

Senate Bill 1540

Sponsored by Senator WINTERS, Representative WILLIAMSON; Senators BOQUIST, CLOSE, DEVLIN, EDWARDS, FERRIOLI, GIROD, HANSELL, JOHNSON, KNOPP, MONROE, ROBLAN, STEINER HAYWARD, THOMSEN, WHITSETT, Representatives BARKER, BERGER, BUCKLEY, CAMERON, DOHERTY, FREDERICK, GALLEGOS, GELSER, GORSEK, KENY-GUYER, NATHANSON, PARRISH, THATCHER, VEGA PEDERSON, WEIDNER, WITT (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Prohibits person or person's affiliate from communicating demand to recipient if in demand person or affiliate alleges, asserts or claims in bad faith that recipient has infringed or contributed to infringing patent or rights that patentee, assignee or licensee has under patent.

Permits prosecuting attorney to make finding as to whether person or affiliate has acted in bad faith and to serve investigative demand or take enforcement action against person for engaging in unlawful practice under Unlawful Trade Practices Act. Specifies conditions prosecuting attorney may consider in making finding. Requires prosecuting attorney to communicate finding to recipient within 10 days after making finding.

Provides recipient with private right of action against person only after prosecuting attorney has found that person acted in bad faith.

Becomes operative 91 days after effective date of Act.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to bad-faith assertions of patent infringement; creating new provisions; amending ORS
3 646.608; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Section 2 of this 2014 Act is added to and made a part of ORS 646.605 to**
6 **646.652.**

7 **SECTION 2. (1) As used in this section:**

8 (a) "Affiliate" means a person that directly, or indirectly through one or more interme-
9 diaries, controls, is controlled by or is under common control with another person.

10 (b) "Complaint" means a document or a copy of a document that a person or the person's
11 affiliate:

12 (A) Files with a court, an arbitration panel or another body with power to adjudicate a
13 dispute over patent rights; and

14 (B) Serves, sends or otherwise communicates to a recipient in order to commence a ju-
15 dicial, arbitration or administrative proceeding for patent infringement against the recipient.

16 (c) "Demand" means an oral or written communication that alleges, asserts or claims
17 that a recipient has infringed or has contributed to infringing a patent or the rights that a
18 patentee has under a patent or has granted to an assignee or a licensee.

19 (d) "Patentee" has the meaning given that term in 35 U.S.C. 100, as in effect on the ef-
20 fective date of this 2014 Act.

21 (e) "Recipient" means a resident of this state that receives a demand.

22 (2) A person or the person's affiliate may not communicate a demand, or cause another
23 person to communicate a demand, to a recipient if in the demand the person or the person's

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 affiliate alleges, asserts or claims in bad faith that the recipient has infringed or contributed
2 to infringing a patent or the rights that a patentee has, or has granted to an assignee or
3 licensee, under the patent.

4 (3) If a prosecuting attorney receives one or more accusations from a recipient or re-
5 cipients that a person or the person's affiliate has violated subsection (2) of this section, the
6 prosecuting attorney may execute and serve an investigative demand on the person or the
7 person's affiliate under ORS 646.618 and may take action against the person or the person's
8 affiliate under ORS 646.632 for engaging in an unlawful trade practice. After investigating
9 a recipient's accusation to the extent the prosecuting attorney believes necessary, the pros-
10 ecuting attorney shall make a finding with respect to whether the person or the person's
11 affiliate has violated subsection (2) of this section, and shall communicate the finding to the
12 recipient within 10 days.

13 (4) A prosecuting attorney, in making a finding under subsection (3) of this section, may
14 consider one or more of the following conditions as evidence that a person or the person's
15 affiliate has alleged, asserted or claimed an infringement of a patent, or rights that a
16 patentee, assignee or licensee has under a patent, in bad faith:

17 (a) The demand required the recipient to respond or to pay a license or other fee within
18 a period of time that a reasonable person would consider to be unreasonably short.

