
Fact Discovery Conducted and Completed	Maximum of 60 days, following Claim Construction Decision (Day 120-180).
Expert Reports Exchanged	Maximum of 60 days, following Claim Construction Decision (Day 120-180).
Summary Judgment Motions and Resolution	Filing (by 180 days); Resolution (by Day 280).
Pre-Trial Conference and Filings	(Day 283, <i>i.e.</i> , 2 weeks before trial).
Trial	Trial commences and concludes (Day 297-300)
Post Trial Briefing	Post Trial Briefs and Final Findings of Fact and Law Filed (Day 360).
Final Decision	Memorandum Opinion and Final Order issued (Day 480).

(i) What the preferred remedies in a small claims proceeding should be, including whether or not an injunction should be an available remedy, and any minimum threshold or maximum cap on damages that should be imposed.

a. Injunctions.

The United States District Courts have jurisdiction to issue temporary and permanent injunctions. *See* 15 U.S.C. § 1116; *see also* Fed. R. Civ. P. 65. The United States Court of

ensure” that the trial does not last more than two days. The judge issues a written “draft” judgment to the parties for comment and a final decision within one to four months after trial.

²¹ Limiting the number of patent claims to be construed and the number of prior art references also will simplify the proceedings.

Federal Claims has jurisdiction to issue injunctions, but only in bid protests and under the Anti-Injunction Act. *See* 28 U.S.C. § 1491(b)(2); 28 U.S.C. § 2283. To obtain a permanent injunction in a federal court, “[a] plaintiff must demonstrate: (1) that it has suffered irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance the hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by issuing a permanent injunction.” *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006); *see also Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1345 (Fed. Cir. 2008). Therefore, authorizing the “small” patent claims forum to issue injunctions would be consistent with practice in other federal courts.

The USPTO, however, has indicated that “the threat of an injunction may prove a significant disincentive to a defendant who might otherwise consider participating in a small claims proceeding.” Letter from Bernard J. Knight, Jr., USPTO General Counsel to Judge Susan G. Braden, Chair, ABA-IP Task Force (Aug. 15, 2012). For example, the financial impact of an injunction on a defendant could well exceed the \$3 million maximum amount for damages. In addition, a preliminary injunction hearing necessarily will increase the litigants’ expenses and could significantly delay a final resolution on the merits. Therefore, the federal “small” patent claims forum should not have the authority to issue injunctive relief, except to enforce a final judgment. *See* 28 U.S.C. § 1651.

b. Damages.

i. Minimum Amount.

In determining subject matter jurisdiction in terms of monetary damages, several factors must be considered. First, establishing a minimum threshold or “floor” for monetary damages undoubtedly would avoid vexatious actions to harass defendants with the potential to overburden a federal “small” patent claims forum at the onset with legally insignificant or frivolous claims. Although diversity jurisdiction in the federal courts requires a \$75,000 damage threshold, jurisdiction to adjudicate a patent infringement case is not tied to any specific amount of monetary damages. Therefore, it could be considered inequitable to require a minimum monetary damage threshold to file a case in a federal “small” patent claims forum, when one is not required to file a case in a United States District Court.

Accordingly, no minimum threshold of monetary damages should be required to file a complaint in the federal “small” patent claims court.

ii. Maximum Amount.

The more important issue to be addressed is the maximum amount of monetary damages that a federal “small” patent claims court is authorized to award. Although there is no automatic correlation between the amount of a patent infringement claim and the complexity of the case, litigants have reported that more complex cases entail a greater commitment of resources, because of discovery requirements, the number of experts, and the time required to proceed with dispositive motions and/or trial.

