

Request for Comments on a Patent Small Claims Proceeding in the United States

Comments by

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DEPARTMENT OF COMMERCE United States Patent and Trademark Office
Ref: Docket No.: PTO-P-2012-0050
Request for Comments on a Patent Small Claims Proceeding in the United States
AGENCY: United States Patent and Trademark Office, Department of Commerce.
ACTION: Request for Comments.

As an successful inventor with six issued patents and revenue from them, I am replying to the USPTO's request for comments from the perspective of an inventor familiar with the current system.

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.

The expense of patent litigation has made many patents economically unenforceable. It is rarely cost effective to enforce a patent with potential damages under several million dollars. This makes much of the patent system effectively useless.

A “small claim court”, in this context, should thus have an upper limit of at least \$1,000,000.

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...

A court in the U.S. District Court system should handle the trial itself.

(b) What the preferred subject matter jurisdiction of the patent small claims proceeding should be...

The usual forms of patent infringement claims should be allowed. In addition, claims against the Government arising under 28 USC 1498 should be allowed.

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

This involves a constitutional issue best addressed by constitutional lawyers.

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

Claim charts of some form might be appropriate.

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

The U.S. Court of Federal Claims currently charges a \$350 filing fee. Patent small claims cases should not be more expensive than that.

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

Class actions against many defendants would be inappropriate.

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

No comment. The USPTO and the patent bar should be consulted on this.

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

Everything other than the trial itself should be done on line if at all possible.

(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;

As with the UK "Patent County Court", any remedy available under law should be available. As with the UK court, the judge should have discretion to convert the case to a regular patent claim case.

The usual damage enhancement for willful infringement should be available. As with ordinary small claims courts, many cases will likely involve small-scale but clear issues.

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

The usual rules of the U.S. District Courts should apply.

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

Bringing all the parties together in front of a neutral moderator is usually helpful. If any party, or the court itself, wants mediation, it should take place.

(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;

Hearing should be transcribed and a published record produced.

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

No comment.

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

The court handling these matters should be able to issue the usual orders of a U.S. District Court.

(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;

This is a question for constitutional lawyers.

(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;

This also is a question for constitutional lawyers.

(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;

This is not generally required in the Federal court system, so it should not be required here.

(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; and

A massive influx of new small claims cases is unlikely. This is an unlikely problem.

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

The problem to be solved is finding a way to simplify patent litigation while deciding issues in a complex domain. As was mentioned in the USPTO round table discussion, the Patents County Court in the UK performs a “small claims” function for patents today. That court has a reasonably high money jurisdiction, and all the usual authority of the court of which it is a part. That gives us a baseline concept and indicates this can work.

There are three basic issues in a patent infringement case – validity, infringement, and damages. These should be addressed separately.

If the defendant wishes to claim patent invalidity, that claim should be handled through the post-grant procedures already provided for in the America Invents Act. Validity should be decided by the USPTO. Validity is the primary business of the USPTO, which is staffed and trained to decide validity issues. The small claims case would be stayed during this process. The decision of the USPTO in such matters would be conclusive for the small claims case. This is the key to simplifying case handling.

Deciding infringement would be the primary task of the patent small claims court. To simplify that process, both sides would be required to exchange claim charts and go through a mediated negotiation stage to narrow the issues under dispute. This corresponds to a Markman hearing.

The trial itself would be a proceeding confined to the infringement issues left after the negotiation stage. With the trial limited to infringement issues, which are matters of fact, the job

of the small claims court is made simple enough for short trials.

If infringement is found, damages would be left primarily to judicial discretion, as in most small claims courts. A detailed economic analysis would not be required of the parties.

This staged approach simplifies the trial phase, which is the key to reducing the cost of litigation.

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.

Expect some fear-mongering over this issue. The UK Patent County Court experience suggests that serious problems are unlikely, and the fear-mongering can be safely ignored.