

IPCA

Intellectual Property Creators Association

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Submitted via email: ip.policy@uspto.gov

US Patent and Trademark Office
Office of Policy and External Affairs

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

To Whom it May Concern:

Please accept for consideration the following comments regarding the establishment of a patent small claims court and the need for such a procedure.

The perspective of the commentator is from the point of view of inventors trying to generate revenue by licensing technology with issued patents.

Under the present system, for such an inventor, patents have become liabilities, rather than assets. This is because it is too expensive to maintain (defend against invalidity claims) and enforce (defend against infringers) the rights associated with owning a patent.

In the US, patents are expensive to prosecute, due high attorney fees.

The net effect is that licensing patented technology is a money losing proposition, with maintenance and enforcement costs overwhelming anticipated revenue.

For large entities trying to maintain market share and high margins, enforcing a patent might make economic sense. But for an inventor, licensing patents is a money losing proposition and does not make business sense.

This situation discourages innovation and encourages the rampant theft of patented intellectual property.

A patent small claims court could alter the risk reward equation for certain inventors, provided such a court was structured in a manner that eliminated the costly inefficiencies associated with enforcing and defending patents under the current system.

Envisioned is a Patent Small Claims Court (PSCC) with the following characteristics:

a) Venue

A separate PSCC shall be established with judges and/or magistrates having expertise in patents, law, engineering and science.

b) Subject matter jurisdiction

- Only patents whose claims are supported by a working model would be eligible for a small claims proceeding.
- Only a single patent may be litigated per filing in PSCC during a proceeding.
- Only claims related to infringement would be allowed. No counterclaims would be allowed.
- The subject patent would be presumed valid and not subject to invalidation or any defense other than non-infringement.
- The burden of proof would be “more likely than not” and would be on the plaintiff.
- Only patents wherein, prior to issue, the patent was indicated, on a PTO supplied form, as available for licensing to any willing licensor, at a running royalty as established by the “royalty rate commissioner” would be eligible for a small claims action.
- Business method, software and gene patents would be ineligible in PSCC.

c) Jury trials

Plaintiffs shall waive all rights to jury trial in the PSCC.

d) Evidence to initiate a small claims proceeding

To initiate a small claims action the plaintiff (inventor) must submit the infringing item along with a model as submitted during or with his patent application and a short description as to why the offending item infringes the patent at issue.

e) filing fee

\$500 filing fee per independent claim.

f) Parties

Only the inventor shall have standing in PSCC. In the case of multiple inventors, any one, or all can initiate an action, but only named plaintiffs can testify. All inventors will share equally in any recovery. Patent owners, when distinct from the named inventor, shall have no standing in small claims court.

g) Attorneys

None allowed for plaintiffs or defendants.

h) Case Management

- No discovery. The only evidence required would be the infringing item and the patentee’s working model.
- Markman Hearings. Not allowed. Claim interpretation shall be solely by reference to the plaintiff’s model and shall be the exclusive jurisdiction of

the judge. The judge may question the plaintiff as to the nature of his model in relationship to the claim and the infringing item. The Defendant shall have an opportunity to explain why his item does not infringe.

- Experts. None allowed. Only the plaintiff inventor and the infringer may testify.
- Time. Trials shall be concluded within 6 months of filing. Two days shall be allowed for trial. Decisions shall be rendered within 1 week of end of trial.

i) Remedies

- The only remedy to a patent small claimant would be a running royalty for past and future infringement activity. The maximum annual royalty would be \$5 Million.
- Infringing party must take a non-exclusive license for the term of the patent.
- The small claims court shall establish a “royalty rate commissioner”. The commissioner shall establish reasonable royalty rates for various classes of inventions and industries.
- If a small claim case goes to trial, and the defendant is found to infringe, a royalty rate award shall be set at the discretion of the judge which shall be in any event, no less than 3x the royalty rate established by the royalty rate commissioner or the royalty rate recommended by the mediator.
- Past infringing activity shall be subject to interest at 3x the CPI calculated on an annual basis.
- No injunctions would be allowed.

j) Attorney's fees

None, since attorneys are not allowed

k) Mediation

One 1 day mandatory mediation by a court appointed mediator prior to trial. The parties are to have an opportunity to establish a mutually agreeable running royalty rate or demonstrate non-infringement. If the parties cannot agree the case is immediately set for trial. In the event no royalty rate has been established by the royalty rate commissioner, the mediator shall make a running royalty recommendation to the judge at trial.

l) Record

the proceedings shall be recorded and written decisions issued.

m) Weight to decisions

- Past royalties shall be payable to plaintiff immediately upon entry of judgment. Future running royalties shall be payable to plaintiffs until one of the following events occurs; the patent expires, the defendant ceases

production of the infringing item, or the royalty rate is adjusted by a higher court.

- Filing of an action in PSCC shall automatically stay any other action related to the patent in the USPTO or another court pending the findings of the PSCC.
- After entry of judgment of infringement from an action of the PSCC, defendant may recommence or file a new action in the USPTO or another Court but only on invalidity grounds.
- If the patent is subsequently found invalid by the USPTO or another Court and all appeals have been exhausted, no subsequent royalties will be due plaintiff. However all royalties earned until the date of final judgment of invalidity shall be fully payable and collectible.

n) Enforcement

At the option of plaintiff, any unpaid royalties shall assigned to and collectible by the Royalty Rate Commissioner for the benefit of the Plaintiff. The US government shall have a worldwide lien on any property of defendant and shall have the right to foreclose on such property for the benefit of the plaintiff (subject to international treaties).

o) Appellate Review

Appellate review of the findings of the PSCC is limited to an adjustment to the running royalty rate. Judgments of infringement or non-infringement are not reviewable.

p) Constitutional Issues

No Comment

q) Court Support

The court shall recover all expenses and administrative costs from a surcharge applied to all patent applications received by the US Patent Office.

r) Evaluation

No Comment

Respectfully Submitted,

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