For example, the most recent AIPLA REPORT OF THE ECONOMIC SURVEY (2011) indicates that the median costs to litigate a patent infringement case during the years 2005, 2007, 2009, and 2011 were:

PATENT INFRINGEMENT SUIT	2005	2007	2009	2011
LESS THAN \$1 MILLION AT RISK				
End of discovery	\$350,000	\$350,000	\$350,000	\$350,000
Inclusive, all costs	650,000	600,000	650,000	650,000
\$1-\$25 MILLION AT RISK				
End of discovery	\$1,250,000	\$1,250,000	\$1,500,000	\$1,500,000
Inclusive, all costs	2,000,000	2,500,000	2,500,000	2,500,000
MORE THAN \$25 MILLION AT RISK				
End of discovery	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Inclusive, all costs	4,500,000	5,000,000	5,500,000	5,000,000

Id. at 35.

Using the proposed \$1 million damage ceiling that the AIPLA recommended in 1990 as a “starting point” and assuming that amount at least should be doubled, given the passage of two decades, a \$2.5 million damage “plus” amount reasonably identifies the value of a federal “small” patent infringement claim, without considering litigation costs that were estimated in 2011 at \$650,000. Therefore, a maximum of \$3 million damage ceiling appears to be the total financial exposure a defendant should face, if it elects to defend an infringement claim in the federal “small” patent claims forum, instead of litigating before a jury.²²

(j) *Whether a small claims proceeding should include attorney’s fees or some form of a “loser pays” system.*

An award of attorneys fees to a successful party in an adjudication of a federal “small” patent infringement claim is problematic. The owner of a valid patent should not be dissuaded from seeking an adjudication of alleged infringement of that patent if infringement is not found.

²² An unpublished October 21, 2012 draft article examining 340 patent infringement cases decided between 1995 and 2008, indicates that in 4 of those 14 years, the “median” amount of patent damages ranged from \$1.11 million to \$2.88 million, with the \$2.88 million amount occurring in 2008. See Michael J. Mazzeo, *et al.*, Predicting the ‘Unpredictable’: An Empirical Analysis of U.S. Patent Infringement Awards, at 12 tbl. 1 (Oct. 20, 2012), available at <http://ssrn.com/abstract=2164787>.

Conversely, the defendant should not have to assume any additional liability for the patent owner's attorney fees, in the event infringement is found. The federal "small" patent claims forum should be viewed as a no-fault system, where each party assumes the cost of counsel and required expenses.

(k) Whether a small claims proceeding should include mediation and whether mediation should be mandatory or permissive.

At the GWL Roundtable several representatives of the small inventor community expressed an interest in having the federal "small" patent claims forum afford two mandatory ADR sessions prior to trial. Based on other comments made at the October 1, 2012 USPTO Forum, it was suggested that if a plaintiff received a favorable claim construction the alternative of negotiating a license may be a more attractive alternative to the parties rather than proceeding to trial.

In 2007, the United States Court of Federal Claims established the ADR Automatic Referral Program by the issuance of General Order 44; *see also* RCFC Appendix H ("Procedure For Alternative Dispute Resolution"). The court's ADR Program includes mediation, mini-trials, early neutral evaluation, and non-binding arbitration via a settlement judge or a third-party neutral. A unique aspect of the Automatic Referral Program is that an ADR judge is assigned to a case at the same time as the trial judge, so the ADR judge is fully informed of the issues and status of a case, if and when ADR is requested by the parties.

(l) What type of record should be created during a small claims proceeding including whether hearings should be transcribed and whether a written decision should be issued.

A record should be maintained of all proceedings before the federal "small" patent claims forum. An alternative to traditional court reporting services that is one regularly used by the judges of the United States Court of Federal Claims *i.e.*, an Electronic Digital Recording system. This system creates a digital record that can be transcribed by a reporter, either by the parties or the court, if necessary. A written decision should be issued.

(m) What weight should be given to a decision rendered in a small claims proceeding in terms of precedent, res judicata, and estoppel.

A final decision and judgment of the small patent claims court should have preclusive effect as to the issues decided and amount of any damages awarded for a specified period of time in any future action involving the same parties before the small patent claims court.

