I. Introduction

Amazon is uniquely situated as an innovator that sells its own inventions and as a store that makes the inventions of others available to customers around the world. As a retailer, we invest in the success of entrepreneurs and small businesses selling in our store, helping them to reach hundreds of millions of customers, build their brands, and grow their businesses.

We are also committed to ensuring that the goods listed in the Amazon Store do not infringe intellectual property rights. Amazon has deep experience resolving third-party seller disputes about intellectual property rights. 1 We implemented a systematic process for collecting and evaluating infringement reports, and we are eager to share those successes and explore other options that respect rights-holders while ensuring that the process for resolution is fair, equitable, and free from abuse.

To achieve those ends, a small claims patent court needs to adopt procedures that cater to the inventors who most need it, while also preventing abuse by bad actors. In order to be as effective as possible, Amazon proposes that any court reside within the U.S. Patent and Trademark Office (“USPTO”) and focus on resolving low damages patent infringement disputes between parties who lack the resources for federal court litigation. The court would reduce costs through streamlined and uniform case management procedures including limited discovery, and thereby offer a forum for claimants who would otherwise lack any realistic recourse against infringement.

Amazon appreciates the opportunity to comment on this matter and offers its responses to the specific questions posed in the following section.

II. Comments in response to solicited topics

1. Whether there is need for a small claims patent court

Amazon believes that a small claims patent court could serve an important function for cases involving low damages claims between under-resourced parties. In the U.S., the mean trial cost of a patent litigation case with less than $1 million at stake is between half a million and a million dollars. 2 Academic research suggests that the situation may in fact be worse—that for even a one-patent case with less than $1 million at stake, the average cost is almost twice as much as the average damages claim. 3 In other words, not only is the price of litigation high in absolute terms, in many cases costs will match or exceed a patent-holder’s expected damages, making litigation economically unviable. 4

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Amazon proposes a court designed for and restricted to individuals and “small entities” as defined in 37 C.F.R. Section 1.27. Under the USPTO’s definition and procedure, a small entity is either an individual (e.g., an inventor or an individual to whom an inventor has transferred rights), a small business concern (e.g., a business which employs fewer than 500 employees and which is not a member of a “group” of companies which employees more than 500 employees in total), or a non-profit organization. A small entity can establish its status in a patent application (or at any time) by a written assertion of entitlement to that status. Individuals and small entities may lack the resources to vindicate their rights and are therefore the most penalized by the current system. Restricting the small claims court to these parties will allow the court to focus on the litigants that most need help. Without such a requirement (and other limitations on the scope of the proceedings discussed below), the court could skew unfairly in favor of better-resourced parties.

A significant related concern is that illegitimate claimants could coopt the proposed court. To avoid this, only parties who practice their patents commercially should be eligible to bring claims. This requirement will steer the court to real disputes between market participants. The court could enforce this by requiring that a claimant plead and prove a practicing product. Additionally, all claimants should certify that they have no affiliation or backing by a litigation financier. A funded claimant has the resources for federal litigation, and the proposed court should not be able to address claims that a party has the means to litigate in federal court.

Amazon’s experience illustrates the type of dispute that is ideally suited for the proposed court. One recent example involves a company with less than $100,000 in annual revenue with a utility patent for an electronics gadget that it sells for about $80 per unit. The patent owner discovered that a third-party seller was selling a nearly identical gadget without a license. Neither party likely would have been able to afford the hundreds of thousands of dollars in litigation costs for a lawsuit. Even if the patent holder had the means to bring a claim, doing so would have created economic waste considering the third-party seller’s unit price and sales volume. Instead, the patent holder submitted to Amazon an infringement complaint against the seller with supporting evidence. Amazon referred the claim to its neutral evaluation procedure. This requires a small deposit from each party, with the winner receiving a refund. In this case, a neutral third-party evaluator determined that the product infringed, and, accordingly, Amazon removed the infringing product from its Store. But because Amazon’s neutral evaluation process is streamlined and focuses solely on whether there is infringement and cannot assess or award damages, the company would have to go to district court to obtain money damages.

