

Union Calendar No. 688

114TH CONGRESS
2^D SESSION

H. R. 2045

[Report No. 114–877]

To provide that certain bad faith communications in connection with the assertion of a United States patent are unfair or deceptive acts or practices, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 2015

Mr. BURGESS (for himself, Ms. KAPTUR, Mr. LANCE, Mr. HARPER, Mr. MULLIN, and Mr. KINZINGER of Illinois) introduced the following bill; which was referred to the Committee on Energy and Commerce

DECEMBER 16, 2016

Additional sponsors: Mr. FLEMING and Mr. BROOKS of Alabama

DECEMBER 16, 2016

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

A BILL

To provide that certain bad faith communications in connection with the assertion of a United States patent are unfair or deceptive acts or practices, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Targeting Rogue and
5 Opaque Letters Act of 2015”.

6 **SEC. 2. UNFAIR OR DECEPTIVE ACTS OR PRACTICES IN**
7 **CONNECTION WITH THE ASSERTION OF A**
8 **UNITED STATES PATENT.**

9 (a) IN GENERAL.—It shall be an unfair or deceptive
10 act or practice within the meaning of section 5(a)(1) of
11 the Federal Trade Commission Act (15 U.S.C. 45(a)(1))
12 for a person, in connection with the assertion of a United
13 States patent, to engage in a pattern or practice of send-
14 ing written communications that state or represent that
15 the recipients are or may be infringing, or have or may
16 have infringed, the patent and bear liability or owe com-
17 pensation to another, if—

18 (1) the sender of the communications, in bad
19 faith, states or represents in the communications
20 that—

21 (A) the sender is a person with the right
22 to license or enforce the patent at the time the
23 communications are sent, and the sender is not
24 a person with such a right;

1 (B) a civil action asserting a claim of in-
2 fringement of the patent has been filed against
3 the recipient;

4 (C) a civil action asserting a claim of in-
5 fringement of the patent has been filed against
6 other persons;

7 (D) legal action for infringement of the
8 patent will be taken against the recipient;

9 (E) the sender is the exclusive licensee of
10 the patent asserted in the communications;

11 (F) persons other than the recipient pur-
12 chased a license for the patent asserted in the
13 communications;

14 (G) persons other than the recipient pur-
15 chased a license, and the sender does not dis-
16 close that such license is unrelated to the al-
17 leged infringement or the patent asserted in the
18 communications;

19 (H) an investigation of the recipient's al-
20 leged infringement occurred; or

21 (I) the sender or an affiliate of the sender
22 previously filed a civil action asserting a claim
23 of infringement of the patent based on the ac-
24 tivity that is the subject of the written commu-
25 nication when the sender knew such activity

1 was held, in a final determination, not to in-
2 fringe the patent;

3 (2) the sender of the communications, in bad
4 faith, seeks compensation for—

5 (A) a patent claim that has been held to
6 be unenforceable due to inequitable conduct, in-
7 valid, or otherwise unenforceable against the re-
8 cipient, in a final determination;

9 (B) activities undertaken by the recipient
10 after expiration of the patent asserted in the
11 communications; or

12 (C) activity of the recipient that the sender
13 knew was authorized, with respect to the patent
14 claim or claims that are the subject of the com-
15 munications, by a person with the right to li-
16 cense the patent; or

17 (3) the sender of the communications, in bad
18 faith, fails to include—

19 (A) the identity of the person asserting a
20 right to license the patent to, or enforce the
21 patent against, the recipient, including the iden-
22 tity of any parent entity and the ultimate par-
23 ent entity of such person, unless such person is
24 a public company and the name of the public
25 company is identified;

1 (B) an identification of at least one patent
2 issued by the United States Patent and Trade-
3 mark Office alleged to have been infringed;

4 (C) an identification, to the extent reason-
5 able under the circumstances, of at least one
6 product, service, or other activity of the recipi-
7 ent that is alleged to infringe the identified pat-
8 ent;

9 (D) a description, to the extent reasonable
10 under the circumstances, of how the product,
11 service, or other activity of the recipient in-
12 fringes an identified patent and patent claim; or

13 (E) a name and contact information for a
14 person the recipient may contact about the as-
15 sertions or claims relating to the patent con-
16 tained in the communications.

17 (b) AFFIRMATIVE DEFENSE.—With respect to sub-
18 section (a), there shall be an affirmative defense that
19 statements, representations, or omissions were not made
20 in bad faith (as defined in subparagraphs (B) and (C) of
21 section 5(1)) if the sender can demonstrate that such
22 statements, representations, or omissions were mistakes
23 made in good faith, which may be demonstrated by a pre-
24 ponderance of evidence that the violation was not inten-
25 tional and resulted from a bona fide error notwithstanding

1 the maintenance of procedures reasonably adapted to
2 avoid any such error.

3 (c) **RULE OF CONSTRUCTION.**—For purposes of sec-
4 tions 3 and 4, the commission of an act or practice that
5 is declared under this section to be an unfair or deceptive
6 act or practice within the meaning of section 5(a)(1) of
7 the Federal Trade Commission Act (15 U.S.C. 45(a)(1))
8 shall be considered to be a violation of this section.

