

# Byline

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## States Still Fighting Bad-Faith Patent Infringement Claims

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In June, we wrote about states' efforts to fight patent assertion entities through consumer protection laws. Since that time, the landscape has continued to shift and evolve. Currently, there are now 17 states that have enacted legislation and there are 12 other states that are reviewing proposed legislation. The following briefly describes the change in status of various states' legislation efforts since our original article and illustrates that the states are continuing their efforts against bad-faith patent infringement assertions.

### Alabama

Act No. 2014-218, S. Bill No. 121. Signed into law: April 2, 2014. Effective date: July 1, 2014.

This act prohibits a person from asserting a claim of patent infringement in bad faith and authorizes the attorney general to investigate claims, issue subpoenas and file civil enforcement actions. The act further authorizes targets of patent infringement assertions in bad faith to file suit in circuit court for damages and provides for exemplary damages.

### Georgia

House Bill No. 809. Signed into law: April 15, 2014. Effective date: July 1, 2014.

The new law makes it a violation for a person to make a bad-faith assertion of patent infringement. The measure lists a number of bad-faith factors, such as: (1) the demand letter's not identifying the patent number, name and address of the patent owner, or factual allegations concerning the specific areas in which the target infringes; (2) prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the target's products, services and technology; (3) the demand letter requires payment of a license fee or response within an unreasonably short period of time; and others. The new law also authorizes the attorney general to issue civil investigative demands and creates a private cause of action.

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## **Idaho**

Senate Bill No. 1354. Signed into law: March 26, 2014. Effective date: July 1, 2014.  
The new law adds to existing law and makes it unlawful to bring bad-faith assertions of patent infringement against others. It provides provisions relating to personal jurisdiction and grants certain authority to the attorney general and district courts to create a private cause of action. The law also provides for remedies and damages, and establishes provisions relating to bonds.

## **Illinois**

Senate Bill No. 3405. Signed into law: Aug. 26, 2014. Effective date: Jan. 1, 2015.

The new law prohibits anyone from sending unfair or deceptive patent demand letters and defines what constitutes deceptive or unfair. It provides provisions making it unlawful to make assertions of patent infringement without first having a reasonable basis in law or fact.

## **Kansas**

House Bill No. 2663. Bill introduced: Feb. 12, 2014. Referred to the House Judiciary Committee for review: Feb. 13, 2014. Died in committee: June 12, 2014.

This bill would authorize a person against whom a bad-faith assertion of patent infringement has been made to bring a civil action in court for equitable relief, damages, court costs, fees and punitive damages. It provided for the attorney general to bring an action against the person who has made a bad-faith assertion of patent.

## **Maine**

Legislative Document 1660. Senate Bill No. 654. Signed into law: April 14, 2014. Effective date: Aug. 1, 2014.

This law authorizes a person or entity that has been sued for patent infringement or threatened with such suit to bring its own lawsuit in state court against the person or entity asserting the patent infringement claims. The law provides a list of factors for the court to consider when determining whether the patent infringement claims were made in bad faith. It provides for equitable relief, damages, court costs, fees and punitive damages. It also authorizes the attorney general to bring an action and it provides that a bad-faith assertion of patent infringement is a violation of the Maine Unfair Trade Practices Act.

## **Maryland**

Senate Bill No. 585. Signed into law: May 5, 2014. Effective date: June 1, 2014.

This new law prohibits a person from making certain assertions of patent infringement in bad faith and authorizes a court to consider certain factors as evidence of whether a person has made an assertion of patent infringement in bad faith. It also provides that the attorney general and the Division of Consumer

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Protection of the Office of the Attorney General have the authority to bring civil and criminal actions against a person or entity that makes a bad-faith assertion of patent infringement. The law further authorizes certain individuals to bring a civil action in court to recover for injuries or a loss sustained as a result of a violation of this law and authorizes a court to award certain damages and remedies.

### **Michigan**

House Bill No. 5701. Introduced in the House: July 16, 2014. Referred to House Committee on Michigan Competitiveness.

The bill prohibits bad-faith assertion of patent infringement claims and provides for remedies. It provides for a person or entity that is the target of a bad-faith assertion of patent infringement to bring an action in state court against the person or entity that is asserting the patent infringement claims. The bill also authorizes the attorney general to bring civil actions against the asserting person or entity.

### **Missouri**

Senate Bill No. 706. Signed into law: July 8, 2014. Effective date: Aug. 28, 2014.

The new law makes it a violation for a person to make a bad-faith assertion of patent infringement. The measure lists a number of bad-faith factors such as: (1) the demand letter's not identifying the patent number, name and address of the patent owner, or factual allegations concerning the specific areas in which the target infringes; (2) the person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license; (3) the demand letter requires payment of a license fee or response within an unreasonably short period of time; and many others. The law authorizes the attorney general to investigate, restrain and prosecute civil actions under the Missouri antitrust law. The law also creates a private cause of action.

