

SENATE No. 153

The Commonwealth of Massachusetts

PRESENTED BY:

Richard J. Ross

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 relative to bad faith assertions of patent infringement.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
<i>Richard J. Ross</i>	<i>Norfolk, Bristol and Middlesex</i>	
<i>Steven S. Howitt</i>	<i>4th Bristol</i>	<i>1/24/2017</i>
<i>Ryan C. Fattman</i>	<i>Worcester and Norfolk</i>	<i>2/2/2017</i>
<i>James Arciero</i>	<i>2nd Middlesex</i>	<i>2/2/2017</i>

SENATE No. 153

By Mr. Ross, a petition (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. Consumer Protection and Professional Licensure.

The Commonwealth of Massachusetts

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

An Act relative to bad faith assertions of patent infringement.

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, by alleging or claiming in a demand letter
9 that the target has engaged in patent infringement; (iii) sending or delivering a demand letter to
10 the customers of a target; or (iv) otherwise making claims or allegations in a demand letter, other

11 than those made in litigation against a target, that a target has engaged in patent infringement or
12 that a target should obtain a license to a patent in order to avoid litigation.

13 “Demand letter”, means a letter, e-mail, or other written communication asserting,
14 alleging or claiming that the target has engaged in patent infringement or that a target should
15 obtain a license 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.

22 (a) In determining whether a person has made an assertion of patent infringement in bad
23 faith, a court may consider the following:

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

25 (i) the patent number;

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

27 and

28 (iii) 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 (2) 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 (3) The demand letter lacks the information described in paragraph (1), the target requests
35 the information, and the person fails to provide the information within a reasonable period of
36 time.

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

39 (5) 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 (6) The patent has been held invalid or unenforceable in a final judgment or
42 administrative decision.

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

44 (8) The communication falsely states that the sender has filed a lawsuit in connection
45 with the claim.

46 (9) Any other factor the court deems relevant.

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

49 (1) The demand letter contains the information described in paragraph (1) of this section.

50 (2) Where the demand letter lacks the information described in paragraph (1) and the
51 target requests the information, the person provides the information within a reasonable period of
52 time.

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

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

57 (5) The person is:

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

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

62 (c) This section shall not apply to:

63 (1) any party who is currently making significant investments in:

64 (i) research and development, where development means technical or experimental work
65 to create, test, qualify, modify, or validate technologies or processes for commercialization of
66 goods or services;

67 (ii) manufacturing;

68 (iii) the provision of goods or commercial services; or

69 (iv) a combination of any of the areas of business described in clauses (i) through (iv);

70 (2) any party who has affiliated entities who "are currently" making significant
71 investments in any of the areas of business described in subparagraph (A).

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

75 Section 3. (a) A target of conduct involving assertions of patent infringement or a person
76 aggrieved by a violation of this chapter may bring an action in Superior Court. A court may
77 award the following remedies to a plaintiff who prevails in an action brought pursuant to this
78 chapter:

79 (1) equitable relief;

80 (2) damages;

81 (3) costs and fees, including reasonable attorney's fees; and

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

84 (b) The Attorney General shall have the same authority under this chapter to make rules,
85 conduct civil investigations, bring civil actions, and enter into assurances of discontinuance as
86 provided under chapter 93A. If the Attorney General believes that a person has violated or is
87 violating this chapter, the Attorney General may bring an action on behalf of the state to enjoin
88 the person from violating this section. In addition to seeking an injunction, the Attorney General
89 may request and the court may order any other relief that may be in the public interest, including:

90 (1) the imposition of a civil penalty in an amount not to exceed \$50,000 for each
91 violation of Section 2;

92 (2) an order requiring reimbursement to this state for the reasonable value of
93 investigating and prosecuting a violation of Section 2; and

94 (3) an order requiring restitution to a victim for legal and professional expenses related to
95 the violation.

96 (c) In an action arising under subsection (a) or (b) of this section, any person who has
97 delivered or sent, or caused another to deliver or send, a demand to a target in Massachusetts has
98 purposefully availed himself or herself of the privileges of conducting business in this State and
99 shall be subject to suit in this State, whether or not the person is transacting or has transacted any
100 other business in this State. This Chapter shall be construed as a special jurisdiction statute in
101 accordance with section 3 of chapter 223A of the General Laws.

102 Section 4. This chapter shall not be construed to limit rights and remedies available to the
103 Commonwealth of Massachusetts or to any person under any other law and shall not alter or
104 restrict the Attorney General's authority under chapter 93A with regard to conduct involving
105 assertions of patent infringement. This section shall not prohibit a person who owns or has a
106 right to license or enforce a patent from notifying others of the person's ownership or right;
107 offering the patent to others for license or sale; notifying any person of the person's infringement
108 of the patent as provided by United States Code, title 35, section 287; or seeking compensation
109 for past or present infringement of the patent or for a license to the patent. This section shall not
110 be construed to apply to a person who has demonstrated good faith business practices in previous

111 efforts to enforce the patent, or a substantially similar patent, or who has successfully enforced
112 the patent, or a substantially similar patent, through litigation.