

*Before the*  
**Administrative Conference of the United States**  
Washington, DC

*In re*

Small Claims Patent Court Study

**COMMENTS OF  
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION**

The Computer & Communications Industry (CCIA)<sup>1</sup> submits the following comments in response to the Administrative Conference’s May 3, 2022, Request for Comments.<sup>2</sup>

CCIA is an international, not-for-profit trade association representing a broad cross section of communications and technology firms. For fifty years, CCIA has promoted open markets, open systems, and open networks. CCIA members employ more than 1.6 million workers, invest more than \$100 billion in research and development, and contribute trillions of dollars in productivity to the global economy.

**I. Summary**

While a small claims patent court that provides an inexpensive forum for the resolution of low-stakes patent disputes would be valuable, the creation of such a court would potentially raise numerous complex questions regarding constitutional and administrative law. There are also practical concerns regarding abuse that should be addressed. Finally, the recent creation of a copyright small claims board provides a natural experiment to determine if a small claims patent court might prove beneficial. Although patent and copyright have significant differences, those differences generally suggest that a patent small claims court is less likely to be useful than a copyright small claims court. A delay to see how well the copyright small claims court operates might be appropriate to provide further knowledge of how to properly construct a patent small claims court.

**II. Basic Safeguards for a Successful Small Claims Patent Court**

In order to avoid foreseeable legal and practical problems, there are a number of basic safeguards any small claims patent court would require. As discussed *infra*, any successful small claims patent court would likely require that both the plaintiff and defendant voluntarily agree to participate at that tribunal in order to operate. CCIA notes that private arbitration already exists and could potentially fill this need without any of the constitutional and legal concerns that a small claims patent court might create; we suggest that ACUS explore arbitration as an alternative as part of its report.

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<sup>1</sup> A list of CCIA members is available online at <https://www.cciainet.org/about/members>.

<sup>2</sup> Small Claims Patent Court Study; Comment Request, 87 Fed. Reg. 26183 (May 3, 2022) (hereinafter “Request”).

Further, in order to avoid abuse by non-practicing entities who might seek to abuse a low-cost process as part of a broader litigation campaign, a working requirement would be an appropriate safeguard. For example, if a small claims patent court had existed during MPHJ's litigation campaign, they might well have used it to further pressure small businesses into paying their license fee. By requiring that the plaintiff actually use their patented invention, non-practicing entities would be unable to abuse a small claims system. This would also ensure that such a system would not be congested by such entities, leaving its resources free to adjudicate disputes brought by actual small inventors.

With the basic safeguards of voluntariness and a working requirement in place, a small claims patent court could successfully achieve its goal of providing a low-cost forum for small patent claims while avoiding the constitutional and legal pitfalls that have been observed in similar administrative tribunals in the recent past.

### **III. Is There A Need For A Small Claims Patent Court?**

CCIA supports the goal of providing a low-cost forum for low-stakes patent disputes. It is unclear how successful a small claims court would be in actually achieving that goal. While there are reports of patent infringement going unchallenged due to the expense of litigation, it is unclear how common such situations are, especially given the common practice of small entities partnering with a deep-pocketed exclusive licensee who may be able to fund the litigation.

Further, while litigation is expensive in general, patent litigation is particularly expensive for reasons specific to patent law—most notably due to the technical complexity of patents, leading to the need for expensive expert reports and testimony, and the complex questions of patent valuation that create complex damages cases. Small claims cases in other contexts generally lack these sorts of complex, fact-specific questions, and patent cases may not be amenable to a truly low-cost determination as a result.

The claims heard in a small claims patent court would not be significantly less technically complex than those heard in Article III courts and as a result it is not clear if the damages a small claims court could award would exceed the cost of litigation. Permitting small claims courts to award injunctions would create significant concerns regarding potential abuse. It might also be legally impermissible, depending on the exact structure and location selected for a hypothetical patent small claims court.

CCIA thus cautions that a small claims patent court should be carefully constructed to avoid making patent litigation even more complex and expensive by providing another forum for infringement determinations. It should employ the basic safeguards of voluntariness and a working requirement in order to avoid abuse of the forum and ensure its success.

### **IV. Where Would a Small Claims Patent Court Be Located?**

There are several possible locations for a small claims patent court. Unfortunately, none are ideal and each could create significant practical and constitutional difficulties if enacted.

A. *Administrative Tribunals or Article I Courts as Small Claims Court*

One potential approach would be to hear patent small claims in an administrative agency. This administrative tribunal model has been utilized for tribunals like the Patent Trial and Appeal Board (PTAB) and the Copyright Claims Board (CCB).