### **New Hampshire**

Senate Bill No. 303. Signed into law: July 11, 2014. Effective date: July 11, 2014.

This new legislation prohibits a person from making bad-faith assertions of patent infringement. The law provides factors that a court may consider as evidence that a person has made a bad-faith assertion of patent infringement, establishes a private right of action for violations of the law and provides for enforcement by the attorney general.

### **New Jersey**

Assembly Bill No. 2462. Bill introduced: Feb. 10, 2014. Reported out of assembly committee with amendments: Oct. 2, 2014.

This bill prohibits a person from making a bad-faith assertion of patent infringement. The bill identifies a list of factors that a court may consider as evidence of bad faith. The bill authorizes the attorney general to

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make rules, conduct civil investigations, bring civil actions and obtain injunctions as provided under the consumer fraud act. The bill also creates a private cause of action.

### **North Carolina**

House Bill No. 1032. Signed into law: Aug. 6, 2014. Effective date: Aug. 6, 2014.

The bill provides that it is unlawful to make a bad-faith patent infringement assertion. A target or person who has been threatened or received a bad-faith assertion of patent infringement may bring a cause of action in state court. The attorney general also has the authority to bring an action against the person or entity making the bad-faith assertion.

### **Ohio**

House Bill No. 573. Bill introduced: May 27, 2014.

Ohio's bill prohibits a person from making a bad-faith assertion of patent infringement. The bill provides factors that a court may consider as evidence that a person has made a bad-faith patent infringement assertion, provides for a private cause of action for a target or person aggrieved by a party violating the law and authorizes the attorney general to institute a civil action against a person who has made a bad-faith patent infringement assertion.

### **Oklahoma**

House Bill No. 2837. Signed into law: May 16, 2014. Effective date: Nov. 1, 2014.

The new law prohibits the sending of written or electronic communication that would threaten the intended recipient with patent infringement litigation unless compensation or a resolution is provided to the complaining party, if the communication for the patent infringement claim is made in bad faith. The measure allows the attorney general to investigate and bring civil actions against any person who violates the act, and allows the court to award to a plaintiff damages, reasonable attorney fees and punitive damages. The law also provides for a private cause of action.

### **Rhode Island**

Senate Bill No. 2822. Introduced: March 25, 2014. Passed the Senate: June 18, 2014. Referred to the House Judiciary Committee: June 29, 2014.

The bill provides that it is unlawful for a person to make a bad-faith assertion of patent infringement. The bill lists a number of bad-faith factors. This bill authorizes the attorney general to bring civil actions against the person making a bad-faith patent infringement assertion. The bill also creates a private cause of action.

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## **South Dakota**

Senate Bill No. 143. Signed into law: March 31, 2014. Effective date: July 1, 2014.

The law makes it a violation for a person to make a bad-faith assertion of patent infringement. The measure lists a number of bad-faith factors such as: (1) the demand letter's not identifying the patent number, name and address of the patent owner, or factual allegations concerning the specific areas in which the target infringes; (2) prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the target's products, services and technology; (3) the demand letter requires payment of a license fee or response within an unreasonably short period of time; and others. This law authorizes the attorney general to bring civil actions, and enter into assurances of discontinuance. The bill also creates a private cause of action.

## **Vermont**

House Bill No. 299 (ACT 0044). Signed into law: May 15, 2013. Effective date: July 1, 2013.

Vermont was the first state to pass legislation regarding bad-faith patent assertion claims. The law amended consumer protection provisions to add protection against bad-faith assertions of patent infringement. The law lays out a list of factors a court may consider as evidence of bad faith. It authorizes a court, upon a showing of a reasonable likelihood that a person has made a bad-faith assertion of patent infringement, to require that a bond be posted. It provides the attorney general with the same enforcement powers as under the Consumer Protection Act, and that a private party can seek equitable relief, costs and fees, and actual and punitive damages.

## **Virginia**

Senate Bill No. 150. Signed into law: May 23, 2014.

The new law prohibits any person from making in bad faith an assertion of patent infringement. The attorney general or an attorney for the commonwealth is empowered to accept assurances of voluntary compliance and seek injunctive relief. The attorney general is authorized to issue civil investigative demands. The measure does not create a private cause of action. The measure does not apply to a demand letter or 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.

## **Summary**

States are sending a clear message that the current patent demand letter business model is insufficient to protect companies from unscrupulous patent holders. The passage and introduction of many of these laws against bad-faith assertions of patent infringement, however, may require reviewing and construing the patent claim terms at issue. This in turn raises the question whether these new laws are constitutional or if they are preempted by federal patent law. It will also be interesting to see whether these laws will reduce bad-faith patent infringement assertions without hurting good-faith efforts by patent holders who want to enforce their patent rights.