A patent small claims court could present an opportunity for individuals and entities like these to affordably resolve patent disputes, and to obtain money damages where appropriate. Amazon believes a well-designed system also avoids some of the issues and pitfalls that others have raised in the academic and professional literature. As we discuss in greater detail in response to the other solicited topics, the USPTO can develop procedures that both ensure respect for patent rights and prevent abuse. We address those issues in connection with the other topics below.

2. The operation and structure of similar small claims intellectual property tribunals in the United States and elsewhere

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5 37 C.F.R. § 1.27.
Several small claims tribunals are worthy of study, including the Copyright Claims Board in the United States; the Intellectual Property Enterprise Court (“IPEC”) in the United Kingdom (“U.K.”); the non-binding Patent Evaluation Process in the U.K.; and the Canadian Small Claims Court.

(A) Copyright Claims Board (U.S.)

The Copyright Claims Board is a newly-created tribunal in the Copyright Office of the Library of Congress. It aims to be a streamlined and user-friendly option for copyright disputes of up to $30,000.7 The Board is designed to be accessible to pro se parties and individuals with limited exposure to copyright law, although parties may choose to proceed with lawyers.8 Participation is voluntary for all parties in recognition of the Seventh Amendment right to a jury trial for damages claims.9 Accordingly, a respondent served with notice of a claim may opt out of the proceeding for any reason within 60 days of service.10 If the respondent opts out, the Board will dismiss the claim without prejudice, at which point the claimant may file a lawsuit in federal district court if it so chooses.11

The Copyright Claims Board will hear disputes between claimants and respondents throughout the U.S. The Board emphasizes written submissions12 and holds online and teleconferencing proceedings without the need for personal appearances.13 The Board also streamlines proceedings through limited discovery, limits on motion practice, and the use of standardized form submissions.14 The Board does not have independent subpoena power but potential claimants may obtain a subpoena from a federal district court for the sole purpose of identifying a potential respondent in an action before the Board.15

The Board decides copyright infringement claims and requests for declaratory judgment of noninfringement. The Board hears related counterclaims sounding in copyright or a related agreement that would affect the claimant’s relief (such as a licensing agreement).16 Parties can raise any available legal and equitable defenses. The Board can award no more than $30,000 in total damages to a claimant or counterclaimant, including statutory damages up to $15,000 per infringing work.17 The Board cannot consider whether any infringement is willful but can consider, for purposes of statutory damages, whether the infringer agreed to cease or mitigate its conduct.18 The Board cannot issue injunctive relief, although it can include in its decision a requirement to abide by a voluntary agreement to cease infringing or harassing conduct.19 The Board may not generally award attorneys’ fees or costs, except in the case of bad faith or misconduct.20

The three-member Board decides disputes by majority vote and publishes its decisions online. After the Board’s decision, a party may request reconsideration of the decision by the Board. If the Board

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8 17 U.S.C. § 1506(d).
denies reconsideration, a party may request review by the Register of Copyrights, who will review for abuse of discretion.\textsuperscript{21} Finally, a party may challenge the Board’s final determination in federal district court. The court’s review will be limited to claims that (a) the determination was issued as a result of fraud, corruption, or other misconduct; (b) the Board exceeded its authority or failed to render a final determination; or (c) if the Board’s determination is based on a default or failure to prosecute, a finding that the neglect was excusable.\textsuperscript{22}

(B) Intellectual Property Enterprise Court (U.K.)

The U.K. Intellectual Property Enterprise Court (IPEC) hears intellectual property disputes involving patent, copyright, and trademark. The IPEC judges are specialists in intellectual property law. The court is divided into two tracks: the small claims track and the multi-track. Only the multi-track hears patent disputes due to the relative complexity of the issues. The multi-track hears cases up to £500,000.\textsuperscript{23} However, the parties may jointly waive that limit and remain at IPEC, if the court agrees.\textsuperscript{24}