However, the administrative tribunal model suffers serious legal and constitutional flaws in the case of a patent small claims court. There is “no dispute that infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.”<sup>3</sup> Patent infringement determinations, unlike validity determinations, are the type of question of fact that must be submitted to a jury.<sup>4</sup> And both plaintiff and defendant have the right to request a jury trial. As a result, any administrative tribunal hearing cases regarding infringement would require both parties to consent to waive their jury trial right in order to be heard.

It is also unclear whether a tribunal housed in the executive branch could even constitutionally hear patent infringement cases. Such an approach could violate the separation of powers. Unlike determining patent validity, which is at its core an exercise of executive power,<sup>5</sup> determination of patent infringement represents the determination of a suit at common law—a core judicial function at the heart of the judicial power.<sup>6</sup> Assigning such a judicial function outside of an Article III court, absent consent, is likely impermissible.<sup>7</sup>

With respect to voluntary consent, there is one potential difficulty stemming from the relative lack of legal sophistication that often exists for parties to small claims cases. The Supreme Court has held, in the bankruptcy context, that “nothing in the Constitution requires that consent to adjudication” in a non-Article III court must be express.<sup>8</sup> Given that small claims litigants are less likely to be sophisticated and have adequate legal counsel, it is entirely too likely that they would take actions that would unintentionally be treated as implied consent to waiver. Any proposed small claims patent court should ensure that voluntariness is truly explicit and knowing.

Placement of a small claims patent court within a non-Article III court (e.g., as an Article I court) would likely raise the same constitutional and legal concerns as placing it in an administrative tribunal.

Given these significant challenges, it appears unlikely that an administrative tribunal or non-Article III location would be a generally permissible location for a patent small claims court absent a voluntary consent safeguard. In order to locate a small claims patent court in such a body, all parties would need to voluntarily consent to appear in that forum, leading to the first basic safeguard described above. CCIA also suggests considering whether a private arbitration model might be a possible approach to solving the problem of small patent claims.

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<sup>3</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996).

<sup>4</sup> *Winans v. Denmead*, 56 U.S. 330 (1854); *see also Oil States Energy v. Greene’s Energy Group*, 138 S. Ct. 1365 (2018) (holding that invalidity does not implicate the Seventh Amendment jury trial right); *cf.* Mark Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 104 (2013).

<sup>5</sup> *See U.S. v. Arthrex*, 141 S. Ct. 1970, 1982 (2021) (“APJs are still exercising executive power” when hearing *inter partes* reviews).

<sup>6</sup> *See Oil States*, 138 S. Ct.; *see also* U.S. Const. Article III § 1; U.S. Const. Amendment VII.

<sup>7</sup> *See, e.g., Stern v. Marshall*, 564 U.S. 4621 (2011).

<sup>8</sup> *Wellness Int’l Network, Ltd. v. Sharif*, 135 S. Ct. 1932, 1947 (2015).

### *B. Small Claims in Article III Courts*

Housing a small claims patent court in an Article III court would not create the legal and constitutional problems that housing it in an administrative tribunal would create. However, housing such a process in an Article III court would also likely lack any advantages over simply filing patent infringement cases in a standard Article III court.

As noted above, much of the expense of patent litigation is due to its complexity. Technical evidence requires experts to interpret and explain the evidence to the fact-finder. Valuation of patent damages requires damages experts to provide the kind of detailed damages model that courts require. Neither complexity would be lessened in the case of a hypothetical small claims patent court housed in an Article III court.

Finally, historical practice suggests that litigants would not take advantage of such a program. Historically, special masters were employed in patent cases, and more recently magistrate judges have been employed. However, with the rise of patent jury trials, the use of these adjunct decision-makers has dropped off a cliff—they are rarely employed today, suggesting that a patent small claims court housed within an Article III court would not see significant usage.

While there may be ways to overcome these challenges, any proposed small claims patent court must at a minimum acknowledge and overcome them.

## **V. How Would A Small Claims Patent Court Be Selected And Appointed?**

Beyond the structural legal and constitutional issues, there are potential Appointments Clause concerns that any small claims patent court would need to address. In particular, the recent experience with regard to challenges to the Administrative Patent Judges of the Patent Trial and Appeal Board is relevant.<sup>9</sup> Appointees to such a position, if housed in an executive agency or Article I court, would either need to be Senate-confirmed or else would need to be supervised by a Senate-confirmed appointee with the power to overturn their decisions. Housing the function in an Article III court would remove this hurdle, as an Article III judge would either themselves be Senate-confirmed or else would be a subordinate whose recommendations would have to be reviewed by a Senate-confirmed judge.

