INPUTS TO REQUEST FOR COMMENT ON PATENT SMALL CLAIM COURT

I would like to thank the USPTO for providing the opportunity to comment on a Small Claims Patent Court. Such an opportunity is another example of the USPTO’s desire to maintain a strong patent system. The comment below are my own and do not represent the opinions of the firm.

The comments follow the structure of the question presented except when answering several questions together appeared more useful.

1. General description of my understanding of the need or lack of a need for a patent small claims court

or other streamlined proceedings.

Defending against a patent infringement suit or enforcing a patent in an infringement suit is typically very expensive — on the average, a $2-$3 million expense.  This high expense places either defending against a patent infringement suit or enforcing a patent outside of the reach of small entities.

A single inventor or a small entity who desires to enforce a patent against an alleged infringer has to be able to afford the $3 million expense. (It is possible to reduce the expense with an extremely efficient litigator, but I only know a couple of those).  According to the [Berkeley 2008 Patent Survey](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1429049)[[1]](#footnote-1), the cost of enforcing a patent is one of the reasons entrepreneurs give for not patenting; however, the same [Berkeley 2008 Patent Survey](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1429049) also states that patenting is useful in attracting investors and in obtaining a better bargaining position (for example, through cross-licensing).  Single inventors and small entities sometimes overcome the cost of enforcing a patent by seeking the help of a Non-Practicing Entity (NPEs — the entities formerly known as “patent trolls”). But, since NPEs usually assert the patents against established companies (following the law school teaching of “sue solvent people”), there is significant opposition to NPEs. There is a need for a venue that allows small entities to enforce their patents or defend themselves without using all their resources.

2. (a) What are the possible *venues* for a small claims proceeding should be

Following the example of the UK Patents County court, the venue should be an Article 1 court, such as a specially designated US District Court. The drawback of a specially designated court, in which there is not a right to appeal or a right to a jury trial, is that relinquishing the constitutional rights of due process and the right to a jury trial, assuming that such a right exists for patent cases, can only be achieved by joint agreement of the parties. If joint agreement of the parties is necessary, the end result may be the same as arbitration, which is available today by statute, and fairly seldom used.

(b) What the preferred *subject matter jurisdiction* of the patent small claimsproceeding should be

Given the needs of small entities to be able to either defend themselves or assert their patents, the subject matter jurisdiction of a small claims patent court (or a small entity patent court) would cover any patent claims and patent defenses.

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

The US is one of the few countries that allows a jury trial in patent cases. Waving the seventh amendment right would be counter to the Constitution. Putting aside the fact that, applying Justice Story’s historical criterion[[2]](#footnote-2), patent cases arguably were not covered by the common law in 1791, it would be difficult, if not impossible, to require a waiver of the seventh amendment right. . If joint agreement of the parties is necessary, the end result may be the same as arbitration, which is available today by statute, and fairly seldom used.

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

Requiring adherence to the Twombly/Iqbal Pleading Standard [[3]](#footnote-3)(requiring a plaintiff to plead “sufficient factual matter, accepted as true, to state a claim that is plausible on its face”) would be sufficient to ensure pleadings that are based on true controversy.

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

A filing fee should be required in order to ensure that the plaintiffs are serious about resolving the controversy, but the filing fee should be reasonable so that it is not a significant barrier to entry.

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

Multiple plaintiffs should be allowed is necessary to have proper standing. Multiple defendants should be discouraged (as in the AIA) in order to maintain the simplicity and succinctness of the proceedings.

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

As in any other court, plaintiffs and defendants should be allowed to have representation or to proceed pro se.

(h) What the preferred *case management characteristics* that wouldhelp to control the length and expenseof a small claims proceeding should be

Discovery is probably the most expensive and time-consuming characteristic of patent trials (or of most trials.). The US discovery practice is also rather unique. Control and reining in discovery would be necessary to control the length and expense of the proceedings.

(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;

Both injunctive relief and monetary damages should be available, as they are in other patent trials. However, in order to ensure speedy and affordable proceedings, a cap on damages would be useful. Such a cap should be high enough to provide a realistic enforcement of the patent rights.

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

The "patent small claims court" should have the same properties as any other court in terms of "loser pays" characteristics. Even in the UK patents County Court, there is a relaxation of the "loser pays" British rule.

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

Mediation should be encouraged and the parties should be required to have considered mediation. On the other hand, mediation should not be mandatory since the parties should have the right to decide how to proceed.

(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

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

What the nature of *appellate review* should be including whetherthere 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;

In order to preserve the right to appeal, the record should be transcribed and some entry of judgment should be generated. The decision should have the same weight as any decision of a District Court in order to provide the same right to protect the intellectual property or defend against infringement accusations. If the decision is given the same weight as any decision of a District Court, appeal should be to the US Court of Appeals for the Federal Circuit. If the right to appeal is waived, it would have to be by agreement of the parties. . If joint agreement of the parties is necessary, the end result may be the same as arbitration, which is available today by statute, and fairly seldom used.

Respectfully submitted’

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1. Stuart Graham et al., **High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey,**  [↑](#footnote-ref-1)
2. JENNIFER F. MILLER, **SHOULD JURIES HEAR COMPLEX PATENT CASES?, 2004 *DUKE LAW & TECHNOLOGY REVIEW* No. 4 (citing *United States v. Wonson,*** 29 F. Cas. 745 (C.C.D. Mass. 1812) ). [↑](#footnote-ref-2)
3. ***Ashcroft v. Iqbal***, [556 U.S. 662](http://en.wikipedia.org/wiki/United_States_Reports) (2009); ***Bell Atlantic Corp. v. Twombly***, 550 [U.S.](http://en.wikipedia.org/wiki/United_States_Reports) [544](https://supreme.justia.com/us/550/544/case.html) (2007). [↑](#footnote-ref-3)