

# Preliminary Proposal for Establishing a U.S. Patent Claims Commission

## Overview:

The PTAB Trials Committee of the PTAB Bar Association supports the establishment of a tribunal for the adjudication of small patent claims. In the Committee's view, the primary objective of such a tribunal would *not* be to replace existing district court litigation with an alternative forum. Rather, the objective would be to provide a viable forum for litigating small patent infringement cases that typically would not be brought in district court because of the economics associated with traditional district court litigation.

The Committee believes that such a new tribunal could leverage the PTAB's decade of extensive experience with IPRs, PGRs, and CBMs, including its core of highly competent APJs. The PTAB has demonstrated that APJs are fully capable of efficiently adjudicating claim construction and validity issues with a low reversal rate. Adding infringement and, when necessary, limited damages, to their list of core competencies should be a relatively straightforward expansion of their current practice.

Finally, the Committee proposes that the new tribunal would blend the best practices and procedures of the PTAB, the US International Trade Commission, and the US District Courts. By adopting selected aspects from each of those existing tribunals, creating a functioning patent claims tribunal should be relatively straightforward to implement.

## Infringement, Validity, & Damages Adjudications by U.S. Patent Claims Commission

- Congress would create a separate specialized Article 1 "US Patent Claims Commission" (US PCC) (modeled after the US ITC).
- The US PCC would be affiliated with the USPTO, and its headquarters would be located in proximity to the USPTO in Alexandria.
- At least 3 US PCC Commissioners would be approved by Senate/President as "superior officers" (modeled after US ITC commissioners).
- The PTAB would nominate experienced APJs (with district court litigation experience) to be appointed as "Administrative Patent Claims Judges" (APCJs) at the US PCC.
- The US PCC would employ one or more Technical Advisors to assist each APCJ in evaluating the cases filed. Technical Advisors could be former examiners with expertise in the technology in dispute – cases would be categorized by the technology area/art unit of the asserted patent.

## Merits Phase (1 year)

- 1 year "Merits Phase" proceeding (no need for 6 month pre-institution phase).
- The US PCC would assign one Technical Advisor to each case to provide input on the parties' submitted pleadings and any other issues arising in the case.

- The US PCC would conduct a Merits Phase oral hearing at approximately 8 months.
- An in-person oral hearing would be conducted live in Alexandria, San Jose, Detroit, Dallas, or Denver before the APCJ and Technical Advisor.
- Based on the pleadings, the parties' submitted evidence, and the Technical Advisor's input, a single APCJ would adjudicate both infringement and validity and issue an "Initial Merits Determination" on those issues (akin to an ITC § 337 proceeding) at approximately 10 months.
- The APCJ's decision would be reviewed by 3 US PCC Commissioners, who would issue a "Final Merits Determination" within 2 months.

### **Damages Phase (6 months)**

- In the event that the asserted patent is determined to be both valid and infringed, then a 6-month "Damages Phase" would take place.
- The US PCC would conduct a Damages Phase oral hearing at approximately 4 months.
- An in-person oral hearing would be conducted live in Alexandria, San Jose, Detroit, Dallas, or Denver before the APCJ and Technical Advisor.
- Based on the damages briefs, the parties' submitted evidence, and the Technical Advisor's input, a single APCJ would adjudicate damages and issue an "Initial Damages Determination" on those issues (akin to an ITC § 337 proceeding) at approximately 5 months.
- The APCJ's decision would be reviewed by 3 US PCC Commissioners, who would issue a "Final Damages Determination" within 1 month.

