



July 1, 2022

Delivery By Email  
Ms. Kazia Nowacki  
Administrative Conference of the United States  
1120 20th Street N.W.  
Suite 706  
Washington, D.C. 20036

**Re: United Inventors Association Comment on Small Claims Patent Court  
In Response to May 3, 2022 *Federal Register* Notice.**

Dear Ms. Nowacki:

Founded in 1990, the United Inventors Association (UIA) is a 501(c) (3) nonprofit organization that provides educational resources and opportunities for the independent inventing community, largely comprised of small businesses, including women and minority-owned firms. **UIA is the largest inventor membership organization in the United States with over 27,000 nationwide members---located in almost every congressional district.** Membership in UIA is free. Our goal is to empower independent inventors through education, access, and advocacy.

UIA submits the following comment addressing the nine specific topics listed in the above referenced May 3, 2022 *Federal Register* Notice.<sup>1</sup>

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<sup>1</sup> The *Federal Register* Notice requested comments by July 5, 2022, however, many independent owners who are small businesses likely do not read the *Federal Register* and are unaware of the ACUS study. Some of those companies and related interest groups, however, testified on June 23, 2022, at a hearing on “The Patent Trial and Appeal Board After 10 Years: Impact on Innovation and Small Business,” convened by the House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet. Therefore, we request ACUS staff extend the formal comment period by 45 days and invite those participants and other potential contributors such as the American Bar Association’s Section on Intellectual Property Law and the American Intellectual Property Law Association to provide their views.

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

In 2012, when David J. Kappos served as Under Secretary of Commerce and the Director of the United States Patent & Trademark Office (USPTO), the agency published a *Federal Register Notice* requesting comments on “whether the United States should develop a small claims proceeding for patent enforcement.” 77 Fed. Reg. 243 (Dec. 18, 2012). At that time, the undersigned was asked to serve as Chair of a Task Force of the American Bar Association’s Section on Intellectual Property Law to prepare its comment. On April 25, 2013, the ABA IP Section submitted a response supporting a “federal ‘small’ claims patent forum through congressional authorization of a model program to function in tandem with the ongoing Patent Pilot Program.”<sup>2</sup> Thereafter, without further comment, the USPTO abandoned this initiative and the Patent Pilot Program expired in July 2021, with “mixed results.”<sup>3</sup>

In 2020, UIA informally began to canvas members to ascertain whether the existing jurisdiction and structure of the federal judiciary and jurisprudence adequately addressed the needs of the independent inventor community writ large. The answer was NO!

The primary concern of most independent inventors who satisfy the strictures of the USPTO application and prosecution process and are awarded a U.S. patent is enforcing or defending their patents from larger entities with access to financial resources that can delay or deny an independent inventor the ability to market or license their patents. As result, most independent inventors have no option other than abandoning their patent rights or initiating patent infringement cases in federal court. Enforcing a patent today requires an independent inventor to: file a case in a federal district court; face validity challenges in the USPTO’s Patent & Appeal Board; and, even if successful, returning to federal district court for a trial, and then face an appeal in the United States Court of Appeals for the Federal Circuit, a possible remand or potential petition for certiorari in the United States Supreme Court.<sup>4</sup> Running this procedural gauntlet can

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<sup>2</sup> April 25, 2013 American Bar Association’s Section of Intellectual Property Law Comments on December 18, 2012 *Federal Register Notice*. 77 Fed. Reg. 243 “Patent Small Claims Proceeding in the United States.”

<sup>3</sup> Ryan Davis, “As Patent Pilot Program Ends, Judge Give Mixed Results,” LAW 360 (June 24, 2021). (“Most judges who participated in the pilot program said they expect that once it ends next month, their districts will revert to a system where patent cases are randomly assigned to all judges.”)

<sup>4</sup> See e.g., “Improving Access and Inclusivity in the Patent System: Unleashing America’s Economic Engine,” Hearing Before the Senate Judiciary Subcommittee on Intellectual Property, 117th Cong. (April 21, 2021) (statement of Georgia Edwards, CEO SheFly™) (“As a Vermont small business owner. . . [p]atenting is extremely central to our business model. . . patents make or break an entrepreneur’s ability to signal legitimacy in a market, gain new customer, establish

entail almost a decade at an estimated cost of between \$2-4 million for attorney and expert witness fees.<sup>5</sup> During this time, an “efficient” infringer can capture the market so, even if an independent inventor is successful and eventually awarded money damages that survives appeal, it does not begin to compensate an independent inventor for the cost of the judicial process, much less lost market opportunity.<sup>6</sup>

Therefore, in 2022, the UIA asked a bi-partisan group of Senators to request the USPTO to fund the Administrative Conference of the United States (ACUS) to study and recommend whether an alternative forum to the federal courts would better serve independent inventors—hopefully, one that had existing administrative agency patent law expertise, timely and cost-effective procedures, and existing remedies that could provide an incentive for an adjudged infringer to enter into a license agreement with an independent inventor.<sup>7</sup>