19 (b) The demand did not include:

20 (A) The patent number for the patent that the person or the person's affiliate alleges,
21 asserts or claims that the recipient infringed;

22 (B) Current and accurate contact information for the patentee, assignee or licensee, in-
23 cluding a name, address and phone number or other contact information that would enable
24 the recipient to identify and communicate with the patentee, assignee or licensee; and

25 (C) A statement of facts, together with an explanation or a description of the facts that
26 would enable a reasonable person to understand the basis of the allegation or claim that the
27 recipient has infringed the patent or the rights of the patentee, assignee or licensee under
28 the patent.

29 (c) The person or the person's affiliate failed to provide the information described in
30 paragraph (b) of this subsection to the recipient within a reasonable time after the recipient
31 requested the information.

32 (d) The person or the person's affiliate, before communicating the demand:

33 (A) Failed to compare the claims in the patent to the features or specifications of the
34 recipient's product, service or technology that the person or the person's affiliate alleges,
35 asserts or claims is an infringement of the patent or the rights of the patentee, assignee or
36 licensee under the patent; or

37 (B) Conducted the comparison described in subparagraph (A) of this paragraph, but in a
38 way that did not enable the person or the person's affiliate to specifically identify the in-
39 fringing features or specifications of the recipient's product, service or technology.

40 (e) The person or the person's affiliate offered to license the patent for an amount that
41 a reasonable person with knowledge of the market value of a license for the invention that
42 is covered by the patent would consider unreasonable.

43 (f) The person or the person's affiliate knew or should have known at the time the person
44 or the person's affiliate communicated the demand that the allegation, assertion or claim
45 of infringement was without merit or was deceptive.

1 (g) The person or the person's affiliate previously communicated a demand or filed a
2 complaint based on the same or a similar allegation, assertion or claim and:

3 (A) The demand did not include the information described in paragraph (b) of this sub-
4 section; or

5 (B) A court, an arbitration panel or another body with power to adjudicate a patent dis-
6 pute dismissed the complaint as frivolous or without merit at any point during a proceeding
7 before the court, the panel or the body.

8 (h) The person or the person's affiliate engaged in other conduct that the Attorney
9 General by rule identifies as evidence of alleging, asserting or claiming an infringement in
10 bad faith.

11 (5) A prosecuting attorney, in making a finding under subsection (3) of this section, may
12 consider one or more of the following conditions as evidence that a person or the person's
13 affiliate has alleged, asserted or claimed an infringement of a patent, or rights that a
14 patentee, assignee or licensee has under a patent, in good faith:

15 (a) The demand does include the information described in subsection (4)(b) of this section.

16 (b) The person or the person's affiliate provided the information described in subsection
17 (4)(b) of this section to the recipient within a reasonable time after the recipient requested
18 the information, if the demand did not include the information.

19 (c) The person or the person's affiliate, before communicating the demand, attempted to
20 establish that an infringement had occurred by comparing the claims in the patent to the
21 features or specifications of the recipient's product, service or technology that the person
22 or the person's affiliate believes is an infringement of the patent, or the rights of the
23 patentee, assignee or licensee under the patent, and specifically identifying the infringing
24 features or specifications of the recipient's product, service or technology.

25 (d) The person or the person's affiliate, after conducting the comparison described in
26 paragraph (c) of this subsection, attempted in good faith to negotiate a settlement or a li-
27 cense for the patent with the recipient.

28 (e) The person has made a substantial investment in using or prosecuting the patent or
29 in producing or selling a product, service or technology covered by the patent.

30 (f) The person or the person's affiliate is:

31 (A) Named in the patent as an inventor or an assignee of the inventor;

32 (B) An institution of higher education; or

33 (C) An organization that an institution of higher education owns or is affiliated with and
34 that has as the organization's principal purpose the transfer of technology from the institute
35 of higher education.

36 (g) The person or the person's affiliate has:

37 (A) Previously and successfully enforced the patent, or the rights the patentee, an affil-
38 iate or a licensee has under the patent, before a court, an arbitration panel or another body
39 with power to adjudicate a patent dispute; and

40 (B) Otherwise demonstrated integrity and good faith in business practices related to the
41 patent or previous attempts to enforce the patent or the rights the patentee, an assignee or
42 a licensee has under the patent.

