To amend chapter 26 of title 35, United States Code, to require the disclosure of information related to patent ownership, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 19, 2013

Mr. Polis (for himself, Mr. Marino, and Mr. Deutch) introduced the following bill; which was referred to the Committee on the Judiciary, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend chapter 26 of title 35, United States Code, to require the disclosure of information related to patent ownership, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Demand Letter Trans-
parency Act of 2013”.
SEC. 2. DEMAND LETTER DISCLOSURE REQUIREMENT.

(a) AMENDMENT.—Chapter 26 of title 35, United States Code, is amended by adding at the end the following new section:

“§263. Disclosure of Information Related to Patent Ownership

“(a) DEMAND LETTER DISCLOSURE.—Any entity that sends 20 or more demand letters during any 365-day period shall, not later than the disclosure deadline, submit to the Patent and Trademark Office with respect to each patent that was the subject in each such letter the following:

“(1) Identification of the patent and confirmation that the entity that sent the letter is the owner of the patent (or a representative of such person) and is the last recorded entity in the records of the Patent and Trademark Office for purposes of assignment, grant, or conveyance under this chapter.

“(2) Identification of the entity that has the right to license the patent or, in the case of a patent already exclusively licensed, the name of the exclusive licensee.

“(3) Identification of each entity asserting a claim with regard to a patent in such letter in accordance with subsection (b).
“(4) Identification of each obligation to license
the patent on reasonable and nondiscriminatory
terms, including a copy of each letter of assurance
to each standard-setting organization with respect to
such obligation, and the financial terms, including
the rate, at which such patent has been licensed pur-
suant to such obligation.

“(5) Identification of the ultimate parent entity
of such entity.

“(6) Identification of the number of entities
that received a demand letter from the entity that
sent the letter.

“(7) Identification of any case that has been
filed by such entity relating to each such patent, in-
cluding the docket number and the court in which
the case was filed.

“(8) Identification of any ex parte review under
chapter 30 or inter partes review under chapter 31
of such patent.

“(9) Any required registration fee established
with regard to this section.

“(b) INFORMATION NOT READILY ACCESSIBLE.—An
entity required to disclose the information described under
subsection (a) shall include with such disclosure a descrip-
tion of any information described under subsection (a)
that is not disclosed, why such undisclosed information was not readily accessible, and the efforts made by such entity to access such undisclosed information.

“(c) IDENTIFICATION.—

“(1) PUBLICLY TRADED.—For purposes of subsection (a)(3), if the entity to be identified is owned or controlled by a corporation traded on a public stock exchange, an identification of the publicly traded corporation and the public stock exchange shall be sufficient.

“(2) NOT PUBLICLY TRADED.—For purposes of subsection (a)(3), if the entity to be identified is not owned or controlled by a publicly traded corporation, the information shall identify—

“(A) in the case of a partnership, the name and address of each partner or other entity, holding more than a 5 percent share of that partnership;

“(B) in the case of a corporation, the location of incorporation and the name of each officer of the corporation;

“(C) in the case of an entity that is directly or indirectly controlled by another entity, the name and address of the entity and each other entity, and the name, address, location of
incorporation, and each officer or partner of the
entity and each other entity; and

“(D) for each individual, the name and ad-
dress of that individual.

“(3) NUMBER OF DEMAND LETTERS.—The re-
quirement under subsection (a)(6) shall be updated
regularly by the Director.

“(d) FAILURE TO COMPLY.—

“(1) MONETARY SANCTIONS.—Any entity that
does not meet the requirements of this section with
regard to a patent or the disclosure requirements
with respect to a demand letter under section 264
may be subject to monetary sanctions by a court in
an action brought by such entity with regard to in-
fringement or validity of such patent, for an amount
to be awarded to the adverse party that covers any
cost incurred by the adverse party resulting from the
failure of such entity to meet the requirements of
this section, including any reasonable cost incurred
by such adverse party to discover the correct and
complete information described under subsection (a)
with regard to such patent, unless such sanctions
would be unjust.
“(2) AWARD OF DAMAGES OR FEES.—A court in a case involving monetary sanctions described in paragraph (1)—

“(A) may not award treble damages under the second undesignated paragraph of section 284 or attorney’s fees under section 285 to the entity described in paragraph (1), unless the denial of such damages or fees would be manifestly unjust; and

“(B) shall consider good faith mistakes in a relevant demand letter when calculating attorneys fees under section 285 and damages under section 284.

“(e) ONGOING DUTY TO CORRECT OR SUPPLEMENT.—An entity described in subsection (a) shall update any filing made pursuant to such subsection with correct information not later than 20 days after any change in the information described under subsection (a).