The court supplies standardized forms and service documents to aid in inexperienced parties.\textsuperscript{25} All parties must verify their pleadings with a certification of truth. Parties may, but do not have to, attach documents to their pleadings, such as evidence of their patent or the alleged infringement.\textsuperscript{26} The court allows parties to waive trial and rely on written submissions.\textsuperscript{27} A defendant cannot remove a case from IPEC as a matter of course. Instead, the court assesses in the first instance whether a case is most appropriate for IPEC or the Patents Court that hears more complex patent cases.\textsuperscript{28} IPEC allows expert testimony, though it limits trials to two or three days and encourages parties to narrow their disputes to meet those strict limits.\textsuperscript{29} IPEC also hears patent validity challenges.\textsuperscript{30}

In addition to patent claims, IPEC also has jurisdiction to hear related commercial claims, such as contract disputes.\textsuperscript{31} Parties may appeal an adverse judgment.\textsuperscript{32} In the event of a default judgment, a claimant must apply to the court and then serve the defendant with a notice of the default.\textsuperscript{33} The defendant has five days to respond to that additional notice before the court will enter the default judgment.\textsuperscript{34}


\textsuperscript{21} 17 U.S.C. § 1506(x).
\textsuperscript{22} 17 U.S.C. § 1508.
\textsuperscript{24} The Intellectual Property Enterprise Court Guide, § 1.2 (2019).
\textsuperscript{26} Id. § 7.16.
\textsuperscript{27} Id. § 7.7.
\textsuperscript{28} Id. § 7.1.
\textsuperscript{29} Id. § 7.9.
\textsuperscript{30} The Intellectual Property Enterprise Court Guide, supra note 24, § 4.11.
\textsuperscript{31} Id. § 4.5(a).
\textsuperscript{32} Id. § 1.2.
\textsuperscript{33} Id. § 4.7.
\textsuperscript{34} Id.
The U.K. Intellectual Property Office (UKIPO) also offers a non-binding patent evaluation service.\textsuperscript{35} For a £200 filing fee, a party may request a non-binding evaluation of infringement or patent validity.\textsuperscript{36} Anyone can file comments in response to the application. The filer, a patent holder, or an exclusive licensee may file comments in reply.\textsuperscript{37} A patent examiner within UKIPO then conducts an independent assessment and typically issues an opinion within three months of the initial application.\textsuperscript{38} Findings of infringement or noninfringement are non-binding.\textsuperscript{39} Finding of invalidity are typically non-binding, although in rare cases UKIPO may start the process of revoking or cancelling the patent.\textsuperscript{40} The opinions are subject to hearing-based reviews.\textsuperscript{41} The party that loses the review hearing pays for the opposing party’s legal costs.\textsuperscript{42} Finally, a patent holder or exclusive licensee may appeal a review decision to the Chancery Court.\textsuperscript{43}

(D) Small Claims Court (Canada)

Although not specialized intellectual property courts, Canadian small claims courts hear patent infringement actions according to their own provincial rules. There is a monetary cap on claims ranging from $5,000 to $50,000 CAD, depending on the province.\textsuperscript{44} The small claims courts only hear infringement issues. Therefore, the judgments do not affect the validity of patents or affect the patent register.\textsuperscript{45} The courts’ infringement rulings have no preclusive effect on third parties.\textsuperscript{46} Like U.K.’s IPEC, the court plays a role in deciding whether a dispute belongs in the provincial small claims courts or federal court. The Canadian Federal Court has exclusive jurisdiction to hear cases in which a party challenges a patent’s validity.\textsuperscript{47}

3. *The relevant laws that would govern the establishment of a small claims patent court, including the United States Constitution and applicable statutes and regulations*

There are differences between the U.S. legal system and the legal systems in other countries. Litigants in the U.K. do not have the right to a jury trial that the Seventh Amendment applies to ordinary patent infringement actions in the U.S. As a result, participation in a judge-only patent small claims court should be voluntary on the part of both parties. The Copyright Claims Board also operates with the same requirement. There, participation is voluntary, and any party retains the right to seek a jury trial.\textsuperscript{48} The proposed patent court should include the same provision.