43 (h) The person or the person's affiliate engaged in other conduct that the Attorney
44 General by rule identifies as evidence of alleging, asserting or claiming an infringement in
45 good faith.

1 **(6)(a) A violation of subsection (2) of this section is an unlawful practice under ORS**
 2 **646.608 that, except as provided in paragraph (b) of this subsection, is subject to an action**
 3 **under ORS 646.638.**

4 **(b) Notwithstanding the provisions of ORS 646.638 that allow a plaintiff to bring an action**
 5 **to recover a loss of money or property, a recipient may bring an action against a person or**
 6 **the person’s affiliate under this subsection only after a prosecuting attorney has found under**
 7 **subsection (3) of this section that the person or the person’s affiliate has violated subsection**
 8 **(2) of this section.**

9 **(7) This section does not limit or affect:**

10 **(a) A right that this state, a political subdivision of this state, an agency, officer, em-**
 11 **ployee or agent of this state or a political subdivision of this state or any other person may**
 12 **have with respect to a patent or rights granted under a patent; or**

13 **(b) Any remedy for patent infringement that a court, an arbitration panel or another**
 14 **body with power to adjudicate a dispute over patent rights may grant to this state, a political**
 15 **subdivision of this state or an agency, officer, employee or agent of this state or a political**
 16 **subdivision of this state or any other person.**

17 **(8) The Attorney General shall adopt rules necessary to implement the provisions of this**
 18 **section.**

19 **SECTION 3.** ORS 646.608 is amended to read:

20 646.608. (1) A person engages in an unlawful practice if in the course of the person’s business,
 21 vocation or occupation the person does any of the following:

22 (a) Passes off real estate, goods or services as the real estate, goods or services of another.

23 (b) Causes likelihood of confusion or of misunderstanding as to the source, sponsorship, ap-
 24 proval, or certification of real estate, goods or services.

25 (c) Causes likelihood of confusion or of misunderstanding as to affiliation, connection, or asso-
 26 ciation with, or certification by, another.

27 (d) Uses deceptive representations or designations of geographic origin in connection with real
 28 estate, goods or services.

29 (e) Represents that real estate, goods or services have sponsorship, approval, characteristics,
 30 ingredients, uses, benefits, quantities or qualities that the real estate, goods or services do not have
 31 or that a person has a sponsorship, approval, status, qualification, affiliation, or connection that the
 32 person does not have.

33 (f) Represents that real estate or goods are original or new if the real estate or goods are de-
 34 teriorated, altered, reconditioned, reclaimed, used or secondhand.

35 (g) Represents that real estate, goods or services are of a particular standard, quality, or grade,
 36 or that real estate or goods are of a particular style or model, if the real estate, goods or services
 37 are of another.

38 (h) Disparages the real estate, goods, services, property or business of a customer or another
 39 by false or misleading representations of fact.

40 (i) Advertises real estate, goods or services with intent not to provide the real estate, goods or
 41 services as advertised, or with intent not to supply reasonably expectable public demand, unless the
 42 advertisement discloses a limitation of quantity.

43 (j) Makes false or misleading representations of fact concerning the reasons for, existence of,
 44 or amounts of price reductions.

45 (k) Makes false or misleading representations concerning credit availability or the nature of the

1 transaction or obligation incurred.

2 (L) Makes false or misleading representations relating to commissions or other compensation to
3 be paid in exchange for permitting real estate, goods or services to be used for model or demon-
4 stration purposes or in exchange for submitting names of potential customers.

5 (m) Performs service on or dismantles any goods or real estate if the owner or apparent owner
6 of the goods or real estate does not authorize the service or dismantling.

7 (n) Solicits potential customers by telephone or door to door as a seller unless the person pro-
8 vides the information required under ORS 646.611.