### **Nature of US PCC Proceeding**

- Limited scope of controversy:
  - 1 patent per case
  - ≤ 5 accused products per case
  - Both parties would waive their right to a jury trial
  - Same validity challenges as PGR
  - Direct infringement only, including DOE (but no indirect infringement, including induced, contributory, or vicarious infringement)
  - Damages claim < \$5M (this amount subject to further discussion/analysis)
  - No willfulness adjudication

- No validity-only challenges (no end-run around AIA PTAB proceedings). However, the respondent could stipulate to infringement and choose to litigate validity only.
- Pleadings:
  - *Complainant v. Respondent* (the accused infringer may be DJ complainant, subject to case or controversy requirements).
  - Detailed complaint (like PTAB petition) – essentially SJ of infringement
  - Any very specific discovery sought by the complainant must be set forth with particularity as an exhibit to the complaint.
  - Pleading standards:
    - Complaint: The complaint must demonstrate a reasonable likelihood (or that it is more likely than not) that all limitations of all asserted claims are contained within/practiced by the accused products (either literally or under the DOE).
    - Discovery: The complainant's initial discovery requests must show detailed specificity, limited scope of information sought, and a reasonable likelihood that the information sought is in the possession of the respondent.
  - Optional Motion to Dismiss: If the respondent believes that the complainant has not satisfied the pleading standards, then the respondent may:
    - Meet and confer with the complainant in writing (and optionally by teleconference) and provide specific reasons for seeking an amended/supplemental complaint and/or discovery requests.
    - If the respondent believes that the complainant's pleadings remain deficient after receiving complainant's response to the meet and confer, the respondent may file a motion to dismiss the complaint in lieu of filing an answer. The motion will be limited to the specific reasons set forth in the respondent's written meet and confer.
  - Detailed Answer (like PTAB POR) – essentially SJ of noninfringement and/or invalidity
  - Detailed Reply (like PTAB reply) – reply on infringement and answer on invalidity
  - Detailed Sur-Reply on invalidity only
- Discovery:
  - The complainant must set forth a detailed infringement case in its complaint – e.g., the accused product(s) must have been examined/tested/analyzed

- The complainant must produce all known material prior art not shown on the cover of the asserted patent (but no prior art searching would be required).
  - The complainant must certify that all known material prior art is of record in prosecution history or produced with the complaint.
  - All declarants are subject to cross-examination.
  - Additional discovery will be limited and only available upon a showing of good cause (akin to PTAB practice).
  - The US PCC will have subpoena power, but that power is to be used only in exceptional circumstances.
  - Protective Orders can be entered to protect confidential financial information and, upon a showing of good cause, non-public and confidential technical information.
  - In the damages phase, the accused infringer must produce information sufficient to show sales of the accused product(s) during the relevant damages period, and any costs information that respondent maintains should be considered in the damages analysis.
- An initial filing fee of \$50k for the US PCC's case administration of the merits phase.
  - A subsequent \$25K for the US PCC's case administration of the damages phase.
  - Any appeal from the US PCC would be directly to the Federal Circuit.
  - The complainant would elect to file in the US PCC – limiting the relief sought to fall within the US PCC's purview.
  - A plaintiff could elect to file in a district court, and the case would proceed as normal.
  - A respondent seeking to file counterclaims other than noninfringement and invalidity could bring those counterclaims in a district court, which case would be automatically stayed pending a final judgment in the US PCC proceeding (through appeals).

**Declaratory Judgment of Invalidity and/or Non-Infringement Brought by Entities Receiving Demand Letters**

- A party receiving a demand letter and/or a notice of infringement/offer of license (perhaps with a lower case or controversy threshold) could file a declaratory judgment complaint with the PCC when the DJ complainant believes that any potential damages would not exceed the statutory threshold amount.
- DJ complaint (also see above for regular US PCC complaint):
  - Establish the required case or controversy.
  - Waive right to a jury trial.

- Set forth a detailed noninfringement case, if any; and/or set forth a detailed invalidity case, if any.
- Set forth a detailed analysis of any potential damages, assuming *arguendo* liability.
- The DJ complaint must be filed publicly, but confidential financial information may be redacted provided that an unredacted complaint is also filed.
- An unredacted complaint may be filed under seal in accordance with the US PCC's default protective order.
- The DJ respondent may seek to remove the US PCC case to district court:
  - The DJ respondent may refuse to waive its right to a jury trial.
  - The DJ respondent bears the burden of establishing by a preponderance of the evidence that the anticipated damages exceed the statutory threshold amount.
- The DJ respondent's answer would set forth, *inter alia*, a detailed infringement case.

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