“(f) EXEMPTION.—This section shall not apply to any of the following:

“(1) The original inventor or joint inventor.

“(2) An institution of higher education (as that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001)).
“(3) A technology transfer organization whose primary purpose is to facilitate the commercialization of technology developed by one or more institutions of higher education.

“(g) DEFINITIONS.—In this section:

“(1) DEMAND LETTER.—The term ‘demand letter’ means any written communication directed to an unaffiliated third party stating or indicating, directly or indirectly, that the intended recipient or anyone affiliated with that recipient is or may be infringing a patent, or may bear liability or owe compensation to another because of such patent.

“(2) DISCLOSURE DEADLINE.—The term ‘disclosure deadline’ means the lesser of 30 days after the 20th demand letter is sent or 15 days before the earliest date of compliance described in the 20th demand letter.

“(3) ULTIMATE PARENT ENTITY.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the term ‘ultimate parent entity’ has the meaning given such term in section 801.1(a)(3) of title 16, Code of Federal Regulations, or any successor regulation.
“(B) Modification of definition.—The Director may modify the definition of ‘ultimate parent entity’ by regulation.”.

(b) Technical and conforming amendment.—The table of sections for chapter 26 of title 35, United States Code, is amended by adding at the end the following new item:

“263. Disclosure of information related to patent ownership.”.

(c) Regulations.—The Director may promulgate such regulations as are necessary to establish a registration fee in an amount sufficient to recover the estimated costs of administering section 263 of title 35, United States Code, as added by subsection (a), to facilitate the collection and maintenance of the information required by such section, and to ensure the timely disclosure of such information to the public.

(d) Demand letter database.—

(1) Establishment.—Not later than 180 days after the date of the enactment of this Act, the Director, in consultation with the Attorney General and the Federal Trade Commission, shall establish a publicly accessible and searchable database of the information obtained pursuant to section 263 of title 35, United States Code, as added by subsection (a), to be maintained at and updated by the Office.
(2) **PROTECTION OF INFORMATION.**—The Director shall allow recipients of a demand letter (as such term is defined under section 263(g), as added by subsection (a)) to request the redaction of the company name, company-specific information, or any other company information from the database described in paragraph (1).

**SEC. 3. DEMAND LETTER REQUIREMENT.**

(a) **AMENDMENT.**—Chapter 26 of title 35, United States Code, as amended by section 2(a), is amended by adding at the end the following new section:

\[§ 264. Requirements for patent infringement demand letters\]

“(a) **IN GENERAL.**—Any entity sending a demand letter shall include in any demand letter sent to another entity the following:

“(1) An identification of each patent that is or may be allegedly infringing.

“(2) An identification of each claim of each patent identified under paragraph (1) that is allegedly infringed.

“(3) For each claim identified under paragraph (2), an identification of each accused apparatus, product, feature, device, method, system, process, function, act, service, or other instrumentality (re-
ferred to in this section as an ‘accused instrumentality’) alleged to infringe the claim.

“(4) For each accused instrumentality identified under paragraph (3), an identification with particularity, if known, of—

“(A) the name or model number of each accused instrumentality; and

“(B) the name of each accused method, system, process, function, act, or service, or the name or model number of each apparatus, product, feature, or device that, when used, allegedly results in the practice of the claimed invention.

“(5) For each accused instrumentality identified under paragraph (3), an explanation of—

“(A) where each element of each asserted claim identified under paragraph (2) is found within the accused instrumentality;

“(B) whether each such element is infringed literally or under the doctrine of equivalents; and

“(C) with detailed specificity, how the terms in each asserted claim identified under paragraph (2) correspond to the functionality of the accused instrumentality.
“(6) For each claim that is alleged to have been infringed indirectly, a description of—

“(A) the direct infringement;

“(B) any person alleged to be a direct infringer known to the party alleging infringement; and

“(C) the acts of the alleged indirect infringer that contribute to or are inducing the direct infringement.

“(7) A description of the right of the party alleging infringement to assert each—

“(A) patent identified under paragraph (1); and

“(B) patent claim identified in paragraph (2).

“(8) A description of the principal business of the party alleging infringement.

“(9) A list of each complaint filed, of which the party alleging infringement has knowledge, that asserts or asserted any of the patents identified under paragraph (1).

“(10) Identification of any case that has been filed by such entity relating to each patent identified under paragraph (1), including the docket number and the court in which the case was filed.
“(11) Identification of any ex parte review under chapter 30 or any inter partes review under chapter 31 for each patent identified under paragraph (1).

“(12) For each patent identified under paragraph (1), whether such patent is subject to any licensing term or pricing commitments through any agency, organization, standard-setting body, or other entity or community.

