



DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

July 9, 2014

Honorable Fred Upton, Chairman
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Honorable Henry Waxman, Ranking Member
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

RE: House Bill on Patent Demand Letters

Dear Sirs:

I write to comment on federal legislation addressing the abusive issuance of patent infringement demand letters. The State of Oregon has a strong interest in both the substantive provisions of the proposed federal legislation as well as the potential pre-emption of Oregon laws. With nearly unanimous bi-partisan support, Oregon's legislature recently enacted legislation to protect our businesses and citizens from abusive, unfair and deceptive practices by patent assertion entities. Oregon law now requires the senders of patent infringement demand letters to include straightforward information in their communications and to only make a demand after minimal due diligence provides a good faith basis to conclude the Oregon business has infringed upon the sender's patent. We have already begun monitoring patent infringement demand letters to ensure that Oregonians are protected and we have been asked by legitimate Oregon businesses to review questionable demands.

This office has reviewed the draft legislation dated July 1, 2014, and offers the following comments and concerns:

- The bill would unacceptably pre-empt state law. There is no reason for express pre-emption in this area of law.
 - The line between acceptable and unacceptable conduct in issuing demand letters within Oregon, whether related to patents or any other claims, is a matter the State is well positioned to define and police. The State has ample experience regulating unlawful trade practices and determining what conduct is fair and permissible. Here, despite the claims of some opponents to such regulation, a refusal to provide adequate information to support an alleged patent infringement claim is neither a legitimate business practice nor protected conduct. Importantly, Oregon's law does not impinge upon federal laws or alter a patent holder's right to file suit.

- Complying with Oregon’s or similar state laws requiring honest disclosures and fair information in demand letters is not an unreasonable burden. Satisfying certain basic requirements of state laws in which the alleged infringement is occurring is no different than complying with local court rules. Indeed, here the two go hand in hand because patent infringement demand letters routinely threaten litigation.
- Express pre-emption negatively impacts the state’s ability to protect its citizens. While the bill provides that an Attorney General is not pre-empted from pursuing consumer protection claims, Oregon law prohibits specific enumerated business acts rather than broadly prohibiting “unfair and deceptive acts and practices” as can be found in certain other states’ laws. State courts are well positioned to deter unlawful demand practices, no special expertise on patent issues is required, and the senders of abusive demand letters have no valid basis to be exempted from state courts. Limiting the Oregon Attorney General to enforcing federal law in federal court imposes unnecessary burdens without added benefit.
- Additional aspects of the bill would hinder effective enforcement.
 - The bill prohibits acts taken “in bad faith” and defines “in bad faith” to require knowing, reckless or intentional acts. Requiring proof of the transgressor’s mental state is an unnecessarily high burden. In contrast, Oregon’s law explicitly identifies acts and omissions relevant to a court’s determination of bad faith. Focusing on the acts means the conduct is measured on an objective standard, rather than a subjective standard of the alleged transgressor’s intent.
 - An earlier version of the bill provided that a state Attorney General could recover damages but not penalties. The most recent version of the bill provides that a state Attorney General can recover penalties but not damages, and furthermore, the bill limits penalties to instances in which recipients suffered actual damages. Recovery of damages as well as penalties are key components of effective law enforcement, and are allowed under Oregon’s law. The remedies available to the position of the Oregon Attorney General are important to deter future violations by the same party or by others, regardless of whether the unlawful conduct has caused actual damages. We strive to prevent harm, not just react after it has happened.
 - The bill prohibits *stating or representing* that the sender has the right to enforce the patent. This potentially allows a person who doesn’t have the right to enforce a patent to avoid violating the law simply by not stating that he has the right. This change appears to create a major undesirable loophole.
 - The bill also does not include a provision addressing unreasonably short response periods. Oregon determined that when the sender imposes an unreasonably short response period before threatened consequences will be carried out then the

recipient does not have adequate time to consider whether the patent infringement claim is credible. This high pressure tactic is another hallmark of abusive conduct. Addressing this conduct is important because the threat of an imminent lawsuit is the cudgel used to coerce payment from vulnerable targets.

- The bill also does not include a requirement that the sender perform due diligence in investigating the alleged infringement prior to demanding payment. Oregon law requires prior investigation to ensure the allegation has a basis in fact and to prevent false or deceptive claims for payment. The bill's failure to include such a requirement essentially encourages a claimant to avoid investigating; indeed, the bill prohibits falsely stating that an investigation has occurred. As a result this bill likely would result in increasing the number of baseless patent infringement demands.

There have been other bills recently considered in the House or Senate on this issue. While the bills differ in their mechanisms, and many of the concerns expressed above apply variously to those other bills as well, none of the other bills appear to expressly pre-empt state law. I strongly urge that Congress maintain a state's ability to enforce state law defining fair conduct for patent demand letters.

Sincerely,



ELLEN F. ROSENBLUM
Attorney General

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