

SENATE No. 2432

The Commonwealth of Massachusetts

—————
In the One Hundred and Ninetieth General Court
(2017-2018)
—————

SENATE, Tuesday, April 17, 2018

The committee on Consumer Protection and Professional Licensure, to whom was referred the petition (accompanied by bill, Senate, No. 128) of Eric P. Lesser, Eileen M. Donoghue, Brian M. Ashe, Mary S. Keefe and other members of the General Court for legislation to protect innovation and entrepreneurship in the Commonwealth; (accompanied by bill, Senate, No. 153) of Richard J. Ross, Steven S. Howitt, Ryan C. Fattman and James Arciero for legislation relative to bad faith assertions of patent infringement; and (accompanied by bill, House, No. 130) of James Arciero relative to assertions of patent infringement made in bad faith,- reports the accompanying bill (Senate, No. 2432).

For the committee,
Barbara A. L'Italien

SENATE No. 2432

The Commonwealth of Massachusetts

In the One Hundred and Ninetieth General Court
(2017-2018)

An Act to protect innovation and entrepreneurship in the Commonwealth.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The general laws are hereby amended by inserting after chapter 93K the
2 following new chapter:–

3 CHAPTER 93L

4 BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT

5 Section 1. As used in this chapter, the following words shall have the following meanings
6 unless the context clearly requires otherwise:–

7 “Assertion of patent infringement”, means (i) sending or delivering a demand letter to a
8 target; (ii) threatening a target with litigation asserting, alleging or claiming that the target has
9 engaged in patent infringement; (iii) sending or delivering a demand letter to the customers of a
10 target; or (iv) otherwise making claims or allegations, other than those made in litigation against
11 a target, that a target has engaged in patent infringement or that a target should obtain a license to
12 a patent in order to avoid litigation.

13 “Demand letter”, means a letter, e-mail, or other communication asserting, alleging or
14 claiming that the target has engaged in patent infringement or that a target should obtain a license
15 to a patent in order to avoid litigation, or any similar assertion.

16 “Person” shall include, where applicable, natural persons, corporations, trusts,
17 partnerships, incorporated or unincorporated associations, and any other legal entity.

18 “Target”, means a person residing in, conducting substantial business in, or having its
19 principal place of business in Massachusetts and with respect to whom an assertion of patent
20 infringement is made.

21 Section 2. A person shall not make, in bad faith, an assertion of patent infringement. In
22 determining whether a person has made an assertion of patent infringement in bad faith, a court
23 may consider the following:

24 (a) The demand letter does not contain the following information:

25 (1) the patent number;

26 (2) the name and address of the patent owner or owners and assignee or assignees, if any;

27 and

28 (3) factual allegations concerning the specific areas in which the target’s products,
29 services, and technology infringe the patent or are covered by the claims in the patent.

30 (b) Prior to sending the demand letter, the person fails to conduct an analysis comparing
31 the claims in the patent to the target’s products, services, and technology, or such an analysis was
32 done but does not identify specific areas in which the products, services, and technology are
33 covered by the claims in the patent.

34 (c) The demand letter lacks the information described in subsection (a), the target
35 requests the information, and the person fails to provide the information within a reasonable
36 period of time.

37 (d) The demand letter demands payment of a license fee or response within an
38 unreasonably short period of time.

39 (e) The person offers to license the patent for an amount that is not based on a reasonable
40 estimate of the value of the license.

41 (f) The claim or assertion of patent infringement is meritless, and the person knew, or
42 should have known, that the claim or assertion is meritless.

43 (g) The claim or assertion of patent infringement is deceptive.

44 (h) The person or its subsidiaries or affiliates have previously filed or threatened to file
45 one or more lawsuits based on the same or similar claim of patent infringement and:

46 (1) those threats or lawsuits lacked the information described in subsection (a); or

47 (2) the person attempted to enforce the claim of patent infringement in litigation and a
48 court found the claim to be meritless.

49 (i) The patent has been held invalid or unenforceable in a final judgment or
50 administrative decision.

51 (j) Any other factor the court finds relevant.

52 (k) A court may consider the following factors as evidence that a person has not made an
53 assertion of patent infringement in bad faith:

54 (1) The demand letter contains the information described in subsection (1) of this
55 section.

