

113TH CONGRESS
2D SESSION

S. 2049

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

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 2014

Mrs. MCCASKILL (for herself and Mr. ROCKEFELLER) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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-
9 mulgate rules to prohibit unfair or deceptive acts and
10 practices in the sending of written communication that

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

8 (1) a detailed description of—

9 (A) each patent allegedly infringed, includ-
10 ing the patent number; and

11 (B) each claim of each patent that is alleg-
12 edly infringed;

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

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

22 (4) notice to the intended recipient that the in-
23 tended recipient may have the right to have the
24 manufacturer under paragraph (2) defend against
25 the alleged infringement;

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

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

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

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

1 minations as to the invalidity of the patent or any
2 of its claims; and

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

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

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

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

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

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

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

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

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

21 (g) ENFORCEMENT BY STATE ATTORNEYS GEN-
22 ERAL.—

23 (1) CIVIL ACTION.—In any case in which the
24 attorney general of a State, or an official or agency
25 of a State, has reason to believe that an interest of

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

9 (A) to enjoin further violation of the rule
10 by the defendant;

11 (B) to compel compliance with the rule;

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

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

16 (E) to obtain civil penalties in the amount
17 determined under paragraph (2).

18 (2) CIVIL PENALTIES.—

19 (A) CALCULATION.—For purposes of im-
20 posing a civil penalty under paragraph (1)(E),
21 the amount determined under this paragraph is
22 the amount calculated by multiplying the num-
23 ber of separate violations of a rule by an
24 amount not greater than \$16,000.

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

11 (3) INTERVENTION BY THE COMMISSION.—

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

- 21 (i) to intervene in the civil action;
22 (ii) upon so intervening, to be heard
23 on all matters arising in the civil action;
24 and

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

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

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

20 (h) RULE OF CONSTRUCTION.—Nothing in this Act
21 shall be construed as limiting or otherwise affecting in any
22 way—

23 (1) any other authority of the Commission; or

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

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