**2. The institutional placement, structure, and internal organization of a potential small claims patent court, including whether it should be established within Article III federal courts, or within an Article I court, or an administrative tribunal.<sup>8</sup>**

In 2012, the ABA IP Section Task Force considered three forums, potentially suitable to adjudicate “small “patent claims: U.S. District Court and magistrate judges via the Pilot Claims Program; the U.S. Court of Federal Claims, an Article I court; and the USPTO.<sup>9</sup> For different reasons, none of these institutions provided an appropriate

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additional revenue streams through licensing in a market, and achieve a favorable valuation with investors.”)(“Nick Skillicorn, “How the Current Patent System Actually Hurts Inventors, INC.com, available at <https://www.inc.com/nick-skillicorn/how-the-current-patent-system-actually-hurts-inventors.html>.; Vic Lin, “What Good Is a Patent if You Can’t Enforce It?” ENTREPRENEUR (Sept. 19, 2015), available at <https://www.entrepreneur.com/article/251080>.

<sup>5</sup> Russ Krajec, “Current Patent Litigation Costs Are Between \$2.3-\$4 million.” (July 10, 2020), available at <https://apnews.com.press-release-blueironip.com>.

<sup>6</sup> Adam Mossoff & Bhamati Viswanathan, “Explaining Efficient Infringement,” George Mason University Center for Intellectual Property x Innovation Policy (May 11, 2017), available at <https://cip2.gmu.edu/2017/05/11/explaining-efficient-infringement>.

<sup>7</sup> July 17, 2021 Letter from Senator Patrick Leahy, Senator John Cornyn, Senator Chris Coons, Senator Mazie Hirono, Senator Tom Cotton, Senator Thom Tillis to Mr. Drew Hirshfield, Commissioner of Patents, Performing the functions and duties of the Under Secretary of Commerce for Intellectual Property Protection and Director of the United States Patent Office requesting a “study and to working together to ensure that all inventors have any opportunity to efficiently enforce their intellectual property rights.”

<sup>8</sup> We have transposed comment topics 2 and 3 since the type of forum best suited to adjudicate patent infringement claims asserted by an independent inventor necessarily will govern relevant “policy and practical considerations.”

<sup>9</sup> *Supra* note 1 at 5-10.



alternative venue.<sup>10</sup> Subsequently, UIA members have expressed interest in an expedient adjudication process with remedies that provide an incentive for an infringer to enter into a commercial license with an independent inventor, rather than monetary damages. Rather than reinvent the wheel, the UIA suggests that the jurisdiction of the U.S. International Trade Commission (ITC) be expanded to adjudicate patent infringement claims initiated by independent inventors, not solely limited to imported goods, and be renamed the *U.S. International Trade and Innovation Commission*.<sup>11</sup> The ITC is an independent, non-partisan federal administrative agency that has jurisdiction to adjudicate cases involving alleged patent infringement of imported goods.<sup>12</sup> When a complaint is filed, the ITC assigns an investigating attorney from the Office of Unfair Import Investigations (OUUII) to review a complaint for sufficiency and compliance with applicable rules and makes a recommendation to the ITC whether to initiate an investigation. Formal proceedings may be instituted by a majority or tie of the six Commissioners which then assigns the patent infringement case to an administrative law judge (ALJ) for a hearing and determination. The OUUII also serves in these proceedings as an independent litigant representing the public in addition to the parties. An ALJ's ruling, either for a cease and desist or an exclusion order, is final and binding on the parties, unless one of the Commissioners, within 60 days, requests review by the entire Commission. A final cease and desist order directs an infringing party to stop such activity, subject to civil penalties,<sup>13</sup> and is enforced by the ITC. A final exclusion order is enforced by Customs to prevent infringing goods from entering the United States. An award of money damages is not available at the ITC.

Historically, proceedings before the ITC for patent infringement take less than 15 months, however, in certain cases, temporary exclusion orders have been issued before a final order is entered. Within 60 days after a final ITC order is entered, it

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<sup>10</sup> *Id.*

<sup>11</sup> With over 600,000 patent applications filed each year and limited review imposed on examiners by resource and production requirements, many patents are later found invalid in federal court or by the USPTO Patent & Trademark Appeal Board (PTAB). It has been suggested that, if the PTAB examination was conducted before the issuance of the patent at no or a minimal cost for SBA certified small businesses, the chances of a subsequent invalidity determination should be dramatically reduced. At present, the Federal Circuit affirms approximately 73.25 % of all appeals from PTAB proceedings, most of which invalidate patents. *See* Daniel F. Klodowski, *et al.* "Federal Circuit PTAB Appeal Statistics Through March 2022," FINNEGAN At The PTAB Blog (April 29, 2022), available at <https://www.finnigan.com/en/insights>. The UIA has not had the opportunity to consider how this might be integrated into our suggestion, but we are open to further discussion.