\textsuperscript{37} Id.
\textsuperscript{38} Id.
\textsuperscript{39} Id.
\textsuperscript{40} Id.
\textsuperscript{41} Id.
\textsuperscript{42} Id.
\textsuperscript{43} Id.
\textsuperscript{45} See Patent Act, RSC 1985, c P-4, ss 54(1), 59.
\textsuperscript{47} See Patent Act, RSC 1985, c P-4, ss 52.
\textsuperscript{48} 17 U.S.C. § 1504(a).
The most suitable placement for the court is within the USPTO. Congress would need to address the statutory requirement that the federal district courts shall have “original jurisdiction of any civil action arising under any Act of Congress relating to patents.” Congress may do so through its implementing legislation. Here too, the Copyright Claims Board provides an appropriate example, as that Board is in the Copyright Office and outside the Article III courts.

4. The policy and practical considerations in establishing a small claims patent court

Recognizing that a well-designed small claims patent court provides access to parties whose potential recovery is less than the costs of patent litigation in federal district court, in 1990, the ABA’s Patent, Trademark, and Copyright Law Section adopted a resolution in support of small claims procedures for patent claims with less than $100,000 at stake. More recently, in 2012, the Commerce Department studied the viability of creating a similar court, but again the idea foundered.

Although the academic reaction has since turned to skepticism, a well-designed court may yet reduce the costs of patent infringement litigation and encourage good faith pre-suit negotiations. This is especially true if the court’s enforcement is consistent and the damages awards are predictable. Surveys indicate that some practitioners have concern that a small claims patent court may increase the volume of cases, but that concern is largely focused on the potential increase in cases between entities with large resource imbalances. While the proposed court may result in an overall increase in the number of patent disputes litigated, if the new court focuses on disputes between small entities, that increase in cases will be limited to the cases most in need of a new forum.

Previous proposals have failed to account for the realities of the U.S. legal system. For example, the ABA resolution in 1990 failed to account for practical issues like the removability of cases to federal district court.

The proposed court should not mirror the procedural requirements of the federal court system. Otherwise, the small claims patent court may become as time-consuming and expensive as that system. The cost of patent litigation is heavily concentrated in a few areas, such as claim construction, invalidity defenses, and discovery. To reduce costs, the court should focus on front loading the proceedings with detailed pleading procedures, requiring as many details as possible about the claims, arguments, and evidence from both sides. For instance, the court can adopt standard forms that

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49 28 U.S.C. § 1338(a); see Copyright Alternative in Small-Claims Enforcement (“CASE”) Act Regs., 86 Fed. Reg. 16156 & n.5 (Mar. 26, 2021) (“Prior to the CCB beginning operations, jurisdiction to hear copyright infringement suits resides exclusively in federal courts. The statute does not displace or limit the ability to bring copyright infringement claims in federal court.”).
54 See id.
55 See Chien et al., supra note 52, at 195.
56 See Greenspoon, supra note 53, at 556–57.
57 See Ouellette, supra note 52.
respondents to write detailed plain-English explanations of their claims, defenses, and evidence. Both parties should also answer court-provided questions akin to common interrogatories, and the parties should have to establish good cause to deviate from the court’s typical discovery practices. The rules should also include strict case management timelines. And, because the parties in a small claims court often proceed *pro se* and are inexperienced, the court should play a large role in refereeing disputes. Amazon encourages the court to promote *pro bono* representation similar to the Copyright Claims Board.\(^5^8\)

The court must also balance fairness and efficiency to manage the tradeoff between streamlined procedures and sound decisions.\(^5^9\) Practitioners share a concern about how effective a small claims court could be at resolving cases more efficiently.\(^6^0\) One solution is to appoint judges with expertise in patent law and deep knowledge in the sciences. Expert judges are better equipped to understand the technology at issue and get to the merits of the case more quickly. Amazon proposes several other requirements below, including robust notice and service rules.