A final decision and judgment of the small patent claims court, however, should not have preclusive effect in any subsequent case involving the same parties before a federal district court and specifically may not be considered *prima facie* evidence, as to any of the four elements, required to obtain an injunction. *See eBay, Inc. v. Maer Exchange, L.L.C.*, 547 U.S. 388 (2006).

A final decision and judgment of the small patent claims court may be considered by a federal district court, pursuant to Fed. R. Ev. 201. The weight, if any, accorded will depend, as in determining the deference afforded an administrative agency decision, “on the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all these factors which give it the power to persuade, if lacking power to control.” *U.S. v. Mead Corp.*, 533 U.S. 218, 228 (2011) (quoting *Skidmore v. Swift Co.*, 323 U.S. 134, 140 (1944)).

(n) *How should a decision in a small claims proceeding be enforced.*

All federal courts have the authority under 28 U.S.C. § 1651 to enforce their judgments.

(o) *What the nature of appellate review should be including whether there should be a direct appeal to the U.S. Court of Appeals for the Federal Circuit or whether there should be intermediate review by a U.S. district court or some other venue.*

Intermediate appellate review is contrary to the goal of obtaining an inexpensive and expeditious final adjudication of “small” patent claims.²³ Likewise, appellate review of “small” patent claims is not an effective use of resources given the nature of the controversies. In addition, appellate review for “small” patent claims should be evaluated in light of the burden on the United States Court of Appeals for the Federal Circuit and amount of time such review would take. That court currently decides all appeals arising from a final judgment of patent infringement issued by the federal district courts and the United States Court of Federal Claims. In fiscal year 2012, it handled 471 such patent cases.²⁴ The median disposition time for patent cases originating in the United States District Courts was 11.3 months.²⁵ Therefore, appellate review should be waived, so that a judgment of the federal “small” claims forum ends the dispute between the parties with finality and certainty.

(p) *What, if any, constitutional issues would be raised by the creation of Federal small claims proceedings including separation of powers, the right to a jury trial, and/or due process.*

The parties’ voluntary assent for their case to be adjudicated in a federal “small” patent claims forum addresses constitutional concerns. *See Commodity Futures Trading*

²³ In 1990, Resolution 401.4 recommended that “small” patent infringement cases be tried and adjudicated by a magistrate, but to ameliorate Seventh Amendment concerns, the parties could seek a *de novo* jury trial before a United States District Court after a decision was issued in the “small” patent claims court. 1990 ABA Comm. Rep. at 194. As Professor Pierce observed at the GWL Roundtable, however, it is not clear that a *de novo* trial necessarily resolves Seventh Amendment issues, because of the potential collateral estoppel effect of a “small” patent claims court proceeding.

²⁴ *See UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILINGS OF PATENT INFRINGEMENT APPEALS FROM THE U.S. DISTRICT COURT (“Exhibit D”).*

²⁵ *See UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, MEDIAN TIME TO DISPOSITION IN CASES TERMINATED AFTER HEARING OR SUBMISSION (2012) (“Exhibit E”).*

