

HOUSE No. 229

The Commonwealth of Massachusetts

PRESENTED BY:

Lori A. Ehrlich and Eric P. Lesser

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to protect innovation and entrepreneurship in the Commonwealth.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Lori A. Ehrlich</i>	<i>8th Essex</i>	<i>1/17/2019</i>
<i>Eric P. Lesser</i>	<i>First Hampden and Hampshire</i>	<i>1/17/2019</i>
<i>Brian M. Ashe</i>	<i>2nd Hampden</i>	<i>1/25/2019</i>
<i>Marjorie C. Decker</i>	<i>25th Middlesex</i>	<i>1/30/2019</i>
<i>Dylan A. Fernandes</i>	<i>Barnstable, Dukes and Nantucket</i>	<i>1/24/2019</i>
<i>Carlos González</i>	<i>10th Hampden</i>	<i>1/31/2019</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>	<i>1/31/2019</i>
<i>Alan Silvia</i>	<i>7th Bristol</i>	<i>1/22/2019</i>
<i>José F. Tosado</i>	<i>9th Hampden</i>	<i>1/25/2019</i>
<i>Andres X. Vargas</i>	<i>3rd Essex</i>	<i>1/31/2019</i>

HOUSE No. 229

By Representative Ehrlich of Marblehead and Senator Lesser, a joint petition (accompanied by bill, House, No. 229) of Lori A. Ehrlich, Eric P. Lesser and others relative to assertions of patent infringement made in bad faith. Consumer Protection and Professional Licensure.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-First General Court
(2019-2020)**

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

19 Section 2. (a) A person shall not make, in bad faith, an assertion of patent infringement.

20 (b) In determining whether a person has made an assertion of patent infringement in bad faith, a
21 court may consider the following factors and any other factor the court finds relevant:

22 (1) The demand letter does not contain the following information:

23 (i) the patent number;

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

25 and

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

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

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

35 (4) The demand letter demands payment of a license fee or response within an
36 unreasonably short period of time.

37 (5) The person offers to license the patent for an amount that is not based on a reasonable
38 estimate of the value of the license.

39 (6) The claim or assertion of patent infringement is meritless, and the person knew, or
40 should have known, that the claim or assertion is meritless.

41 (7) The claim or assertion of patent infringement is deceptive.

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

44 (i) those threats or lawsuits lacked the information described in subsection (a); or

45 (ii) the person attempted to enforce the claim of patent infringement in litigation and a
46 court found the claim to be meritless.

47 (9) The patent has been held invalid or unenforceable in a final judgment or
48 administrative decision.

49 (c) A court may consider the following factors, and any other factor the court finds
50 relevant, as evidence that a person has not made an assertion of patent infringement in bad faith:

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

53 (2) Where the demand letter lacks the information described in paragraph (1) of
54 subsection (b) and the target requests the information, the person provides the information within
55 a reasonable period of time.

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

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

60 (5) The person is:

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

63 (ii) an institution of higher education or a technology transfer organization owned or
64 affiliated with an institution of higher education.

65 (d) This section shall not apply to:

66 (1) Any party who is currently making significant investments in:

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

70 (ii) manufacturing;

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

73 (iv) a combination of any of the areas of business described in clauses (i) through (iii)

74 (2) Any party whose business is the licensing of patents as a wholly-owned subsidiary of
75 any party described in paragraph (1).

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

79 Section 3. (a) A target of conduct involving assertions of patent infringement and any
80 other person aggrieved by a violation of section 2 may bring an action in Superior Court.

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

85 Section 4. (a) The attorney general shall have the same authority under this chapter to
86 make rules, conduct civil investigations, bring civil actions, and enter into assurances of
87 discontinuance as provided under chapter 93A. In an action brought by the attorney general
88 pursuant to this section, the court may award or impose any relief available under this chapter.

89 Section 5. (a) A court may award the following remedies to a plaintiff who prevails in an
90 action brought pursuant to this chapter:

91 (i) equitable relief;

92 (ii) damages;
93 (iii) costs and fees, including reasonable attorney's fees; and
94 (iv) exemplary damages in an amount equal to \$50,000 or 3 times the total of damages,
95 costs, and fees, whichever is greater.

96 Any person who by contract, agreement, or otherwise, directly or indirectly, arranged for
97 the bad faith assertion of patent infringement and any person who otherwise caused or is legally
98 responsible for such bad faith assertion of patent infringement under the principles of the
99 common law shall be liable to a prevailing plaintiff for all damages, costs and fees. Such
100 liability shall be joint and several.

101 (b) In an action arising under section 3 or 4 of this chapter, any person who has delivered
102 or sent, or caused another to deliver or send, a demand to a target in Massachusetts has
103 purposefully availed himself or herself of the privileges of conducting business in the
104 commonwealth and shall be subject to suit in the commonwealth, whether or not the person is
105 transacting or has transacted any other business in the commonwealth.

106 Section 6. This chapter shall not be construed to limit rights and remedies available to
107 the commonwealth or to any person under any other law and shall not alter or restrict the
108 attorney general's authority.