56 (2) Where the demand letter lacks the information described in subsection (1) and the
57 target requests the information, the person provides the information within a reasonable period of
58 time.

59 (3) The person engages in a good faith effort to establish that the target has infringed the
60 patent and to negotiate an appropriate remedy.

61 (4) The person makes a substantial investment in the use of the patent or in the
62 production or sale of a product or item covered by the patent.

63 (5) The person is:

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

66 (b) an institution of higher education or a technology transfer organization owned or
67 affiliated with an institution of higher education.

68 This section shall not apply to:

69 (A) Any party who is currently making significant investments in:

70 (i) research and development in connection with the patented technology, where
71 development means technical or experimental work to create, test, qualify, modify, or validate
72 technologies or processes for commercialization of goods or services;

73 (ii) manufacturing;

74 (iii) use of patented technology in the delivery or provision of goods or commercial
75 services; or

76 (iv) a combination of any of the areas of business described in clauses (i) through (ii)

77 (B) Any party whose business is the licensing of patents as a wholly-owned subsidiary of
78 any party described in Section A.

79 (C) Any institution of higher education, public or private, or non-profit research institute,
80 or an organization which has as one of its primary functions the management of inventions on
81 behalf of the aforementioned entities.

82 Section 3. A target of conduct involving assertions of patent infringement, or a person
83 aggrieved by a violation of this chapter may bring an action in Superior Court. A court may
84 award the following remedies to a plaintiff who prevails in an action brought pursuant to this
85 chapter:

86 (i) equitable relief;

87 (ii) damages;

88 (iii) costs and fees, including reasonable attorney's fees; and

89 (iv) exemplary damages in an amount equal to \$50,000.00 or three times the total of
90 damages, costs, and fees, whichever is greater.

91 Section 4. (a) The Attorney General shall have the same authority under this Chapter to
92 make rules, conduct civil investigations, bring civil actions, and enter into assurances of

93 discontinuance as provided under Chapter 93A. In an action brought by the Attorney General
94 pursuant to this Section, the court may award or impose any relief available under this Chapter.

95 (b) A target or a person aggrieved by a violation of this Chapter or by a violation of rules
96 adopted under this Chapter may bring an action in superior court against a person who has made
97 a bad-faith assertion of patent infringement. A court may award to a plaintiff who prevails in an
98 action brought pursuant to this subsection one or more of the following remedies:

99 (1) Equitable relief

100 (2) Damages

101 (3) Costs and fees, including reasonable attorneys' fees

102 (4) Exemplary damages in an amount equal to fifty thousand dollars (\$50,000) or three
103 times the total of damages, costs, and fees, whichever is greater.

104 (c) A court may award to a defendant who prevails in an action brought pursuant to this
105 section costs and fees, including reasonable attorneys' fees, if the court finds the action was not
106 well-grounded in fact and warranted by existing law or was interposed for any improper purpose,
107 such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

108 (d) Joinder of Interested Parties. In an action arising under subsection (a) or (b) of this
109 section, the court shall grant a motion by the Attorney General or a target to join an interested
110 party if the moving party shows that the party alleging infringement has no substantial interest in
111 the patent or patents at issue other than making demands or asserting such patent claim in
112 litigation.

113 (e) In an action arising under subsection (a) or (b) of this section, any person who has
114 delivered or sent, or caused another to deliver or send, a demand to a target in Massachusetts has
115 purposefully availed himself or herself of the privileges of conducting business in the
116 Commonwealth and shall be subject to suit in the Commonwealth, whether or not the person is
117 transacting or has transacted any other business in the Commonwealth.

118 (f) If a party is unable to pay an amount awarded by the court pursuant to subsection (a)
119 or (b) of this section, the court may find any interested party joined pursuant to subsection (d) of
120 this section jointly and severally liable for the abusive patent assertion and make the award
121 recoverable against any or all of the joined interested parties.

122 (g) This Chapter shall not be construed to limit rights and remedies available to the
123 Commonwealth of Massachusetts or to any person under any other law and shall not alter or
124 restrict the Attorney General's authority under this Chapter.