

From: Kazia Nowacki knowacki@acus.gov
Subject: Fw: Comments regarding U S Patent Small Claims Court
Date: July 6 2022 at 10:21 AM
To: [REDACTED]



From: Hedges, Norman Jason [REDACTED]
Sent: Tuesday, July 5, 2022 17:49
To: Kazia Nowacki <knowacki@acus.gov>
Cc: Maurer Law IP Clinic [REDACTED]
Subject: Comments regarding U.S. Patent Small Claims Court

Good evening,

I attempted to submit the following comments via the ACUS website, but I received repeated errors message. In an abundance of caution, I'm providing the comments via email.

Best regards,

Norm Hedges

On June 16, 2022, a group of law school IP Clinic faculty met virtually for several hours to discuss the topics presented in the federal register regarding establishing a U.S. Patent Small Claims Court. Participants included at least the following individuals listed alphabetically below (with sincerest apologies for anyone in attendance, but not listed below):

Thomas Cecil
Texas A&M University School of Law
Patent Law Clinic
Adjunct Professor

Joanne Clifford
University of Notre Dame Law School
Director, Intellectual Property and Entrepreneurship Clinic
Clinical Professor of Law

Lolita Darden
Suffolk University Law School
Director, Intellectual Property and Entrepreneurship Clinic
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Norman Hedges
Indiana University Maurer School of Law
Director, Intellectual Property Legal Clinic
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Howard B. Rockman
University of Illinois Chicago School of Law
Adjunct Professor

Allan Sternstein
Indiana University Maurer School of Law
Intellectual Property Legal Clinic
Adjunct Professor

The comments provided herein reflect some, but not all, of the discussions of the June, 2022 meeting. The comments are not attributable to any specific individual listed above or their respective institutions. Comments are provided for some of the topics as provided below.

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

There is a need to support small entities wanting to enforce and/or defend patent claims. However, it was a struggle to see a practical way that this can be accomplished for a claim of patent infringement in a small claims court. If an initial framework is proposed, additional comments can be provided, working toward a final practical framework, if one is achievable.

Topic 2. The policy and practical considerations in establishing a small claims patent court-

Policies to consider when establishing a patent small claims court could include:

1. Reducing costs so that remedies are not significantly, if not totally, offset by the costs of litigation.
2. Providing a system to reduce nuisance claims that rely on the significant costs of federal district court litigation, knowing that it is more cost effective for a defendant to simply settle for a nuisance value than to consider the merits of the patent claim.
3. Avoiding a system that encourages nuisance claims.

Once an initial framework is proposed, it be easier to on practical aspects of a patent small claims court. However, some considerations to consider include:

1. What limitations, if any, should be placed on the size of any monetary damages?
2. What limitations, if any, should be placed on the size of any parties eligible to bring (or transfer into) small claims litigation?
3. Should non-practicing entities be allowed to bring claims?
4. Should there be a limit on the number of cases that can be brought under a single patent or patent family?
5. Should there be automatic discovery? How else, if at all, can/should discovery be limited?
6. What can be learned from the recently created copyright small claims court?

Topic 5. 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-

A patent small claims court has the potential to take many different forms, and without a specific proposal to consider it is difficult to provide concrete responses to this topic. However, we assume a patent small claims court is intended to serve smaller entities with a goal of reduced-cost dispute resolution. To achieve cost-savings, any small claims court would likely require some narrowing of the subject matter that is otherwise available in federal district court.

Along those lines, the current inter partes review system may be used in conjunction with a small claims court. Although still expensive (with recent estimates that an inter partes review costs each side upwards of \$400,000), utilizing the inter partes review system could permit a small claims court to limit its questions to infringement and other narrow validity questions such as patentable subject matter. Questions related to printed prior art could then remain the purview of the IPR system, which is likely less costly and more expedient than district court-based validity proceedings. Meanwhile, to ensure reduced costs in determining liability, in a patent small claims court parties could be restricted in the number of claims that could be asserted in the action (e.g., 1-2 claims per patent or patent family).

Regarding whether the small claims court should be mandatory, again a multitude of options exist, each with its own associated challenges. One option for a small claims procedure could be geared toward assisting small entities who are defending against suits from larger, better-resourced entities that may be attempting to simply exhaust the resources of the smaller entity. In such a case, the small claims court could act as a diversionary procedure that promotes the streamlining of issues. To be effective for this purpose, a small claims court would almost necessarily need to be mandatory in order to provide some relief for smaller litigant, otherwise a larger litigant would simply refuse to take part in the lower-cost proceeding (assuming here that the smaller entity sought to utilize the small claims court). However, any mandatory proceeding would likely require a robust appellate process. Such an appellate process runs the risk of driving up costs to litigants and may defeat the intended goal of reducing cost.

An additional small claims court framework could be directed to assisting small entities who seek to enforce their patents. In such a framework, participation in the small claims court (still restricted to small entities) would be voluntary, attempting to provide a lower-cost option that may be of particular interest to two small competitors, for example. Practical considerations also arise here. For example, even if two smaller competitors elected to utilize a small claims court process that was limited to infringement and damages issues (for argument's sake), even conducting basic infringement discovery and preparing to construe a small number of terms for claim construction could easily amount in substantial legal costs, threatening to overcome the amount of any "small claim." Furthermore, it is unclear how often the factual scenario arises where two small, competitor entities are engaged in a patent dispute. However, two-party voluntary participation in the small claims court process could justify providing limited appellate options.

1. American International Property Law Association, 2021 AIPLA Economic Survey Benchmark Tool, Q46.

Topic 7. The remedies that a potential small claims patent court would be able to provide-

Possible remedies may include:

1. Monetary damages:
 - a. What, if any, cap should be placed on monetary damages?
 - b. If a cap is placed on such damages, what happens if additional damages are discovered during small claims litigation that push the damages beyond the cap?
2. Injunctive relief:
 - a. An injunction can be a powerful remedy. As such, should injunctions be granted in patent small claims court?
 - b. If an injunction is granted, how would it be valued against a potential cap on damages?
 - c. If injunctions are permissible, should they be for a limited time and/or subject to renewal, etc.?
3. Attorney's fee
 - a. Should they be available?
 - b. If attorney's fees are available, what standards should be used? Should the standards be lower to deter litigation gamesmanship?
4. Invalidity
 - a. Should invalidity be a defense? Or, should invalidity only be available in other venues?

In summary, there is a need for patent small claims court, but a practical framework may be difficult to achieve. An initial framework should be proposed that seeks additional comments, hopefully resulting in a practical solution to the need for a patent small claims court.

Respectfully submitted,

Norman Hedges on behalf of the June 16, 2022 meeting of IP Clinic law school faculty.