5. *The institutional placement, structure, and internal organization of a potential small claims patent court, including whether it should be established within the federal courts, as or within an Article I court, or as an administrative tribunal*

USPTO’s patent expertise makes it an ideal fit for the mission of the proposed patent court. The caseloads in federal district courts are too high to further burden them with small claims. The Court of Federal Claims should retain its focus exclusively on claims against the government, not between private parties. There is no benefit to creating a new Article I court for this purpose when the proposed court can fit within the existing structure of the USPTO. Like the Copyright Claims Board, the court will require new staffing to avoid over-burdening USPTO. Filing fees may help offset those costs.\(^6^1\)

6. *The selection, appointment, management, and oversight of officials who preside over proceedings in a potential small claims patent court*

The judges of the proposed court should be experts in patent law and the sciences or technology at issue, like the administrative patent judges of the U.S. Patent Trial and Appeal Board ("PTAB").\(^6^2\) The selection and appointment process can mirror the PTAB model or the similar procedures at the new Copyright Claims Board.\(^6^3\) Appointing experts who are specialized in both law and technology furthers the goal of streamlining litigation procedures to ensure both a speedy result and a fair adjudication. Judges’ knowledge in the science or technology at issue allows them to get deep into the merits of the case as early as possible without extensive explanations from the parties.

If the court is established within USPTO, the adjudicators should answer to the Director. If the court is established within the federal judiciary, magistrates should oversee small claims. Regardless of

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\(^5^9\) See Chien & Guo, *supra* note 3, at 3.
\(^6^0\) See *id*.
\(^6^1\) Cf. 17 U.S.C. § 1510(a)(1).
\(^6^2\) The Secretary of Commerce appoints PTAB judges in consultation with the Director of the Patent and Trademark Office. See 35 U.S.C. § 6(a).
\(^6^3\) The Librarian of Congress appoints the officers of the Copyright Claims Board upon recommendation from the Register of Copyrights. See 17 U.S.C. § 1502(b)(1).
The subject-matter jurisdiction of a potential small claims patent court, whether participation in such proceedings would be mandatory or voluntary, and whether parties can remove cases to another administrative tribunal or federal court

Amazon proposes a court of limited jurisdiction to adjudicate infringement damages claims below a threshold amount, related counterclaims, and defenses including invalidity. A party anticipating an infringement claim should also be able to seek a preemptive judgment of no liability, like a declaratory judgment claim. Like the Copyright Claims Board, and unlike the U.K.’s IPEC, the court should have no supplemental or ancillary jurisdiction to address related non-patent claims. The proposed court is a limited tribunal designed to address only specialized patent disputes through streamlined procedures. It should not be burdened with non-patent claims.

To satisfy the Seventh Amendment, Amazon proposes that both parties must waive their rights to a jury trial. Either party may opt out from the case in its early stages. If a respondent opts out, the court should dismiss the case, and the claimant may choose whether to file in federal court. The court’s opt-out rules should strive to ensure that the decision to opt in or opt out is knowing and voluntary. For example, in the Copyright Claims Board, a respondent may opt out of participation for any reason within 60 days from the date of service. Similarly, in its April 2013 comment, the ABA-IP Section proposed a cutoff of 10 days after the respondent has filed an answer. Amazon urges adopting a more robust opt-out procedure, but at the very least the proposed court should adopt an opt-out rule as permissive as the 60-day rule that exists at the Copyright Claims Board.

Amazon proposes two opt-out options, blanket opt-out and a public opt-out list. The court should adopt a blanket opt-out for entities or individuals that wish to consistently opt out of the court’s proceedings, since that will be less administratively burdensome than requiring a party to opt out separately each time a claimant files a new case against it. Alternatively, Amazon encourages the court to provide an option for corporate entities to publicize to potential claimants that they will opt out of all court actions, allowing those claimants to avoid unnecessary filing fees and expenditures.

Regardless of whether the court adopts a blanket opt-out or a transparent opt-out list, Amazon proposes the following procedures: providing a standard opt-out form, requiring claimants to attach the opt-out form when they serve the respondent, and allowing for electronic filing of the opt-out form and subsequent notification to the claimant.

Amazon proposes that after the opt-out date passes and a party accedes to the court’s jurisdiction, it should not be able to remove the case to any other judicial forum. The court may dismiss the case if it decides that it does not have jurisdiction over the case or if the respondent opts out. After dismissal, the claimant may then decide if it wants to bring suit in federal court. The Copyright Claims Board has similar rules.

