

**Testimony before House Judiciary Committee  
SB 38 – Patent infringement demand letters  
Presented by Mike O’Neal, CEO**

**Wed., March 11, 2015**

Mr. Chairman and members of the Committee:

On behalf of the Kansas Chamber and its hundreds of industry members, I appear today in support of legislation addressing the practice of bad faith patent infringement demand letters. We support the Kansas Bankers Association’s efforts to crack down on this practice and have been working with the KBA as well as the Kansas Realtors Association and Attorney General’s Office to arrive at a version that accomplishes the goals of the legislation and addresses concerns from some of our larger member companies.

This is an issue that is being looked into on the Congressional level as well and while many of our member organizations would prefer a federal solution to this interstate issue, we appreciate that several states have determined that they should provide state protections and therefore we are prepared to support a Kansas solution that addresses the problem, on the one hand, while protecting legitimate business-to-business communications in the regular course of business, on the other.

I have attached to my testimony a memo from The Coalition For 21<sup>st</sup> Century Patent Reform and a letter from IPO, the Intellectual Property Owners Association on this subject. Of importance to The Kansas Chamber, is the large number of IPO Association members who are members of ours and who have a significant business presence in Kansas.

When we appeared at the hearing in the Senate, I indicated that the Chamber members I have been working with prefer the Illinois version rather than the Vermont version that this bill was patterned after. This would be our less cumbersome preference over the Vermont language. We have shared this language previously with the KBA and KRA and we were able to reach agreement on nearly everything before presenting a substitute bill to the Senate Committee. We appreciate the Attorney General for his and his staff’s assistance in shaping a workable bill. We have a mutual interest in cracking down on the harmful practice of patent trolling.

Specifically, our members’ remaining concerns relate to the provisions of Sec. 1(b)(2) and 1(b)(5). With regard to Sec. 1(b)(2), my members’ patent specialists say that the provisions



*“...to continually strive to improve the economic climate for the benefit of every business and citizen and to safeguard our system of free, competitive enterprise”.*

relating to a duty of “analysis” lack clear, objective standards and could be read to require far more detail than even federal pleadings for such a claim. Also, in the real world, the legal owner of a registered patent has only limited access to the products and processes of potential infringers. Therefore, at a minimum they suggest that qualifying language be added such as “to the extent commercially reasonable and identifiable from public information” and that we avoid using a term such as “analysis”, which lacks definition or objective clarity.

The subsection, therefore, should read as follows beginning on page 1, line 34:

(2) prior to sending the communication, the person asserting or claiming patent infringement fails to compare, to the extent commercially reasonable and identifiable from public information, the scope of the patent to the intended recipient or affiliated person’s products, services or technology or performs such comparison but fails to identify in the communication the specific areas in which the intended recipient or affiliated person’s products, services or technology are within the scope of the patent.

My members’ patent specialists say that Sec. 1(b)(5) is problematic in patent cases as being overly broad. Since this was a provision not contained in the original bill and was in fact offered by me, I propose its removal from the bill.

My members who have experience with these laws at the state and federal level had concerns about the creation of private causes of action which are in addition to the rights given the Attorney General to enforce the provisions of the act. However, we worked with our fellow proponents and the A.G.’s Office and the version of the bill you have before you, and in particular its manner of fitting the private remedy provisions into the existing Kansas consumer protection framework, has significantly reduced their concerns over that point.

It is my understanding that the KBA and KAR will voice agreement with these changes. With the proposed changes expressed above, we ask for your favorable consideration of SB 38.