Comm'n v. Schor, 478 U.S. 833, 848-51 (1986) (upholding jurisdiction of an Article I judge, in part, because of the plaintiff's voluntary waiver, but stating that, as with Article III courts, the consent of the parties is not dispositive of an Article I court's jurisdiction). "Among the factors upon which [the United States Supreme Court has] focused are the extent to which the 'essential attributes of judicial power' are reserved to Article III courts, and, conversely, the extent to which the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts, the origins and importance of the right to be adjudicated, and the concerns that drove Congress to depart from the requirements of Article III." *Id.* The United States Court of Federal Claims already has jurisdiction to adjudicate patent claims against the Government. Concurrent jurisdiction, affording the parties the ability to elect either the federal "small" patent claims forum or to file a claim in a United States District Court would be consistent with current practice in tax law, where the United States Court of Federal Claims has concurrent jurisdiction with United States District Courts to adjudicate cases brought under 28 U.S.C. §§ 6226, 7428(a). *Cf. N. Pipeline Const. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50 (1982) (holding that a law giving Article I judges exclusive jurisdiction over bankruptcy proceedings was unconstitutional). Other constitutional issues appear comparatively straightforward. The right to a jury trial is waivable. *See, e.g., Langenkamp v. Culp*, 498 U.S. 42, 45 (1990) (holding that creditors who file claims against a bankruptcy estate subject to the equitable jurisdiction of the Bankruptcy Court and thus waive their right to a jury trial). In addition, Article I courts currently satisfy the elements of due process, such as an impartial factfinder; the opportunity to adduce evidence; access to legal counsel; a timely hearing; and the availability of judicial review by an Article III court. *See Yakus v. United States*, 321 U.S. 414, 444 (1949) (stating that there must be "an opportunity to be heard and for *judicial review*" to satisfy "the demands of due process."). In any event, electing to adjudicate in an Article I court waives the due process right. *See Arecibo Cmty. Health Care, Inc. v. Puerto Rico*, 270 F.3d 17, 26 (1st Cir. 2001) ("[T]he filing of a proof of claim waives an individual's due process right to insist on minimum contacts within the forum state before being subject to the court's jurisdiction[.]")

(q) *Whether the patent small claim proceedings should be self-supporting financially, including whether the winning and/or losing parties should be required to defray any administrative costs, and if so, how would this be accomplished.*

Although the resources of the federal judiciary, like those of all other federal governmental entities, are and will be under continued stress, "small" patent claims proceedings should be able to be adjudicated within existing appropriations. Should the need for supplemental appropriations arise, that issue can be brought to the attention of Congress.

(r) *Whether and how to evaluate patent small claims proceedings, including whether evaluations should be periodic and whether the patent small claims proceeding should be launched initially as a pilot program.*

The federal "small" patent claims forum should be authorized by Congress as a pilot program, in the same manner as the Patent Pilot Project. *See* Pub. L. No. 11-349. A report should be issued by the Chief Judge to the Senate and House Judiciary Committees on a biannual basis, similar to that being submitted by the Federal Judicial Center regarding the Patent Pilot Program.

(s) *Any other additional pertinent issues not identified above that the USPTO should consider.*

The number of patent cases filed by non-practicing entities has significantly increased as the following chart depicts.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
No. of Patent Cases Filed	2,909	2,792	3,301	4,015	5,189
No. of Patent Cases Filed By NPE's ²⁶	559	546	623	1,121	2,923
No. of Patent Cases Not Filed By NPE's	2,290	2,175	2,588	2,703	3,173

The substantial costs entailed by these suits and burden on the federal district courts are a matter of public record. With a maximum cap on damages, limitation on joinder, and removal options, the federal “small” patent claims proceeding, described herein, should not be an attractive forum for opportunistic suits, but rather provide an option for small inventors and established corporations to resolve “small” patent claims in a constructive, low-cost, and expedited manner. *See* <http://www.patentlyo.com/patent/2012/08/analyzing-the-role-of-npes-in-the-patent-system.html> (last visited Feb. 4, 2013).

3. *Please share any concerns you may have regarding any unintended negative consequences of a patent small claims proceeding along with any proposed safeguards that would reduce or eliminate the risk of any potential negative unintended consequences, to the extent any such concerns exist.*

Finally, some have suggested that the federal “small” patent claims forum will not provide any benefit beyond existing alternative dispute resolution vehicles and that consideration of such a forum should be deferred, pending experience to be gained from the new AIA proceedings at the USPTO and the Patent Pilot Program. A few clarifying points may be helpful. First, the AO does not collect or maintain statistics that evidence how many plaintiffs with patent claims, much less “small” patent claims, utilize existing ADR vehicles in the federal district courts. On June 21, 2011, the Northern District of California, however, issued General Order No. 64 “Expedited Trial Procedure” setting forth a procedure by which civil cases may be resolved by a negotiated ADR, but no litigants have opted to utilize this procedure to date, likely because the amount of potential damages is left to the parties to negotiate, rather than setting a maximum cap. In any event, no empirical data exist to support an assumption that the *status quo* has provided an expedited and cost-efficient procedure to resolve patent claims in practice. Second,

²⁶ *See Litigations Overtime*, PATENTFREEDOM, https://www.patentfreedom.com/about_npes/litigations (last visited Feb. 14, 2013); *see also* RPX Corporation Inventor Presentation filed as Exhibit to Professor Colleen Chien (Santa Clara University), “The Patent Remedy Dynamic,” Georgetown University Law Center-Stanford Law School Conference (Nov. 2, 2012).