9 (o) In a sale, rental or other disposition of real estate, goods or services, gives or offers to give
10 a rebate or discount or otherwise pays or offers to pay value to the customer in consideration of
11 the customer giving to the person the names of prospective purchasers, lessees, or borrowers, or
12 otherwise aiding the person in making a sale, lease, or loan to another person, if earning the rebate,
13 discount or other value is contingent upon an event occurring after the time the customer enters
14 into the transaction.

15 (p) Makes any false or misleading statement about a prize, contest or promotion used to publi-
16 cize a product, business or service.

17 (q) Promises to deliver real estate, goods or services within a certain period of time with intent
18 not to deliver the real estate, goods or services as promised.

19 (r) Organizes or induces or attempts to induce membership in a pyramid club.

20 (s) Makes false or misleading representations of fact concerning the offering price of, or the
21 person's cost for real estate, goods or services.

22 (t) Concurrent with tender or delivery of any real estate, goods or services fails to disclose any
23 known material defect or material nonconformity.

24 (u) Engages in any other unfair or deceptive conduct in trade or commerce.

25 (v) Violates any of the provisions relating to auction sales, consignment sales, auctioneers,
26 consignees or auction marts under ORS 698.640, whether in a commercial or noncommercial situ-
27 ation.

28 (w) Manufactures mercury fever thermometers.

29 (x) Sells or supplies mercury fever thermometers unless the thermometer is required by federal
30 law, or is:

31 (A) Prescribed by a person licensed under ORS chapter 677; and

32 (B) Supplied with instructions on the careful handling of the thermometer to avoid breakage and
33 on the proper cleanup of mercury should breakage occur.

34 (y) Sells a thermostat that contains mercury unless the thermostat is labeled in a manner to
35 inform the purchaser that mercury is present in the thermostat and that the thermostat may not be
36 disposed of until the mercury is removed, reused, recycled or otherwise managed to ensure that the
37 mercury does not become part of the solid waste stream or wastewater. For purposes of this para-
38 graph, "thermostat" means a device commonly used to sense and, through electrical communication
39 with heating, cooling or ventilation equipment, control room temperature.

40 (z) Sells or offers for sale a motor vehicle manufactured after January 1, 2006, that contains
41 mercury light switches.

42 (aa) Violates the provisions of ORS 803.375, 803.385 or 815.410 to 815.430.

43 (bb) Violates ORS 646A.070 (1).

44 (cc) Violates any requirement of ORS 646A.030 to 646A.040.

45 (dd) Violates the provisions of ORS 128.801 to 128.898.

