

[STAFF WORKING DRAFT]

FEBRUARY 26, 2014

113TH CONGRESS
2D SESSION

S. _____

To curb unfair and deceptive practices during assertion of patents, and
for other purposes.

IN THE SENATE OF THE UNITED STATES

Mrs. MCCASKILL (for herself and Mr. ROCKEFELLER) introduced the fol-
lowing bill; which was read twice and referred to the Committee on

A BILL

To curb unfair and deceptive practices during assertion of
patents, 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 “Transparency in Asser-
5 tion of Patents Act”.

6 **SEC. 2. TRANSPARENCY IN ASSERTION OF PATENTS.**

7 (a) DISCLOSURES.—The Federal Trade Commission
8 (referred to in this Act as the “Commission”) shall pro-

1 mulgate rules to prohibit unfair or deceptive acts and
2 practices in the sending of written communication that
3 states that the intended recipient of the written commu-
4 nication, or any person affiliated with the intended recipi-
5 ent, is infringing or may be infringing the patent of and
6 bears liability or owes compensation to another. Such rules
7 shall establish the disclosures that a written communica-
8 tion to which this subsection applies must contain, includ-
9 ing—

10 (1) a detailed description of—

11 (A) each patent allegedly infringed, includ-
12 ing the patent number; and

13 (B) each claim of each patent that is alleg-
14 edly infringed;

15 (2) a clear, accurate, and detailed description,
16 such as the manufacturer and model number, of
17 each product, device, business method, service, or
18 technology that allegedly infringes each claim under
19 paragraph (1)(B) or that is covered by that claim;

20 (3) a clear, accurate, and detailed description of
21 how a product, device, business method, service, or
22 technology under paragraph (2) allegedly infringes a
23 patent or claim under paragraph (1);

24 (4) notice to the intended recipient that the in-
25 tended recipient may have the right to have the

1 manufacturer under paragraph (2) defend against
2 the alleged infringement;

3 (5) a name, an address, and any other contact
4 information necessary for an intended recipient to
5 determine the identity of a person with the right to
6 enforce a patent described under paragraph (1) or
7 with a direct financial interest in a patent described
8 under paragraph (1), including each owner, co-
9 owner, assignee, exclusive licensee, and entity with
10 the authority to enforce the patent, and the ultimate
11 parent entity (as defined in section 801.1(a)(3) of
12 title 16, Code of Federal Regulations, or any suc-
13 cessor regulation) of each owner, co-owner, assignee,
14 exclusive licensee, and entity with the authority to
15 enforce the patent;

16 (6) a description of any licensing commitment
17 or obligation, such as reasonable and non-discrimi-
18 natory terms, that applies to a patent or claim under
19 paragraph (1);

20 (7) if compensation is proposed, the method
21 used to calculate that proposed amount;

22 (8) each current instance of reexamination or
23 other post-grant review of each patent described
24 under paragraph (1) at the Patent and Trademark
25 Office, any past or ongoing litigation involving the

1 patent, and the status of such review and any deter-
2 minations as to the invalidity of the patent or any
3 of its claims; and

4 (9) other disclosures that the Commission con-
5 siders necessary to carry out the purpose of this Act.

6 (b) EXEMPTIONS.—The rules promulgated by the
7 Commission under subsection (a) may exempt from any
8 requirement of that subsection written communication be-
9 tween parties regarding existing licensing agreements, and
10 any other written communication, that the Commission
11 determines is not necessary for the protection of con-
12 sumers or within the scope of the purposes of this Act.

13 (c) UNFAIR OR DECEPTIVE ASSERTIONS.—The Com-
14 mission shall promulgate rules to prohibit unfair or decep-
15 tive assertions in written communication to which sub-
16 section (a) applies. Such rules shall specify the actions
17 that constitute an unfair or deceptive assertion, includ-
18 ing—

19 (1) an assertion that falsely threatens adminis-
20 trative or judicial relief will be sought if compensa-
21 tion is not paid or the infringement is not otherwise
22 resolved;

23 (2) an assertion that lacks a reasonable basis in
24 fact or law; and

1 (3) an assertion that is likely to materially mis-
2 lead a reasonable intended recipient.