“(13) The identity of any person other than the party alleging infringement, known to the party alleging infringement, who—

“(A) owns or co-owns a patent identified under paragraph (1);

“(B) is the assignee of a patent identified under paragraph (1); or

“(C) is an exclusive licensee to a patent identified under paragraph (1).

“(14) The identity of any person other than the party alleging infringement, known to the party alleging infringement, who has a legal right to enforce a patent identified under paragraph (1) through a civil action under any Act of Congress relating to patents or is licensed under such patent.
“(15) The identity of any person with a direct financial interest in the outcome of the action, including a right to receive proceeds, or any fixed or variable portion thereof.

“(16) A description of any agreement or other legal basis for a financial interest described in paragraph (13).

“(17) A description of how the recipient of the demand letter can access the demand letter database of the Patent and Trademark Office.

“(18) At the bottom of such letter, a clear statement of the following: ‘You are not required to respond to this letter by law.’.

“(b) INFORMATION NOT READILY ACCESSIBLE.—An entity required to disclose the information described under subsection (a) shall include with such disclosure a description of any information described under subsection (a) that is not disclosed, why such undisclosed information was not readily accessible, and the efforts made by such entity to access such undisclosed information.

“(c) DEMAND LETTER DEFINED.—In this section, the term ‘demand letter’ shall have the meaning given that term under section 263(g).”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 26 of title 35, United
States Code, as amended by section 2(b), is amended by adding at the end the following new item:

“264. Requirements for patent infringement demand letters.”.

SEC. 4. PENALTIES.

(a) AMENDMENT.—Chapter 26 of title 35, United States Code, as amended by sections 2(a) and 3(a), is amended by adding at the end the following new section:

“§ 265. Penalties

“(a) DISCLOSURE OF INFORMATION TO THE PATENT AND TRADEMARK OFFICE VIOLATION.—Any entity that receives a demand letter and that believes the requirements under section 263 have not been met with respect to such patent may submit to the Office in writing a petition—

“(1) describing the requirements that have not been met under section 263; and

“(2) anything else the Director determines to be necessary.

“(b) DEMAND LETTER REQUIREMENT VIOLATION.—Any entity that receives a demand letter that does not meet the requirements described under section 264 may submit to the Office in writing a petition—

“(1) describing the requirements that have not been included in such letter; and

“(2) anything else the Director determines to be necessary.
“(c) Notice of Intent to Abandon.—If the Office determines that the requirements of section 263 or 264 have not been met with respect to a patent, the Office shall notify the patent owner that the patent will be voided unless a fee is paid not later than 3 months after the date on which the notification is sent. The Director may accept the payment of any fee required by this subsection if the delay is shown to the satisfaction of the Director to have been unintentional or unavoidable. The Director shall consider good faith mistakes in the determination of whether to void a patent under this section.

“(d) Demand Letter Defined.—In this section, the term ‘demand letter’ shall have the meaning given that term under section 263(g).”.

(b) Technical and Conforming Amendment.—The table of sections for chapter 26 of title 35, United States Code, as amended by sections 2(b) and 3(b), is amended by adding at the end the following new item:

“265. Penalties.”.

(c) Regulations.—Not later than 180 days after the date of the enactment of this Act, the Director shall establish, by regulation, a fee for filing a petition under section 265 in such amounts as the Director determines to be reasonable.
SEC. 5. FEDERAL TRADE COMMISSION ENFORCEMENT.

(a) Enforcement.—A violation of section 263 or 264 of title 35, United States Code, as added by sections 2 and 3, respectively, shall be treated as a violation of a rule defining an unfair or deceptive act or practice under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)). The Commission shall enforce such rules in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act were incorporated into and made a part of this section. Any entity who violates this section shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act (15 U.S.C. 41 et seq.).

(b) Rule of Construction.—Nothing in this section shall be construed—

(1) to limit the authority of the Federal Trade Commission under any other provision of law; or

(2) except as specifically provided in this section to provide the Federal Trade Commission with any additional authority.

SEC. 6. DEFINITIONS.

In this Act:

(1) Director.—The term “Director” means the Under Secretary of Commerce for Intellectual
Property and Director of the United States Patent and Trademark Office.

(2) Office.—The term “Office” means the United States Patent and Trademark Office.

SEC. 7. EFFECTIVE DATE.

The amendments made by this Act shall take effect upon the expiration of the 6-month period beginning on the date of the enactment of this Act and shall apply to an entity that sends a demand letter (as such term is defined under section 263(g) of title 35, United States Code, as added by section 2(a)) on or after that date.