It is not clear how much of the increase in NPE patent cases is attributed to the new joinder rules of the AIA. *See* David L. Schwartz & Jay P. Kesan, *Analyzing the Role of Non-Practicing Entities in the Patent System 3* (Chicago-Kent Coll. of Law Legal Studies Research Paper No. 2012-13, 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2117421.

given the budget constraints facing the federal judiciary, there has been no suggestion of creating a federal “small” patent claims court, but instead to incorporate a procedure tailored to achieve the adjudication of “small” patent claims in a manner that is more expeditious and inexpensive than the *status quo* within the existing federal trial court structure, imposing no new costs on the litigants or the taxpayer. Third, utilizing the federal “small” patent claims forum would be voluntary and not affect any litigant’s current right to seek adjudication by a federal district court. Finally, neither the new USPTO procedures established by the AIA nor the Patent Pilot Program are directed to the issues discussed herein.

The ABA-IP Section appreciates the USPTO’s inquiry regarding a federal “small” claims patent forum and supports congressional authorization of a model program, as discussed herein, to function in tandem with the ongoing Patent Pilot Program, utilizing existing judicial resources.

Respectfully submitted,



Joseph M. Potenza

Section Chair

ABA Section of Intellectual Property Law

EXHIBIT A

Patent Cases Filed, Terminated and Pending In The United States District Courts For the 12-Month Period Ending September 30, 2012*

	Filed	Terminated	Pending
District of Columbia	18	41	35

	Filed	Terminated	Pending
FIRST CIRCUIT TOTAL	121	108	137
Maine	5	0	6
Massachusetts	100	92	115
New Hampshire	7	8	7
Rhode Island	2	5	2
Puerto Rico	7	3	7

	Filed	Terminated	Pending
SECOND CIRCUIT TOTAL	244	257	321
Connecticut	18	26	26
New York Northern	10	9	14
New York Eastern	31	34	36
New York Southern	161	167	206
New York Western	16	13	30
Vermont	8	8	9

	Filed	Terminated	Pending
THIRD CIRCUIT TOTAL	1,089	749	1,199
Delaware	809	490	889
New Jersey	192	192	227
Pennsylvania Eastern	49	43	42
Pennsylvania Middle	7	7	7
Pennsylvania Western	32	17	34
Virgin Islands	0	0	0

	Filed	Terminated	Pending
FOURTH CIRCUIT TOTAL	232	214	213
Maryland	49	42	44
North Carolina Eastern	19	11	22
North Carolina Middle	18	14	28
North Carolina Western	21	20	22
South Carolina	11	10	11
Virginia Eastern	95	94	71
Virginia Western	7	7	8
West Virginia Northern	9	14	5
West Virginia Southern	3	2	2

* The patent pilot courts are designated by shading.

	Filed	Terminated	Pending
FIFTH CIRCUIT TOTAL	1,251	728	1,287
Louisiana Eastern	2	7	1
Louisiana Middle	2	2	4
Louisiana Western	4	1	5
Mississippi Northern	0	1	1
Mississippi Southern	4	5	3
Texas Northern	69	59	63
Texas Eastern	1,061	579	1,084
Texas Southern	47	39	58
Texas Western	62	35	65

	Filed	Terminated	Pending
SIXTH CIRCUIT TOTAL	199	197	201
Kentucky Eastern	4	5	3
Kentucky Western	7	3	10
Michigan Eastern	55	71	59
Michigan Western	8	13	12
Ohio Northern	47	49	38
Ohio Southern	38	29	37
Tennessee Eastern	6	8	8
Tennessee Middle	5	7	7
Tennessee Western	29	12	2