9 **SEC. 3. ENFORCEMENT BY FEDERAL TRADE COMMISSION.**

10 (a) **VIOLATION OF RULE.**—A violation of section 2
11 shall be treated as a violation of a rule defining an unfair
12 or deceptive act or practice prescribed under section
13 18(a)(1)(B) of the Federal Trade Commission Act (15
14 U.S.C. 57a(a)(1)(B)).

15 (b) **POWERS OF COMMISSION.**—The Commission
16 shall enforce this Act in the same manner, by the same
17 means, and with the same jurisdiction, powers, and duties
18 as though all applicable terms and provisions of the Fed-
19 eral Trade Commission Act (15 U.S.C. 41 et seq.) were
20 incorporated into and made a part of this Act. Any person
21 who violates section 2 shall be subject to the penalties and
22 entitled to the privileges and immunities provided in the
23 Federal Trade Commission Act.

1 (c) EFFECT ON OTHER LAWS.—Nothing in this Act
2 shall be construed in any way to limit or affect the author-
3 ity of the Commission under any other provision of law.

4 **SEC. 4. PREEMPTION OF STATE LAWS ON PATENT DEMAND**
5 **LETTERS AND ENFORCEMENT BY STATE AT-**
6 **TORNEYS GENERAL.**

7 (a) PREEMPTION.—

8 (1) IN GENERAL.—This Act preempts any law,
9 rule, regulation, requirement, standard, or other pro-
10 vision having the force and effect of law of any
11 State, or political subdivision of a State, expressly
12 relating to the transmission or contents of commu-
13 nications relating to the assertion of patent rights.

14 (2) EFFECT ON OTHER STATE LAWS.—Except
15 as provided in paragraph (1), this Act shall not be
16 construed to preempt or limit any provision of any
17 State law, including any State consumer protection
18 law, any State law relating to acts of fraud or decep-
19 tion, and any State trespass, contract, or tort law.

20 (b) ENFORCEMENT BY STATE ATTORNEYS GEN-
21 ERAL.—

22 (1) IN GENERAL.—In any case in which the at-
23 torney general of a State has reason to believe that
24 an interest of the residents of that State has been
25 adversely affected by any person who violates section

1 2, the attorney general of the State, may bring a
2 civil action on behalf of such residents of the State
3 in a district court of the United States of appropriate jurisdiction—
4

5 (A) to enjoin further such violation by the
6 defendant; or

7 (B) to obtain civil penalties.

8 (2) MAXIMUM CIVIL PENALTY.—Notwithstanding the number of actions which may be
9 brought against a person under this subsection, a
10 person may not be liable for a total of more than
11 \$5,000,000 for a series of related violations of section 2.
12
13

14 (3) INTERVENTION BY THE FTC.—

15 (A) NOTICE AND INTERVENTION.—The attorney general of a State shall provide prior
16 written notice of any action under paragraph
17 (1) to the Commission and provide the Commission with a copy of the complaint in the action,
18 except in any case in which such prior notice is
19 not feasible, in which case the attorney general
20 shall serve such notice immediately upon instituting such action. The Commission shall have
21 the right—
22 the right—
23 the right—
24 the right—

25 (i) to intervene in the action;

- 1 (ii) upon so intervening, to be heard
2 on all matters arising therein; and
3 (iii) to file petitions for appeal.

4 (B) LIMITATION ON STATE ACTION WHILE
5 FEDERAL ACTION IS PENDING.—If the Commis-
6 sion has instituted a civil action for violation of
7 section 2, no State attorney general may bring
8 an action under this subsection during the
9 pendency of that action against any defendant
10 named in the complaint of the Commission for
11 any violation of such section alleged in the com-
12 plaint.

13 (4) CONSTRUCTION.—For purposes of bringing
14 any civil action under paragraph (1), nothing in this
15 Act shall be construed to prevent the attorney gen-
16 eral of a State from exercising the powers conferred
17 on the attorney general by the laws of that State
18 to—

- 19 (A) conduct investigations;
20 (B) administer oaths or affirmations; or
21 (C) compel the attendance of witnesses or
22 the production of documentary and other evi-
23 dence.

24 **SEC. 5. DEFINITIONS.**

25 In this Act:

1 (1) BAD FAITH.—The term “bad faith” means,
2 with respect to section 2(a), that the sender—

3 (A) made knowingly false or knowingly
4 misleading statements, representations, or omis-
5 sions;

6 (B) made statements, representations, or
7 omissions with reckless indifference as to the
8 false or misleading nature of such statements,
9 representations, or omissions; or

10 (C) made statements, representations, or
11 omissions with awareness of the high prob-
12 ability of the statements, representations, or
13 omissions to deceive and the sender inten-
14 tionally avoided the truth.

15 (2) COMMISSION.—The term “Commission”
16 means the Federal Trade Commission.

17 (3) FINAL DETERMINATION.—The term “final
18 determination” means, with respect to the invalidity
19 or unenforceability of a patent, that the invalidity or
20 unenforceability has been determined by a court of
21 the United States or the United States Patent and
22 Trademark Office in a final decision that is
23 unappealable or for which any opportunity for ap-
24 peal is no longer available.

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