<sup>12</sup> *See* Tariff Act of 1930, 19 U.S.C. §1337(a)(1)(B)-(E).

<sup>13</sup> *See* 19 U.S.C. §1337 (f)(2) (any person who violates a final ITC order is required to pay a civil penalty to the U.S. for each day an imported article is sold, not greater than \$100,000 or twice the domestic value of the imported article).

may be challenged in the United States Court of Appeals for the Federal Circuit, where the original complainant, as a matter of right, may defend the case as a party-intervenor.

**3. The policy and practical considerations of expanding the jurisdiction of the ITC.**

Expanding the jurisdiction of the ITC to adjudicate independent inventor patent infringement claims would require legislation that also specified that an eligible petitioner must: (1) be a U.S. small business, as determined by Small Business Administration (SBA) regulations; (2) certify it is an owner of a patent issued by the USPTO that is reduced to practice;<sup>14</sup> and (3) certify that the patent owner (or any designee or successor) voluntarily agrees to be precluded from initiating, litigating, or intervening in any patent infringement case in federal district court or any other federal forum with respect to the specific patent asserted to be infringed, thereby forgoing infringement damages as to that patent.

The OUUII investigating attorney will be authorized to perform a gate-keeping function by determining: a petitioner's SBA status; whether all required certifications have been met; and that a petition sets forth a plausible claim of patent infringement petition warranting agency resources to conduct an investigation, ALJ hearing, and entry of a final Order.

**4. The selection, appointment, management, and oversight of officials who preside over ITC proceedings.**

A significant benefit to expanding the existing jurisdiction of the ITC to adjudicate independent inventor patent infringement claims is that it would require only modest additional appropriations for necessary OUUII investigating attorneys, ITC ALJs, enforcement attorneys, Customs personnel, and supporting staff, which can be ascertained by ITC budget and CBO staff. The appointment, management, and oversight of these officials is established by existing law and regulation.

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<sup>14</sup> Non-practicing entities should be excluded from utilizing this forum as they presently have access to federal courts to adjudicate legitimate claims of patent infringement. *See e.g.*, "Protecting Innovation By Improving Patent Quality," Senate Judiciary Subcommittee on Intellectual Property, 117<sup>th</sup> Cong (June 22, 2021) 2-3 (statement of Troy R. Lester, Vice President Patents, Acushnet Company).

- 5. Use of the expanded subject-matter jurisdiction of the ITC would be voluntary and, once initiated by the Commission, the petitioner would be barred from initiating or intervening in any other federal administrative tribunal or federal court regarding the patent being enforced.**
- 6. The procedures and rules of practice regarding cases subject to the expanded jurisdiction of the ITC, including relevant pleadings, discovery, and alternative dispute resolution are already established.**
- 7. No additional or new remedies would be needed if the jurisdiction of the ITC were expanded.**
- 8/9. The legal effect of final decisions of an ITC ALJ and/or the ITC would be subject to review by the United States Court of Appeals for the Federal Circuit.**

The UIA welcomes ACUS's evaluation of our recommendation to authorize independent inventors to enforce their patent rights at an U.S. International Trade and Innovation Commission. The undersigned and other member of UIA's Board of Directors look forward to working with ACUS staff and advisors to discuss this important initiative as we continue to refine our proposal and draft legislation for consideration in the next Congress.<sup>15</sup>

Sincerely yours,



Judge Susan G. Braden (Ret.)  
Member, UIA Board of Directors

United Inventors Association, Board of Directors:

Carmine Denisco, Chairman (Florida.)  
Chris Guerrero (South Carolina)  
Andrea Hence-Evans (Maryland)  
Scott Hynd (Pennsylvania)  
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Jim Patterson (Minnesota)  
Charles Sauer (Virginia)  
Russell Williams (Minnesota)

cc:

Senator Patrick Leahy  
Senator John Cornyn  
Senator Chris Coons  
Senator Mazie Hirono  
Senator Tom Cotton  
Senator Thom Tillis

Ms. Kathi Vidal, Undersecretary  
of Commerce for Intellectual  
Property and  
Director, Patent & Trademark Office

Andrew Fois, Chairman  
Matthew Weiner, Vice Chairman  
Administrative Conference of the  
United States

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<sup>15</sup> The UIA has not taken a position on S.2082, the Stronger Patent Act of 2021 although it contains many proposals that are needed by the independent inventor community, notably prompt injunctive relief in federal court and a lower burden of proof in PTAB proceedings. Unfortunately, we understand the large technology and pharmaceutical companies have been unable to agree on this proposed legislation. Therefore, UIA decided to look for an alternative venue for independent inventors that will not be costly but provide an expedited process and can be implemented by an existing administrative adjudicatory agency with patent expertise.