	Filed	Terminated	Pending
SEVENTH CIRCUIT TOTAL	394	336	427
Illinois Northern	275	205	299
Illinois Central	5	2	6
Illinois Southern	1	15	0
Indiana Northern	7	9	2
Indiana Southern	21	27	38
Wisconsin Eastern	35	28	39
Wisconsin Western	50	50	33

	Filed	Terminated	Pending
EIGHTH CIRCUIT TOTAL	141	141	156
Arkansas Eastern	5	5	6
Arkansas Western	1	1	3
Iowa Northern	2	0	2
Iowa Southern	4	10	4
Minnesota	67	64	87
Missouri Eastern	31	30	23
Missouri Western	15	22	14
Nebraska	14	8	14
North Dakota	1	0	2
South Dakota	1	1	1

	Filed	Terminated	Pending
NINTH CIRCUIT TOTAL	1,059	857	1,066
Alaska	0	0	0
Arizona	42	37	39
California Northern	265	224	302
California Eastern	21	11	27
California Central	453	345	390
California Southern	137	85	157
Hawaii	15	14	4
Idaho	6	4	6
Montana	2	2	1
Nevada	33	28	41
Oregon	36	34	31
Washington Eastern	2	2	4
Washington Western	47	71	64

	Filed	Terminated	Pending
TENTH CIRCUIT TOTAL	158	161	155
Colorado	60	68	45
Kansas	13	13	13
New Mexico	2	3	5
Oklahoma Northern	7	13	7
Oklahoma Eastern	0	0	0
Oklahoma Western	14	13	9
Utah	61	50	75
Wyoming	1	1	1

	Filed	Terminated	Pending
ELEVENTH CIRCUIT TOTAL	283	280	202
Alabama Northern	9	10	3
Alabama Middle	2	2	3
Alabama Southern	1	2	0
Florida Northern	16	6	12
Florida Middle	88	96	77
Florida Southern	99	108	38
Georgia Northern	67	52	69
Georgia Middle	1	4	0
Georgia Southern	0	0	0

Exhibit B

Table B-8.
U.S. Court of Appeals for the Federal Circuit--Appeals Filed, Terminated, and Pending
During the Twelve-Month Period Ended September 30, 2012

Source of Appeals	Pending 1-Oct-11	Filed	Terminations			Percent Reversed	Pending 30-Sep-12
			Total	Judges	Other		
Total	1,012	1,381	1,369	995	374	10	1,024
Board of Contract Appeals	17	17	18	12	6	9	16
U.S. Court of International Trade	40	46	43	34	9	15	43
U.S. Court of Federal Claims	113	166	163	127	36	12	116
U.S. Court of Appeals for Veterans Claims	128	189	193	143	50	5	124
U.S. District Courts	406	511	451	330	121	12	466
Department of Justice	0	1	0	0	0	0	1
Department of Veterans Affairs	5	0	4	4	0	0	1
International Trade Commission	17	26	19	13	6	18	24
Merit Systems Protection Board	154	254	287	190	97	7	121
Office of Compliance	1	1	1	1	0	0	1
Patent & Trademark Office	120	132	152	107	45	10	100
Writs*	11	38	38	34	4	0	11

*THIS CATEGORY INCLUDES WRITS OF MANDAMUS, OTHER EXTRAORDINARY WRITS, PETITIONS FOR PERMISSION TO APPEAL, AND DISCRETIONARY PETITIONS FOR REVIEW.

