

**Comments submitted to the
Administrative Conference of the United States
for its study of a
Small Claims Patent Court**

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With one exception, the questions asked in the comments request go toward how a small claims patent court could be organized. Only the first one is directed toward whether there is a need for such a court by substantially reducing the high cost of patent litigation. It is not clear how much a new small claims patent court can really reduce the total cost of patent litigation and whether it might make today's problem with "patent trolls" even worse.

First, do no harm

Some patent owners don't want to reduce the cost of patent litigation. These "patent trolls" intend to monetize patents by sending out license demands to anyone that could possibly be doing something related to the patents (and some that may not be), asking for a royalty payment far less than the cost of any possible litigation. They aren't concerned about litigation expenses because they have no interest in actually filing an infringement action, in many cases because they suspect that they cannot win and don't want to put their patent at risk by having it declared invalid or even pinning down a claims interpretation that narrows who they can threaten.

While it may seem like lowering the cost of patent litigation would help this problem, one has to be extremely careful not to make it worse instead. There will always be some cost to defend a patent infringement claim and so patent trolls can continue their business model, albeit with a somewhat lower ceiling on what they can ask. And while a person threatened with an infringement suit understands that such a suit is unlikely since actual patent litigation is expensive, if that cost is reduced then it may inadvertently make the threat of litigation less easy to ignore.

There are some things that could reduce this problem. The first would require that any infringement action filed in the small claims court be accompanied with a proposed claim interpretation and an analysis of how each element of the claim appears to be met by the accused device. While amendments to the Rules of Civil Procedure in 2015 eliminated the infamous Form 18, which just required asserting that a patent had been issued and

that the defendant was infringing it, even today many complaints don't contain much more.

Second would be for the small claims patent court to be a way for somebody accused of infringement to get a declaratory judgment that they aren't infringing the patent or even that it is invalid. Today, such an action is difficult to file because (1) the Federal Circuit has generally held that a letter proposing a royalty agreement isn't a sufficient threat to ask for declaratory judgment and (2) such an action can only be filed in a jurisdiction where the patent owner has sufficient ties and the patent owner just sending a letter offering to license the patent doesn't create that in the recipient's home district court.

The real costs of patent litigation

I have been involved in a number of intellectual property cases in a variety of roles. I have been a testifying expert or technical consultant for both patent owners and those accused of infringement, for parties ranging from individuals or small companies to very large entities, in a number of federal courts and specialized forums such as the United States International Trade Commission. To help courts more efficiently handle cases before them, I have been a special master to help construe patent and trade secret claims, a court-appointed expert to determine if there was a colorable claim of copyright infringement before the court allowed burdensome discovery, and helped supervise discovery and resolve disputes.

Each of those activities gave me an example to consider how the activity can be done more efficiently and with better results. I've written a number of papers discussing what I've learned, in particular:

- [“Requesting and Examining Computer Source Code”](#) published in BNA's *Expert Evidence Report* (Volume 4, number 9, page 238, May 10, 2004) discussing how source code is used in litigation.
- [“Avoiding Fee-Shifting as the Plaintiff in a Software-Based Patent Suit”](#) published in BNA's *United States Law Week* (83 U.S.L.W. 139, July 22, 2014) discussing what should be done before filing a patent infringement suit to avoid having the defendant's attorney fees and costs shifted to the plaintiff.
- [“The Use of Neutral Experts”](#) published in BNA's *Expert Evidence Report* (Volume 4, number 24, page 660, December 20, 2004) discussing the role of a neutral expert in litigation as a way to resolve issues much more efficiently.

In my experience, the actual court costs are a small part in any litigation, and much of attorney costs stem from working with the experts and technical consultants preparing to present the case in court. These activities are inherent in any patent infringement action and it is hard to see how these can be substantially reduced for patent litigation even in a small claims patent court or a specialized forum. These include an initial infringement analysis, interpretation of the claims, revising that infringement analysis in light of the claim interpretation and presenting that to the fact-finder, and determining if the patent is invalid in light of prior art.

Infringement analysis

Patents are technical documents, and to be successful in any patent litigation the patent owner has to understand both what the patent covers and why it appears that a particular activity is infringing that patent.

For some patents, this is quite easy. The claims clearly indicate a particular feature that must be present for there to be infringement, and it is easy to see if a particular device has that feature present. For other patents, it may be quite difficult to do that before filing an infringement action and discovery is available. And that difficulty adds to the cost of any patent litigation as experts in the technology work to make sure there is ample justification for filing the action.

For example, if the patent claims a method for producing something, it may not be possible to determine whether the thing was produced using the steps of the patented method or some other process, and whether those steps were performed by the entity charged with infringement and whether they were done in the United States.