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8. *The procedures and rules of practice for a potential small claims patent court, including, as relevant, pleadings, discovery, and alternative dispute resolution*

(A) Notice

In the interest of fairness, especially for *pro se* and inexperienced parties, the proposed court should adopt a robust and redundant notice requirement. A claimant should be required to serve an initial notice to the respondent, and the court should have to send a separate notification of the action to ensure that the respondent receives actual notice. Amazon supports standardized notice documents that include plain English explanations of the court, the right to opt out of the proceeding, the relevant deadlines, and the consequences of failing to respond or opt out. The notices should include an opt-out form that a respondent can complete and submit electronically to the court and to the claimant. Like the Copyright Claims Board, the court should be accessible electronically through a user-friendly website.

(B) Service of process

If the court decides not to implement a small entity requirement for all parties, the court should implement a system and database that allows a corporate parent to designate a single agent for all its subsidiaries in one submission. It would be useful to resolve a subsidiary to its parent corporation in instances when the parent wishes to handle matters before the court. This would streamline the directory for potential claimants and make it much easier for companies to manage opt-out/opt-in policies and changes to the service information. In terms of design, the system would benefit from a basic interface and search function. Allowing a parent corporation to add all its subsidiaries to a single list should suffice.

(C) Pleadings

To guard against abuse by non-practicing entities, Amazon encourages a special pleading rule that requires claimants to provide evidence of their use of the invention and the accused product at the time of their filing. As a special pleading requirement, each claimant must submit a practicing product and the allegedly infringing item (or a photograph or video recording). If it is impractical to submit the product or a recording, the claimant must describe the product in detail. The proposed court should also require respondents to identify, as early as possible in the proceedings, any product or other prior art that they believe anticipates or renders obvious the claimed patent. Although invalidity defenses often increase the cost and complexity of litigation, as a matter of fairness, a respondent should be entitled to raise invalidity defenses and present evidence in support, subject to the court’s discovery rules. For the benefit of pro se parties, the court’s forms and website should include illustrative examples of these pleading requirements. For example, a form that requires the claimant’s infringement theory may present a “how-to guide” for creating an effective claim chart that maps each claim limitation onto the accused product. Similarly, the court’s guide should explain how a claimant can calculate its damages.

(D) Discovery

The court should limit discovery in duration and scope to facilitate streamlined proceedings and combat discovery abuses. Like the procedures for the Copyright Claims Board, parties should submit standardized and limited information to the small claims patent court with their pleadings, such as answers to uniform interrogatories and standard documents. The court should take a heavy hand in
overseeing discovery.\textsuperscript{67} To keep the scope of disputes “small,” the court should limit patent-specific discovery to documents sufficient to show the operation of the accused technology, revenue and profits from the sales of the accused technology, and prior art. Like the Copyright Claims Board, the court should not have the power to subpoena third parties.\textsuperscript{68}

The court should also implement rules that streamline litigation procedures. Like the Copyright Board, the court should restrict formal motions practice except for case management and discovery issues.\textsuperscript{69} For example, the Copyright Board does not allow parties to serve requests for admission in typical cases but will allow them on a showing of good cause.\textsuperscript{70} Additionally, the court should establish a series of set disclosures including early infringement and invalidity contentions. The court should limit the number of claim terms in dispute for claim construction (for utility patents). A claimant should be permitted to assert only one claim per patent for its infringement case and one additional claim if the respondent raises invalidity defenses. The court also should not allow expert witnesses. If the technical nature of a dispute exceeds the court’s expertise, the rules should allow for a court-appointed neutral technical expert in the court’s sole discretion. This court-appointed expert may be especially important when a respondent raises invalidity defenses that rely on the viewpoint of a person skilled in the relevant art, such as a motivation to combine prior art references.