Revised: 12/10/12

EXHIBIT C

The following agreements are illustrative of those that could be implemented in the procedural rules of a “small” patent claims forum to simplify and reduce the cost of proceedings.*

1. Discovery disputes will be resolved by lead counsel by phone, not letters or e-mails.
2. Before depositions begin, the court will set a trial date.
3. Depositions will be taken by agreement, with both sides alternating. The dates for depositions will be agreed on before the deponents are identified. Each side gets three hours per deponent. No more than five fact witnesses can be deposed. This does not include the deposition of a 30(b)6 representative that may not exceed one hour.
4. At depositions, all objections to relevance, lack of foundation, non-responsiveness, speculation or to the form of the question will be reserved until trial, other than to advise the client to assert a privilege or to adjourn the deposition, because the questioner is improperly harassing the witness.
5. All papers will be served on the opposing party by e-mail. For purposes of calculating the deadline to respond, email service will be treated the same as hand-delivery.
6. Documents will be produced on a rolling basis as soon as they have been located and numbered; if copies are produced, the originals will be made available for inspection upon request.
7. The parties will seek an order from the court, under Fed. R. Evid. 502(d), providing that: each side initially must produce electronically stored information from the files of no more than three custodians selected by the other side during an agreed period of time.

The parties will produce ESI in the native format kept by the producing party, or in a common interchange format, such as Outlook/PST, Concordance or Summation, so it can be searched by the other side. If any special software is required to conduct a search in native format and is regularly used by the producing party, it must be made available to the other side. The parties will produce a Bates numbered file listing of the file names

* These agreements have been modified from those proposed by Susman & Godfrey. *See Trial Agreements Made Easy*, TRIAL BY AGREEMENT available at <http://trialbyagreement.com/agreements/trial-agreements-made-easy/>; *Pre-trial Agreements Made Easy*, TRIAL BY AGREEMENT available at <http://trialbyagreement.com/pretrial-agreements/pretrial-agreements-made-easy/> (last visited Jan. 28, 2013); *see also* Stephen D. Susman & Barry C. Barnett, *Techniques for Expediting and Streamlining Litigation*, AMERICAN BAR ASSOCIATION SECTION OF LITIGATION, BUSINESS AND COMMERCIAL LITIGATION IN FEDERAL COURTS, at 397-438 (2d ed., 2010).

and directory structure of what is on any CDs or DVDs exchanged. Either side may use an e-mail or an attachment to an e-mail that came from one of these previously produced disks by printing out the entire e-mail (and the attachment if they are using a file that came with an e-mail) and marking it at the deposition or trial, and either side may use application data (which is not an attachment to e-mail, but stand-alone on a CD or DVD) as long as the footer on the pages or a cover sheet indicates (1) the CD or DVD from whence it came, (2) the directory or subdirectory where the file was located on the CD or DVD, and (3) the name of the file itself including the file extension.

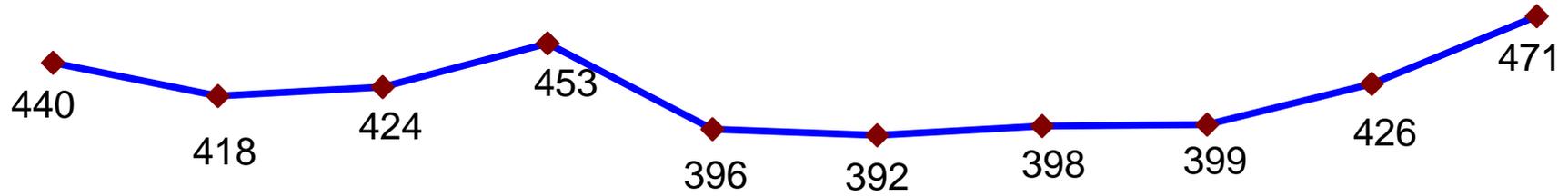
8. If agreement cannot be reached on the form of a protective order within forty-eight hours of the time they are exchanged, both sides will write a letter to the court including each side's preferred version and, without argument, request that the court promptly enter one.
9. All deposition exhibits will be numbered sequentially X-1, X-2, etc., regardless of the identity of the deponent or the side introducing the exhibit and the same numbers will be used in any pretrial motions and at trial.
10. The parties will share any expense of imaging all deposition exhibits.
11. The parties will exchange expert witness reports that provide the disclosures required by the Federal Rules of Civil Procedure. Neither side will be entitled to discovery of communications between counsel and expert witnesses or to drafts of experts' reports. There will be no depositions of experts, unless an expert's report is incomprehensible or incomplete, in which case the party seeking clarification is required to establish the same by a motion filed with the court.
12. Only documents that have a lawyer's name on them can be withheld from production and only if they are in fact privileged. Production does not waive any privilege and documents must be returned whenever the producing party recognizes they are privileged. For any additional production, good cause must be demonstrated to the court.
13. The production of a privileged document does not waive the privilege as to other privileged documents. Documents that the other side claims are privileged must be returned as it is discovered that they were produced without any need to show the production was inadvertent.
14. Each side has the right to select twenty documents off the other's privilege list for submission to the court for in camera inspection.
15. Witness lists will be exchanged two weeks before trial. Any witness who appears on a party's list whom the other side has not deposed, can be deposed before trial.
16. The length of the trial (including openings and closings) will be three days, and that time will be split equally between the parties.
17. Deposition designations will be made at trial, but will not be read at trial.