This is particularly true for software-based inventions, where the claims are generally directed toward the particular steps for doing something to accomplish a desired result. If the claims are to the result itself, it is likely that it will be viewed as an “abstract idea” and therefore invalid under present court decisions, particularly *Bilski v. Kappo*, 561 U.S. 593 (2010) and *Alice v. CLS*, 573 U.S. 208 (2014) and the Federal Circuit opinions trying to clarify them.

It is often the case that the patent owner has an overly-expansive view of what the patent actually covers. In an analogous situation, a patent licensee was concerned that its competitors were infringing the patent with their similar products and wanted the patent owner to take action against them. I was hired to determine what they were actually doing and whether that infringed the claims of the patent. In some instances, it was possible using reverse engineering to determine what was being done. In other instances, the alleged infringers were willing to discuss with me what they were doing and what to look for to confirm that. As a confirmation, I used the same reverse engineering techniques to show that the licensee would be infringing the claims even with a modification to the technique they made.

The expense of doing this was significant even though the claims were very precise on what they covered and by their nature produced artifacts that would be present in any infringing use of the claimed method. It is hard to see how an alternative forum would reduce a similar cost.

Of course, one can start an infringement action without the expense of a suitable infringement analysis, especially if it is going to be difficult to make the determination. Having a small claims patent court might even suggest that it is reasonable. But not doing it will cause complications later on.

Claim interpretation

The most important part of any infringement action will be the claim interpretation. In the words of Judge Giles Rich, who had a significant influence over United States patent law,

“the name of the game is the claim.” (“Extent of Protection and Interpretation of Claims-American Perspectives,” 21 Int'l Rev. Indus. Prop. & Copyright L. 497, 499 (1990)).

Unless the claim is simple and the infringement clear, such as when the alleged infringer has essentially copied the patent owner's embodiment of the claimed invention, this can be particularly treacherous for the patent owner. For most patent litigation, there is a “Goldilocks” problem. Too narrow an interpretation for a claim term and there is no infringement. Too broad an interpretation, and the claim covers prior art and the patent is invalid. The patent owner's proposed interpretation has to be just right.

It will be hard to do that without both a knowledge of what the alleged infringement is (discussed above) and what the prior art is. The latter is much like the search done before applying for a patent, except unlike during a patent examination there won't be a chance to revise how you want the claim interpreted if the alleged infringer later finds prior art that you didn't know.

And after the claim interpretation decision, unless the court completely adopted your claim interpretation you have to do the infringement analysis all over again. Which this time may also lead to costly discovery and disputes if the requests are too broad, because now you actually have to be able to provide infringement with substantial evidence.

Again, it is hard to see how an alternative forum would reduce this cost.

Prior art defenses

If it appears that the claims are actually infringed, it is likely that the defendant will say that the patent is invalid because the claims cover something in the prior art. The search for that prior art will be an expense for the alleged infringer but will also be an expense for the patent owner in understanding that prior art and developing a detailed technical argument why it really isn't covered by the claim.

Again, it is hard to see how an alternative forum would reduce this cost.

Looking to other forums

In looking at whether a small claims patent court could really reduce the cost of patent litigation in a significant number of instances, one can look at the effectiveness of current approaches, especially in reducing the costs discussed above.

Especially for software-based patents, a patent infringement claim may be accompanied by a copyright infringement claim. There might also be trade secret misappropriation claims if, for example, the patent claimed only a portion of an overall manufacturing technique and other portions were covered by trade secrets. It would most likely not reduce litigation costs, and could result in anomalous results, if those different aspects had to be addressed in different forums.

Copyright Claims Board

An example to look toward is the new Copyright Claims Board established by the Copyright Alternative in Small-Claims Enforcement Act of 2020. (See 17 U.S.C. § 1501 *et seq.*) It is a voluntary way of settling copyright disputes up to \$30,000, essentially a

government-sponsored arbitration. Because it is just starting operation, it may be too early to see if it is effective.

There are three significant differences between this and patent litigation that may make it a poor model for an effective small claims patent court. The first is that it has a very limited ability to issue injunctions against future infringement (see 17 U.S.C. § 1504(e)(2)) and its decision requires confirmation by a federal district court to enforce (see 17 U.S.C. § 1508).

Second, while the \$30,000 limitation may be reasonable for many copyright infringements, it doesn't come close to the cost of the action if attorney and expert fees are not included. But if they are, then the limitation may be meaningless since they easily could exceed \$30,000.

Which brings up the third difference between copyright and patent infringement litigation: as discussed about, patent litigation is inherently more complex. Copyright litigation hinges on three things: whether the copyright has been registered (if it is a United States work, see 17 U.S.C. § 411), whether the alleged infringer had access to the work, and whether they are substantially similar. This reflects that statutory copyright protection addresses misappropriation, while patents create a new property right that can be infringed without having any knowledge of the protected invention.