\textbf{(E) Case management}

In Amazon’s experience, disputes involving utility patents are often more complex and time-consuming than those involving design patents and other types of intellectual property. The court should implement case management procedures in all cases and should consider separate procedures for utility patents and design patents, allowing more time to adjudicate utility patent disputes. To the extent possible, the court should use the new Copyright Claims Board’s uniform procedures as a guide. For example, although the court may need to take more testimony on technical matters than the Copyright Board, the court should generally follow the Board procedure for taking testimonial evidence in written form under penalty of perjury.\textsuperscript{71}

\textbf{(F) Alternative dispute resolution}

The court will operate as a relatively informal proceeding compared to federal district court litigation. Like the Copyright Claims Board and the U.K.’s IPEC, the court should incorporate mediation procedures. Accordingly, the court should encourage mediation and settlement as part of the small claims process, without the need for a separate ADR procedure.

\textbf{(G) Publication}

The court should publish its final decisions on a searchable public website, like the Copyright Claims Board.\textsuperscript{72} All members of the public should have access to that searchable database, including information about the patents involved, images of the infringing products, dispute outcome, and any

\textsuperscript{69} See 87 Fed. Reg. at 30060.
\textsuperscript{70} See 87 Fed. Reg. at 30070.
\textsuperscript{71} See 17 U.S.C. § 1506(o).
\textsuperscript{72} See 17 U.S.C. § 1506(t)(3).
damages award. The database would signal future parties about the likely outcomes at the court and inform market participants about other products in the marketplace.

(H) Study of effectiveness

To measure the success of the court and promote improvement, the court should study its own effectiveness after the first year of operation and report the results to the USPTO. For example, the court should collect and report information about the parties that participated in the court, the mean cost to parties and time expended for each dispute, the time to resolve disputes, damages awarded, and survey feedback from parties about the impact on their businesses and innovation.

9. The remedies that a potential small claims patent court would be able to provide

(A) Money Damages

The court should have authority to issue money damages as compensation for patent infringement, but it should not have the authority to enhance money damages or consider willfulness. It should follow the model of other small claims tribunals to cap damages at a low threshold that is consistent with the court’s purpose of resolving “small” claims between parties. Amazon proposes a cap under $1 million. Below that threshold, surveys and the academic literature show that federal court litigation is often too expensive to justify even a meritorious lawsuit. In contrast, litigation costs are less likely to exceed potential damages when the amount at issue is between $1 million to $10 million. The U.K.’s IPEC multi-track includes a comparable damages cap of £500,000. In comparison, the Copyright Claims Board and IPEC small claims track each cap damages at no more than one-tenth that amount, but they do not hear patent disputes. Thus, the Copyright Claims Board’s $30,000 limit is likely too low for a patent court, even one that hears only small claims. A typical copyright dispute is simpler and less costly than a patent dispute, as reflected in the Copyright Act’s statutory damages cap of $30,000 per infringing work.

(B) Injunction

Consistent with the proposed court’s limited scope and specialized purpose, the court should not have authority to issue injunctive relief. Like the Copyright Claims Board, which also does not issue injunctions, the purpose of the court is to resolve infringement disputes between practicing inventors and entities. Injunctive relief is inconsistent with that limited scope. When a court issues an injunction, it must look beyond compensation into hypothetical future conduct. This requires far more analysis and makes the dispute more complex and thus more costly. The threat and effect of injunctive relief also raises the stakes of the dispute beyond the damages cap that keeps disputes “small.” By reducing the range of potential outcomes, the parties will be more likely to settle their disputes.

Injunctive relief is also inconsistent with the voluntary nature of the court. A respondent threatened with a potential permanent injunction faces higher stakes and has a strong incentive to opt out of the voluntary small claims court in favor of full-scale litigation in federal district court. Here again

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74 See id. at I-146.
76 See 17 U.S.C. § 504(c)(1).
the Copyright Claims Board is the better model than the U.K.’s IPEC, because parties to IPEC do not have the ability to opt out.

(C) Costs and attorney fees

Also like the Copyright Claims Board, the proposed court should not have authority to award costs or attorney fees, except potentially in rare cases of bad faith or misconduct. The possibility of a fee or cost award increases complexity, especially for pro se and inexperienced parties that the court intends to serve. If either party believes its case is “exceptional” under 35 U.S.C. § 285, it should opt out and pursue the case in federal district court.