## **VI. What Remedies Could A Small Claims Patent Court Provide?**

As discussed above, there are serious constitutional concerns about a small claims patent court. Some of these concerns stem from potential jurisdiction of such a court. Because there is a Seventh Amendment jury trial right in patent infringement cases, jurisdiction in a non-Article III small claims court would have to be conditioned on a voluntary bilateral waiver of the jury trial right. And, as also discussed above, given the requirement of voluntariness, it is unclear why arbitration cannot already serve this role. However, assuming a bilateral waiver, a small claims patent court could hear patent infringement cases.

While such a court could also hear validity challenges in the course of infringement disputes, we suggest that it would be better to require a small claims patent court to refer validity disputes to the U.S. Patent and Trademark Office, which already has the needed legal and

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<sup>9</sup> See *U.S. v. Arthrex*, 141 S. Ct. 1970.

technical expertise, existing supervision, and experience in conducting validity trials. The PTAB has also already had its structure tested in court.

With respect to available remedies, the two primary remedies in patent infringement cases are damages and injunctions. While damages are a normal small claims remedy, assessing damages in patent suits is particularly difficult. Patent valuation is difficult and the cost of expert damages determination alone is likely to exceed any cap on small claims damages. An effective and inexpensive small claims damages process would thus likely require the creation of new and untested patent damages law.

With respect to injunctive relief, a core aspect of equity jurisdiction, it would be unusual at best for a non-Article III court to have the power to issue and enforce injunctive relief. Even in instances in which an agency may issue a decision enjoining certain behavior (e.g., NLRB reinstatement orders), they are not self-enforcing and may only be enforced by petition to a district court.<sup>10</sup> Permitting a non-Article III tribunal to issue and enforce injunctive relief could potentially violate the separation of powers, assigning a core aspect of the judicial power outside an Article III actor. At most, it would seem permissible for a small claims patent court to request a district court to issue injunctive relief. Further, traditional principles of equity require analysis of complex questions regarding the public interest and the balance of hardships between plaintiff and defendant which may not be best suited to the kind of inexpensive limited-scope proceeding traditionally conducted in small claims court.

## **VII. How Can We Avoid Abuse of a Small Claims Patent Court?**

While most claims that would be brought in a small claims court would be legitimate disputes to be resolved, the potential for abusive litigation exists. Non-practicing entities have historically brought wide-ranging campaigns against numerous defendants based on patents that are not actually used. If a small claims court is available to such litigants, it would provide them an additional avenue to pressure small businesses to pay licenses for patents they do not actually infringe. And the multiplicity of cases likely to be brought by such actors would clog the resources of the small claims patent court, making it harder for them to dedicate time to meaningful patent disputes.

In order to avoid these harms, a second basic safeguard should be instated—that of a working requirement. U.S. patent law briefly included a working requirement, and other countries either currently have or historically have imposed such a requirement.<sup>11</sup> A limited working requirement is part of the existing International Trade Commission § 337 patent adjudication process<sup>12</sup>, and some commentators have proposed that U.S. patent law should reinstate the similar “paper patent” doctrine for all patent cases.<sup>13</sup> By requiring that plaintiffs work their patents to access the patent small claims court, the court can be more narrowly focused on companies that actually make something with their patent, rather than providing an additional avenue for non-practicing entities to attack small companies.

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<sup>10</sup> See generally 29 U.S.C. § 160(d) *et seq.* (describing available remedies for the NLRB).

<sup>11</sup> See Marketa Trimble, *Patent Working Requirements: Historical and Comparative Perspectives*, 6 U.C. Irvine L. Rev. 483 (2016).

<sup>12</sup> See 19 U.S.C. § 1337(a)(2).

<sup>13</sup> See John Duffy, *Reviving the Paper Patent Doctrine*, 98 Cornell L. Rev. 1359 (2013).

## VIII. Conclusion

While CCIA supports the goal of providing an inexpensive option for low-stakes patent litigation, we are concerned by the possible negative practical impacts and the potential legal problems such a system would have. Any proposal for a small claims patent court would need to carefully consider the issues discussed above to ensure that it would be successful in achieving this goal.

Respectfully submitted,

Joshua Landau

[REDACTED]

Patent Counsel

Computer & Communications Industry Association

25 Massachusetts Ave NW

Suite 300C

Washington, DC 20001

[REDACTED]