Arbitration

Arbitration of patent disputes is already available for those who voluntarily want to resolve a dispute. It is subject to the rules that the parties agree to, which can include having a panel member who is familiar with the underlying technology. (I was a panel member in a trade secret and copyright dispute about computer software, and my background knowledge substantially helped the panel in making its decision.)

But, like the Copyright Claims Board and some of the options mentioned in the Request for Comments, participation is voluntary and it is unlikely that knowing patent infringers would volunteer to a quick procedure to stop their infringement.

A specialized forum

Perhaps the cost savings for a proposed small claims patent court comes from the expertise that would be developed because of the number of patent cases it handles. But if we look to two existing tribunals, we see that when all the costs of the action including attorney and expert fees are considered, any savings may be insignificant.

I have been involved with patent disputes both in the United States International Trade Commission and before the Patent Trial and Appeal Board. Many of the activities I discussed previously remained the same, although some procedural aspects were simplified because the case was not being presented to a jury. In the USITC case, there was not direct expert testimony (it was instead submitted in writing) although a party could cross-examine the expert if they wanted to supplement their expert. But there were still costly depositions to prepare for and give.

If the parties agree to have the judge hear the case without a jury, there is no reason why those procedural simplifications would not be available. The federal Microsoft antitrust

litigation, where I was a consultant for the states, used written testimony both in liability and remedies phases, although any saving in litigation costs was likely minimal.

Court of Federal Claims

If the patented invention is “used or manufactured by or for the United States,” any infringement action must be in the Court of Federal Claims. (See 28 U.S.C. § 1498.) To avoid jurisdictional confusion it might be desirable to add the small claims patent court to the activities of Court of Federal Claims, much as was done when the Office of Special Masters was established to administer the National Vaccine Injury Program in 1986. (See 42 U.S.C. § 300aa–12.)

The Court of Federal Claims already has nationwide jurisdiction for the claims that it can hear. The reviewing court for Court of Federal Claims decisions is the Court of Appeals for the Federal Circuit, which has exclusive jurisdiction for patent matters. And because the Court of Federal Claims is an Article I, rather than Article III, court, there would be no “case or controversies” problem with allowing it to provide declaratory judgments of non-infringement brought by a party being threatened by a “patent troll.”

Use of neutral experts

From my experience, a way of substantially reducing patent in litigation costs is for the federal district court judge trying the case to effectively use neutral experts. I discussed some possibilities in my paper “[The Use of Neutral Experts](#)” referenced above.

These can include a court-appointed expert, asked to give an opinion on an aspect of the case where the parties are more likely to hire experts to support their position on infringement or prior art or claims construction rather than to present the facts to the court. They can also be a special master, making recommendations to the judge deciding a legal issue such as claim construction.

In the case where I was the special master for claims construction, because I was familiar with the underlying technology of the patents and we could have a more informal process for presenting information for me to consider, there was considerably less attorney and expert time necessary to prepare for the claims construction process. And the parties could be more focused on specific concerns about my proposed claim interpretations. I expect that the Markman claims construction hearing could have taken at least two or three court days with no clear resolution for the judge. Instead, a hearing taking just over an hour address six concerns the parties has regarding my recommendations.

It might be more productive than establishing a small claims patent court to set up a resource for educating technical experts on the activities of neutral experts and supporting district court judges in finding the appropriate neutral expert and how to effectively use them.

These expenses are inherent with patents

It is hard to see how the expenses of patent litigation can be substantially reduced without changing the nature of that litigation well beyond having a small claims forum. A patent creates a new property right whose extent is defined by the claims and infringement is

determined by looking at the details of the alleged infringing act to see if all the elements of the claim are present.

If one is concerned instead about protecting an inventor from a competitor “knocking off” what that inventor is actually selling or doing, rather than that competitor having independently developed something that might be covered by claims written more broadly than what the inventor is actually doing, then the small claims procedure could look more toward traditional misappropriation, as in copyright, trade secrets, or trademarks. Much like small claims courts for civil matters look at whether there was an agreement of some sort and what it was, rather than nit-pick contract concepts like “meeting of the minds” and “adequate consideration.”

But if that were desirable as a way of reducing the cost of protecting an invention, rather than graft some simplified rules for a small claims patent court onto the existing patent law, it might be better to legislate an appropriate misappropriation statute that acts as an adjunct to traditional patent protection. It could be less expensive to obtain the protection in trade for having a more limited scope. Patent applications could then be filed only for substantial inventions and increased fees could pay for the examination such patents deserve.

An example of such this is discussed in my online paper “[A New Technology Protection](http://digital-law-online.info/papers/lah/tech-protect.htm)” available at <http://digital-law-online.info/papers/lah/tech-protect.htm>.

Perhaps the time spent trying to reduce the cost of patent litigation in simple cases by establishing a small claims patent court and developing its particular rules could be better spent by addressing the problem directly with such a misappropriation statute for fast-moving technologies, especially when current court decisions have limited patents in important economic activities like software development and new business activities.