

116TH CONGRESS  
1ST SESSION

# S. 2178

To impose requirements in certain actions for patent infringement, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JULY 18, 2019

Mr. RUBIO (for himself and Mr. CORNYN) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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## A BILL

To impose requirements in certain actions for patent infringement, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Prevent Abuse of the  
5 Legal System Act” or the “PALS Act”.

6 **SEC. 2. COVERED INFRINGEMENT ACTIONS.**

7 (a) DEFINITIONS.—In this section—

8 (1) the term “affected proceeding” means an  
9 action for infringement of a patent under title 35,  
10 United States Code, an investigation under section

1 337 of the Tariff Act of 1930 (19 U.S.C. 1337), or  
2 any other administrative or judicial proceeding in  
3 which—

4 (A) a patent issued by the United States  
5 Patent and Trademark Office is a subject of  
6 the proceeding; and

7 (B) a designated entity—

8 (i) is the owner or exclusive licensee of  
9 the patent described in subparagraph (A);

10 (ii) has a financial interest in the out-  
11 come of the proceeding; or

12 (iii) has direct or indirect control over  
13 the conduct of the litigation of the matter  
14 by the holder of the patent described in  
15 subparagraph (A);

16 (2) the term “covered regulations” means the  
17 Export Administration Regulations under sub-  
18 chapter C of chapter VII of title 15, Code of Federal  
19 Regulations; and

20 (3) the term “designated entity” means—

21 (A) an entity on the entity list maintained  
22 by the Bureau of Industry and Security of the  
23 Department of Commerce and set forth in Sup-  
24 plement No. 4 to part 744 of title 15, Code of  
25 Federal Regulations; or

1 (B) any parent, subsidiary, or affiliate of  
2 an entity described in subparagraph (A).

3 (b) CONDUCT OF AFFECTED PROCEEDINGS.—Not-  
4 withstanding any other provision of law or regulation, the  
5 following requirements shall apply with respect to an af-  
6 fected proceeding:

7 (1) The pleadings alleging infringement of the  
8 patent shall, with respect to each patent in which a  
9 designated entity has an interest—

10 (A) state with particularity the facts and  
11 circumstances constituting that infringement,  
12 including—

13 (i) all patent claims alleged to be in-  
14 fringed; and

15 (ii) all products and services alleged  
16 to be infringed;

17 (B) provide a detailed identification of the  
18 specific elements of each patent claim that is  
19 found in each product and service identified  
20 under subparagraph (A)(ii); and

21 (C) state with particularity all damages or  
22 other remedies sought in the proceeding.

23 (2) Excluding legal counsel for the designated  
24 entity involved, neither the designated entity nor the  
25 agents or representatives of the designated entity

1        may obtain through discovery, or by other means,  
2        any non-public information of any entity or person  
3        related to any technical features or operation of a  
4        product or service.

5            (3) Upon the filing of the affected proceeding,  
6        the designated entity involved shall provide notice of  
7        the proceeding to the Department of Justice and the  
8        United States Patent and Trademark Office.

9            (4) The United States shall have the uncondi-  
10       tional right to intervene as a party in the proceeding  
11       under rule 24(a) of the Federal Rules of Civil Proce-  
12       dure.

13        (c) RESTRICTIONS ON CERTAIN PATENT TRANS-  
14       ACTIONS.—Notwithstanding any other provision of law or  
15       regulation, the following requirements shall apply with re-  
16       spect to the sale or exclusive license of a patent issued  
17       by the United States Patent and Trademark Office:

18            (1) The sale or license is prohibited if the sale  
19       or license is to a designated entity and the entity  
20       has not undergone review under section 721 of the  
21       Defense Production Act of 1950 (50 U.S.C. 4565).

22            (2) The sale or license is prohibited if the sale  
23       or license is to or by a designated entity and the  
24       manufacture, sale, use, import, or export of a prod-  
25       uct or service that is subject to the covered regula-

1 tions would infringe the patent, unless an appro-  
2 priate license is granted under the covered regula-  
3 tions.

4 (3) With respect to a patent not involving a  
5 drug or biological product, the sale or license of the  
6 patent to or by a designated entity to any foreign  
7 entity or affiliate shall require notification pursuant  
8 to rules under subsection (d)(1), and the waiting pe-  
9 riod described in subsection (b)(1), of section 7A of  
10 the Clayton Act (15 U.S.C. 18a), notwithstanding  
11 any other provision of that Act.

12 (d) LIST.—The Under Secretary of Commerce for In-  
13 tellectual Property and Director of the United States Pat-  
14 ent and Trademark Office shall maintain a publicly avail-  
15 able list of all designated entities.

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