10. The legal effect of decisions of a potential small claims patent court

(A) Preclusion and notice

Like the decisions of the small claims Copyright Board and Canada’s Small Claims Courts, the decisions of the court should have no preclusive effect as to third parties. The focus of the court should be on resolving disputes between the parties based on the limited evidence and arguments that are consistent with a small claims court. Assigning any preclusive effect to the court’s judgments as to third parties will incentivize parties to raise broader arguments that will exceed the court’s limited purpose. As to the parties and claims involved in the dispute, a final decision of the court should preclude re-litigation of the same claims and counterclaims before any court or tribunal. The Copyright Claims Board offers a model of this type of preclusion rule.\(^77\)

Amazon expects that parties will also try to abuse the system, particularly if there is a possibility that they can use a small claims judgment for purposes other than simply resolving the dispute at hand. Claimants may have a strong incentive, for example, to collude with fraudulent sellers and then wield the judgment against legitimate sellers of similar products. Even absent outright fraud, any preclusive effect would be unfair to third parties, who may have better evidence and better arguments than the initial respondent whose poor defense set the preclusive precedent. Thus, a claimant should not be able to present a small claims judgment of infringement to any third-party retailer or marketplace with a demand to take down the product or related products. The enacting legislation should provide, and each judgment of infringement issued by the court should include, a provision reciting that such a judgment does not in any way constitute notice of an infringement for purposes of a request to take down a product from a third-party retailer or marketplace.

Similarly, decisions should have no notice effect that could make a party liable for willful patent infringement. The statute should expressly provide that any findings, decisions, or judgments of the small claims patent court may not be offered as evidence regarding an intellectual property infringement claim in federal court, including but not limited to any claim of willful infringement. By ensuring that the court’s judgments affect only the parties to a dispute, the court can reduce incidences of abuse, ensure fairness to all parties, and align parties’ incentives with the limited scope of a small claims judgment.

(B) Reviewability

Consistent with the streamlined processes and limited scope of a small claims court, the parties should waive substantive appellate review, making any decision final. If the court resides within USPTO,

\(^77\) See 17 U.S.C. § 1507(a).
the court can model its rules on the reviewability procedures in the Copyright Claims Board. There, parties may seek abuse-of-discretion review from the Register of Copyrights.\(^{78}\) Similarly, the USPTO Director should review for abuse of discretion only.

That review will satisfy the constitutional requirement of the Appointments Clause.\(^{79}\) In *United States v. Arthrex*, the Supreme Court held that an unreviewable opinion issued by an Administrative Patent Judge violates the Appointments Clause because every inferior officer must be “directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.”\(^{80}\) The Supreme Court corrected this problem in *Arthrex* by holding that the decisions on patentability that the Administrative Patent Judges issue “must be subject to review by the Director” of the USPTO.\(^{81}\) Thus, the court can satisfy the Appointments Clause if the Director of the USPTO has authority to review the court’s decisions.

(C) Precedential effect

A decision of the small claims patent court should not have precedential effect beyond the dispute in which it is made. The PTAB follows a similar rule. There, all decisions are by default non-precedential unless specially designated by a panel and approved by the USPTO Director.\(^{82}\) Rather than establish an additional review procedure, Amazon proposes that the new tribunal adopt a simplified rule. The decisions of the court should not have precedential effect and the decisions of the USPTO Director (issued upon reconsideration of a decision of the court) should have precedential effect only if designated as precedential.

III. Conclusion

Amazon thanks ACUS for its time and attention to this matter and for the opportunity to share these comments. We remain open to answer any questions and look forward to assisting ACUS as it continues this study.

\(^{78}\) 17 U.S.C. § 1503(g).
\(^{80}\) *Id.* at 1980 (quoting *Edmond v. United States*, 520 U.S. 651, 663 (1997)).
\(^{81}\) *Id.* at 1986.
\(^{82}\) See PTAB Standard Operating Procedure (SOP) 1 (Rev. 10), at 3.