



ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

Memorandum

To: ACUS U.S. Patent Small Claims Court Consultative Group Members
From: Kazia Nowacki, ACUS Staff Counsel
Date: January 13, 2023
Re: Consultative Group Meeting on January 19, 2023

Dear Members of the U.S. Patent Small Claims Court Consultative Group,

Below is an annotated Table of Contents for ACUS's Draft Report regarding the feasibility of and options for designing a patent small claims court. The Draft Report will be submitted to the U.S. Patent and Trademark Office at the end of January. We welcome feedback regarding the subdivisions and contents of the report, especially if there are any topics we may have overlooked. We will happily go more in-depth on any matters raised during the January 19 meeting. Please reach out with any questions or concerns at knowacki@acus.gov.

Best regards,
Kazia Nowacki

INTRODUCTION

METHODOLOGY

1. *Documentary Research*

ACUS consulted numerous sources including academic journals, legal materials, congressional resources, and other public- and private-sector materials that have previously considered the feasibility of a small claims patent court.

2. *Quantitative Data*

Focusing on the experience of small- and medium-sized enterprises (SMEs), we gathered data from scholarly literature, publicly available information from LexMachina and Docket Navigator, and survey information (e.g., AIPLA survey).

3. *Public Comments*

ACUS received over 130 public comments, all of which were published on ACUS's website.

4. *Consultative Group*

5. *Interviews*

ACUS conducted 22 interviews with stakeholders representing a wide range of perspectives.

BACKGROUND

1. *Legal and Historical Background*

Influence of English systems; Constitutional and congressional developments; current forums that hear patent-related cases.

2. *The Costs of Patent Litigation and Effects on Small Entities*

AIPLA survey; information and NPE gaps.

3. *Proposals for a Small Claims Proceeding*

This section discusses proposals for a small claims patent proceeding since 1968.

4. *Principles for Designing an Equitable Small Claims Patent Proceeding*

Describes principles for embedding equity in adjudicatory processes and identifies principles to consider in designing a small claims patent proceeding and the forum that administers it.

THE FORUM

This Part describes considerations and options for identifying an existing institution or designing a new institution to administer a small claims patent proceeding.

1. *Constitutional Considerations*

a. *Judicial Vesting Clause*

This section describes constitutional limitations on the ability of Congress to assign adjudication of certain matters to officials other than Article III judges and the application of those principles to a small claims patent proceeding, particularly after *Oil States Energy Servs. v. Greene's Energy Gp.*

b. *Seventh Amendment*

This section describes the extent of the Seventh Amendment's right to a jury in civil suits at common law and the application of those principles to a small claims patent proceeding, particularly after *Markman v. Westview Instruments.*

c. *Appointments Clause*

This section describes constitutional principles governing the appointment of "Officers of the United States" and their application to a small claims patent proceeding, particularly after *United States v. Arthrex.*

d. *Separation of Powers: Supervision and Removal*

This section describes constitutional principles governing the supervision and removal of "Officers of the United States" and their application to a small claims patent proceeding.

2. *District Courts*

Describes current district court procedures and the feasibility of and options for establishing a small claims patent proceeding within the district courts administered by district judges or by other officials under district courts' supervision (e.g., magistrate judges).

3. *U.S. Patent and Trademark Office*

Describes current USPTO/PTAB procedures for adjudicating patentability and the feasibility of and options for housing a small claims patent infringement proceeding within the USPTO, either within PTAB or by creating a new forum modeled on the Copyright Claims Board.

a. *History of Administrative Post-Grant Review*

Costs and asymmetric incentives for litigating parties; IPR under the AIA.

- b. *Benefits and Costs of Locating a Small Claims Patent Court within the USPTO*
Benefits such as experience and expertise; questions of validity versus infringement and monetary damages; and concerns regarding transparency and consistency.
 - c. *What a Patent Small Claims Court in the USPTO Might Look Like*
Expanding APJ jurisdiction; notice-and-comment rulemaking; appellate review; and funding.
4. *U.S. International Trade Commission*
Describes current USITC procedures for adjudicating patent infringement disputes and the feasibility of and options for housing a small claims patent proceeding within the USITC.
5. *Court of Federal Claims*
Describes current CFC procedures for adjudicating patent infringement disputes and the feasibility of and options for housing a small claims patent proceeding within the CFC.
6. *Court of International Trade*
Describes a past proposal for establishing the CIT as a centralized trial court for patent disputes, including small claims.
7. *New Federal Forum*
Describes the potential costs and benefits of establishing a new institution to adjudicate small patent claims and identifies considerations for policymakers regarding, among other things, appointment and supervision of adjudicators, specialization, support services and staffing, funding and budgeting, rulemaking authority, internal governance, and location.
8. *Private Dispute Resolution*
Describes proposals for establishing a mechanism for private dispute resolution, supervised or funded by the government, to adjudicate small patent claims (e.g., 1998 National Patent Board proposal).

THE PROCEEDING

1. ***Constitutional Questions***
Highlights issues of procedural due process that might arise in designing a small claims patent proceeding (e.g., jurisdiction, voluntariness).
2. ***Availability of the Proceeding***
Describes options for determining when a small claims patent proceeding would be available to parties (e.g., small claims vs. small entities).
3. ***The Decision Maker***
Identifying options for who would decide cases including dividing between a jury and judge, consolidating responsibility in a single adjudicator, or consolidating responsibility in a multi-member panel.
4. ***Pleadings & Claim Construction***
What current pleading process looks like under the FRCP and local patent rules, including claim construction in patent litigation; public comments on what a pleading process should look like.
5. ***Claims, Counterclaims, and Defenses***
What current procedures are and what limitations on claims, counterclaims, or defenses should be considered.
6. ***Voluntariness***
Identifies options and considerations for establishing the process by which parties opt in or opt out of a small claims patent proceeding.
7. ***Discovery***
What the current procedures are and considerations including: routine production of key documents; standardization of forms; limitations in general, on proceeding scope, and on evidence; active case management; eliminating or limiting live testimony; limiting the number of witnesses; expert testimony. Summary of public comments on this issue.
8. ***Motion Practice***
Streamlining motion practice by limiting the type and number that can be filed and imposing strict deadlines may help reduce costs. Standardizing motion forms may also increase efficiency and reduce costs of the litigation process.
9. ***Alternative Dispute Resolution***
Considerations for establishing mediation or arbitration as an option for resolving a patent infringement dispute and whether—or in what instances—ADR should be voluntary or, perhaps, mandatory. Example models discussed include WIPO/ICANN's Uniform Domain Dispute Resolution Policy (UDRP) and the Amazon Patent Evaluation Program (APEX).

10. ***Form of Hearings***

Oral versus written hearings; in-person versus remote (e.g., virtual) hearings.

11. ***Remedies***

Availability of damages and injunctive relief and the pros and cons, what a damages cap might look like, and considerations of an appropriate range for damages, including enhancements.

12. ***Appeal***

Options for review by an administrative and/or judicial body, including forum for appeal and nature of the appeal (e.g., standard of review).

13. ***Legal Effects of Decisions***

Current status of claim and issue preclusion and summary of public comments on this issue.

LITIGANT SUPPORT

1. ***Representation***

Current status; expanded pro bono programs; clinical programs; and active assistance through the forum itself.

2. ***Financial Assistance***

USPTO fee schedule and fee shifting.

3. ***Other Methods of Fee Reduction & Support***

Examines ideas including IP insurance policies, patent defence unions (Europe), loans, technology transfers, and mandatory arbitration in cases of severe inequity.

CONCLUSION