3 (d) CONSUMER EDUCATION.—The Commission shall
4 provide education and awareness to the public regarding
5 unfair or deceptive patent assertions.

6 (e) RULEMAKING.—The Commission shall promul-
7 gate the rules under this Act in accordance with section
8 553 of title 5, United States Code.

9 (f) ENFORCEMENT BY THE COMMISSION.—A viola-
10 tion of a rule promulgated under this Act shall be treated
11 as a violation of a rule defining an unfair or deceptive
12 act or practice under section 18(a)(1)(B) of the Federal
13 Trade Commission Act (15 U.S.C. 57a(a)(1)(B)). The
14 Commission shall enforce this Act in the same manner,
15 by the same means, and with the same jurisdiction, pow-
16 ers, and duties as though all applicable terms and provi-
17 sions of the Federal Trade Commission Act (15 U.S.C.
18 41 et seq.) were incorporated into and made a part of this
19 Act. Any person who violates this Act shall be subject to
20 the penalties and entitled to the privileges and immunities
21 provided in the Federal Trade Commission Act (15 U.S.C.
22 41 et seq.).

23 (g) ENFORCEMENT BY STATE ATTORNEYS GEN-
24 ERAL.—

1 (1) CIVIL ACTION.—In any case in which the
2 attorney general of a State, or an official or agency
3 of a State, has reason to believe that an interest of
4 the residents of that State has been or is threatened
5 or adversely affected by engagement of any person
6 subject to a rule promulgated under this Act in a
7 practice that violates the rule, the attorney general,
8 official, or agency of the State, as *parens patriae*,
9 may bring a civil action on behalf of the residents
10 of the State in an appropriate district court of the
11 United States—

12 (A) to enjoin further violation of the rule
13 by the defendant;

14 (B) to compel compliance with the rule;

15 (C) to obtain damages, restitution, or other
16 compensation on behalf of such residents;

17 (D) to obtain such further and other relief
18 as the court considers appropriate; or

19 (E) to obtain civil penalties in the amount
20 determined under paragraph (2).

21 (2) CIVIL PENALTIES.—

22 (A) CALCULATION.—For purposes of im-
23 posing a civil penalty under paragraph (1)(E),
24 the amount determined under this paragraph is
25 the amount calculated by multiplying the num-

1 ber of separate violations of a rule by an
2 amount not greater than \$16,000.

3 (B) ADJUSTMENT FOR INFLATION.—Be-
4 ginning on the date that the Consumer Price
5 Index is first published by the Bureau of Labor
6 Statistics that is after 1 year after the date of
7 enactment of this Act, and each year thereafter,
8 the amount specified in subparagraph (A) shall
9 be increased by the percentage increase in the
10 Consumer Price Index published on that date
11 from the Consumer Price Index published the
12 previous year.

13 (3) INTERVENTION BY THE COMMISSION.—

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

23 (i) to intervene in the civil action;

1 (ii) upon so intervening, to be heard
2 on all matters arising in the civil action;
3 and

4 (iii) to file petitions for appeal of a
5 decision in the civil action.

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

15 (4) CONSTRUCTION.—For purposes of bringing
16 any civil action under paragraph (1), nothing in this
17 Act shall be construed to prevent an attorney gen-
18 eral of a State from exercising the powers conferred
19 on the attorney general by the laws of that State to
20 conduct investigations, to administer oaths or affir-
21 mations, or to compel the attendance of witnesses or
22 the production of documentary and other evidence.

23 (h) RULE OF CONSTRUCTION.—Nothing in this Act
24 shall be construed as limiting or otherwise affecting in any
25 way—

- 1 (1) any other authority of the Commission; or
- 2 (2) the application of title 35, United States
- 3 Code, or any other provision of law relating to pat-
- 4 ents.