

DRAFT SUBSTITUTE BILL – February 17, 2015

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AN ACT concerning patent infringement; relating to bad faith assertions of patent infringement; Kansas consumer protection act.

Section 1. (a) As used in this section:

(1) “Person” means an individual, corporation, limited liability company, general partnership, limited partnership, firm, company, voluntary association and other association or business entity existing under or authorized by the state of Kansas, or the laws of any other state, territory or foreign country.

(2) “Affiliated person” means a person affiliated with the intended recipient of a written or electronic communication.

(3) “Intended recipient” means a person who purchases, rents, leases, or otherwise obtains a product or service in the commercial market that is not for resale in the commercial market and that is, or later becomes, the subject of a patent infringement allegation.

(b) It is an unconscionable act or practice for any person to make a bad faith assertion of patent infringement whereby the person sends or causes to be sent any electronic or written communication that states that the intended recipient or affiliated person is infringing or has infringed on a patent if:

(1) The communication asserting or claiming patent infringement does not contain the following information and, upon the request of the affiliated person or intended recipient, the person fails to provide that information within a reasonable period of time:

(A) The name of the person asserting or claiming a right to license the patent to or enforce the patent against the target;

(B) the number of the patent issued by the United States Patent and Trademark Office that is alleged or claimed to have been infringed; and

(C) the factual allegations concerning the specific areas in which the target’s products, services or technology infringed the patent or are covered by the claims in the patent;

(2) prior to sending the communication, the person asserting or claiming patent infringement fails to conduct a reasonable analysis comparing the scope of the patent to the

intended recipient or affiliated person's products, services or technology or such an analysis was done but the communication does not identify specific areas in which the intended recipient or affiliated person's products, services or technology are included within the scope of the patent;

(3) the communication falsely states that litigation has been filed against the intended recipient or affiliated person;

(4) the assertions or claims contained in the communication lack a reasonable basis because the demand letter seeks compensation:

(A) For a patent that has been held to be invalid or unenforceable in a final judicial or administrative decision; or

(B) regarding actions alleged to have been undertaken after the patent has expired; or

(5) the communication is deceptive in that it willfully uses exaggeration, falsehood, innuendo or ambiguity as to a material fact or willfully fails to state a material fact or willfully conceals or omits a material fact relating to the patent or alleged infringement thereof.

(c) Nothing in this section shall be construed to be an unconscionable act or practice where any person:

(1) Has made a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent;

(2) has engaged in a good faith effort to establish that the intended recipient or affiliated person has infringed the patent;

(3) has, as the owner of the patent and in good faith, sought compensation or other remedy from the intended recipient or affiliated person by reason of infringement of its patent;

(4) is an inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, is the original assignee;

(5) is an institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education;

(6) has demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent;

(7) has successfully enforced the patent or a substantially-similar patent through litigation; or

(8) has, as the owner of a patent and in good faith, communicated to any person that its patent is available for license or sale.

(d) (1) The conduct prohibited by this section constitutes an unconscionable act or practice in violation of K.S.A. 50-627, and amendments thereto, and any person who engages in such conduct shall be subject to the remedies and penalties provided by the Kansas consumer protection act and the investigatory and enforcement procedures and policies of the attorney general's office adopted pursuant to the Kansas consumer protection act.

(2) For the purposes of the remedies and penalties provided by the Kansas consumer protection act:

(A) The person committing the conduct prohibited by this section shall be deemed the supplier, and the affiliated person or intended recipient who is the victim of such conduct shall be deemed the consumer; and

(B) proof of a consumer transaction shall not be required.

(3) Notwithstanding any provision of the Kansas consumer protection act to the contrary, a county or district attorney shall not have authority to file any civil action alleging a violation of the Kansas consumer protection act pursuant to this section.

(e) Nothing in this section shall apply to an assertion of patent infringement that includes a claim for relief arising under 35 U.S.C. § 271(e)(2) or 42 U.S.C. § 262.

(f) This section shall be part of and supplemental to the Kansas consumer protection act.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.