18. A final trial exhibit list (with each exhibit entitled simply "Trial Exhibit" and numbered sequentially as in the deposition transcripts) will be exchanged three weeks prior to trial.
19. All un-objected-to trial exhibits listed on the exhibit lists at the time the trial begins are deemed admitted when mentioned by any party during trial.
20. All exhibits produced by a party will be deemed authentic.
21. An agreed-on notebook containing a glossary, cast of characters, chronology, and any key documents will be provided to the court prior to trial.

Exhibit D

United States Court of Appeals for the Federal Circuit

Filings of Patent Infringement Appeals from the U.S. District Courts



FY 03

FY 04

FY 05

FY 06

FY 07

FY 08

FY 09

FY 10

FY 11

FY 12

Note: Includes reinstated, cross- and consolidated appeals.

Exhibit E

United States Court of Appeals for the Federal Circuit

Median Time to Disposition in Cases Terminated After Hearing or Submission¹

Docketing Date² to Disposition Date, in Months

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>Overall Median per Origin</u>
District Court	11.3	11.7	11.6	11.5	11.6	11.0	11.0	11.0	11.2	11.8	11.3
Court of Federal Claims	9.8	11.0	11.2	10.0	10.0	9.2	10.3	10.0	10.6	9.9	10.2
Court of International Trade	11.2	12.0	11.5	11.7	11.9	12.4	11.5	11.0	12.2	12.6	11.7
Court of Appeals Veterans Claims	10.6	10.0	9.9	8.4	8.4	8.0	9.3	9.3	6.0	8.6	8.8
Board of Contract Appeals	12.6	9.7	10.5	11.7	10.4	9.6	11.9	8.8	10.0	11.5	10.9
Department of Veterans Affairs	13.8	n/a	14.4	13.7	11.3	4.8	18.9	n/a	19.4	15.7	14.0
Department of Justice	n/a	n/a	n/a	n/a	n/a	n/a	8.9	8.9	n/a	n/a	8.9
International Trade Commission	17.1	16.0	16.4	15.6	13.6	14.4	14.4	14.8	14.6	16.1	15.0
Merit Systems Protection Board	7.6	6.9	7.5	6.5	6.4	5.8	6.5	6.1	6.1	6.4	6.6
Office of Compliance	19.6	10.1	13.3	14.0	n/a	19.0	n/a	13.0	15.0	n/a	13.6
Patent and Trademark Office	9.5	9.6	10.3	10.0	9.6	8.9	9.3	8.2	11.2	11.7	9.8
Overall Median per Fiscal Year	9.6	10.0	9.9	9.3	9.1	9.0	9.3	9.1	9.7	9.9	

¹ Excludes cross and consolidated appeals, writs, and OPM petitions

² Calculated from Date of Docketing or Date of Reinstatement, whichever is later