- 1 (ee) Violates ORS 646.883 or 646.885.
- 2 (ff) Violates ORS 646.569.
- 3 (gg) Violates the provisions of ORS 646A.142.
- 4 (hh) Violates ORS 646A.360.
- 5 (ii) Violates ORS 646.553 or 646.557 or any rule adopted pursuant thereto.
- 6 (jj) Violates ORS 646.563.
- 7 (kk) Violates ORS 759.690 or any rule adopted pursuant thereto.
- 8 (LL) Violates the provisions of ORS 759.705, 759.710 and 759.720 or any rule adopted pursuant
- 9 thereto.
- 10 (mm) Violates ORS 646A.210 or 646A.214.
- 11 (nn) Violates any provision of ORS 646A.124 to 646A.134.
- 12 (oo) Violates ORS 646A.095.
- 13 (pp) Violates ORS 822.046.
- 14 (qq) Violates ORS 128.001.
- 15 (rr) Violates ORS 646A.800 (2) to (4).
- 16 (ss) Violates ORS 646A.090 (2) to (4).
- 17 (tt) Violates ORS 87.686.
- 18 (uu) Violates ORS 646A.803.
- 19 (vv) Violates ORS 646A.362.
- 20 (ww) Violates ORS 646A.052 or any rule adopted under ORS 646A.052 or 646A.054.
- 21 (xx) Violates ORS 180.440 (1) or 180.486 (1).
- 22 (yy) Commits the offense of acting as a vehicle dealer without a certificate under ORS 822.005.
- 23 (zz) Violates ORS 87.007 (2) or (3).
- 24 (aaa) Violates ORS 92.405 (1), (2) or (3).
- 25 (bbb) Engages in an unlawful practice under ORS 646.648.
- 26 (ccc) Violates ORS 646A.365.
- 27 (ddd) Violates ORS 98.854 or 98.858 or a rule adopted under ORS 98.864.
- 28 (eee) Sells a gift card in violation of ORS 646A.276.
- 29 (fff) Violates ORS 646A.102, 646A.106 or 646A.108.
- 30 (ggg) Violates ORS 646A.430 to 646A.450.
- 31 (hhh) Violates a provision of ORS 744.318 to 744.384.
- 32 (iii) Violates a provision of ORS 646A.702 to 646A.720.
- 33 (jjj) Violates ORS 646A.530 30 or more days after a recall notice, warning or declaration de-
- 34 scribed in ORS 646A.530 is issued for the children's product, as defined in ORS 646A.525, that is the
- 35 subject of the violation.
- 36 (kkk) Violates a provision of ORS 697.612, 697.642, 697.652, 697.662, 697.682, 697.692 or 697.707.
- 37 (LLL) Violates the consumer protection provisions of the Servicemembers Civil Relief Act, 50
- 38 U.S.C. App. 501 et seq., as in effect on January 1, 2010.
- 39 (mmm) Violates a provision of ORS 646A.480 to 646A.495.
- 40 (nnn) Violates ORS 646A.082.
- 41 (ooo) Violates ORS 646.647.
- 42 (ppp) Violates ORS 646A.115.
- 43 (qqq) Violates a provision of ORS 646A.405.
- 44 (rrr) Violates ORS 646A.092.
- 45 (sss) Violates a provision of ORS 646.644.

1 (ttt) Violates a provision of ORS 646A.295.

2 (uuu) Violates ORS 646A.564.

3 (vvv) Engages in the business of, or acts in the capacity of, an immigration consultant, as de-
4 fined in ORS 9.280, in this state and for compensation, unless federal law authorizes the person to
5 do so or unless the person is an active member of the Oregon State Bar.

6 (www) Violates ORS 702.012, 702.029, 702.032 or 702.054.

7 (xxx) Violates ORS 646A.806.

8 **(yyy) Violates section 2 (2) of this 2014 Act.**

9 (2) A representation under subsection (1) of this section or ORS 646.607 may be any manifesta-
10 tion of any assertion by words or conduct, including, but not limited to, a failure to disclose a fact.

11 (3) In order to prevail in an action or suit under ORS 646.605 to 646.652, a prosecuting attorney
12 need not prove competition between the parties or actual confusion or misunderstanding.

13 (4) An action or suit may not be brought under subsection (1)(u) of this section unless the At-
14 torney General has first established a rule in accordance with the provisions of ORS chapter 183
15 declaring the conduct to be unfair or deceptive in trade or commerce.

16 (5) Notwithstanding any other provision of ORS 646.605 to 646.652, if an action or suit is brought
17 under subsection (1)(xx) of this section by a person other than a prosecuting attorney, relief is lim-
18 ited to an injunction and the prevailing party may be awarded reasonable attorney fees.

19 **SECTION 4. (1) Section 2 of this 2014 Act and the amendments to ORS 646.608 by section**
20 **3 of this 2014 Act become operative 91 days after the effective date of this 2014 Act.**

21 **(2) The Attorney General may take any action before the operative date specified in**
22 **subsection (1) of this section that is necessary to enable the Attorney General, on and after**
23 **the operative date specified in subsection (1) of this section, to exercise all of the duties,**
24 **functions and powers conferred on the Attorney General by section 2 of this 2014 Act and**
25 **the amendments to ORS 646.608 by section 3 of this 2014 Act.**

26 **SECTION 5. This 2014 Act being necessary for the immediate preservation of the public**
27 **peace, health and safety, an emergency is declared to exist, and this 2014 Act takes effect**
28 **on its passage.**

29