

# SENATE . . . . . No. 2367

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Senate, May 24, 2016 – Text of amendment (71) (offered by Senator Ross) to the Ways and Means amendment (Senate, No. 4) to the House Bill making appropriations for the fiscal year 2017 for the maintenance of the departments, boards, commissions, institutions and certain activities of the Commonwealth, for interest, sinking fund and serial bond requirements and for certain permanent improvements.

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## The Commonwealth of Massachusetts

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In the One Hundred and Eighty-Ninth General Court  
(2015-2016)  
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1 Messrs. Ross, O'Connor and Tarr moved that the proposed new text be amended by  
2 inserting, after section \_\_\_, the following new section:-

3 “SECTION \_\_\_. The General Laws are hereby amended by inserting after chapter 93K the  
4 following new chapter:-

5 Chapter 93L

6 Bad Faith Assertions of Patent Infringement

7 Section 1. The following definitions shall apply in this chapter:

8 (a) Affiliate, a business establishment, business, or other legal entity that wholly or  
9 substantially owns, is wholly or substantially owned by, or is under common ownership with  
10 another entity.

11 (b) Demand, a letter, e-mail, or other communication asserting or claiming that a target  
12 has engaged in patent infringement or should obtain a license to a patent.

13 (c) Institution of higher education, as defined in 20 U.S.C. § 1001(a).

14 (d) Interested party, a person, other than the party alleging infringement, that (1) is an  
15 assignee of the patent or patents at issue; (2) has a right, including a contingent right, to enforce  
16 or sublicense the patent or patents at issue; or (3) has a direct financial interest in the patent or  
17 patents at issue, including the right to any part of an award of damages or any part of licensing  
18 revenue. A "direct financial interest" does not include either of the following:

19 (i) An attorney or law firm providing legal representation in the civil action alleging  
20 patent infringement if the sole basis for the financial interest of the attorney or law firm in the  
21 patent or patents at issue arises from the attorney or law firm's receipt of compensation  
22 reasonably related to the provision of the legal representation

23 (ii) A person whose sole financial interest in the patent or patents at issue is ownership of  
24 an equity interest in the party alleging infringement, unless such person also has the right or  
25 ability to influence, direct, or control the party alleging infringement.

26 (e) Operating entity, a person primarily engaged in, when evaluated with its affiliates  
27 over the preceding 24-month period and when disregarding the selling and licensing of patents,  
28 one or more of the following activities:

29 (1) Research and technical or experimental work to create, test, qualify, modify, or  
30 validate technologies or processes for commercialization of goods or services;

31 (2) Manufacturing; or

32 (3) The provision of goods or commercial services.

33 (6) Target, a resident of the Commonwealth that meets one or more of the following:

34 (1) The person has received a demand or is the subject of an assertion or allegation of  
35 patent infringement.

36 (2) The person has been threatened with litigation or is the defendant of a filed lawsuit  
37 alleging patent infringement.

38 (3) The person has customers who have received a demand asserting that the person's  
39 product, service, or technology has infringed a patent.

40 Section 2. (a) It is unlawful for a person to make a bad-faith assertion of patent  
41 infringement. A court may consider the following factors as evidence that a person has made a  
42 bad-faith assertion of patent infringement:

43 (1) The demand does not contain all of the following information:

44 (i) The patent application number or patent number;

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

47 (iii) Factual allegations concerning the specific areas in which the target's products,  
48 services, and technology infringe the patent or are covered by specific, identified claims in the  
49 patent; and

50 (iv) An explanation of why the person making the assertion has standing, if the United  
51 States Patent and Trademark Office's assignment system does not identify the person asserting  
52 the patent as the owner.

53 (2) Prior to sending the demand, the person failed to conduct an analysis comparing the  
54 claims in the patent to the target's products, services, and technology, or the analysis was done  
55 but does not identify specific areas in which the products, services, and technology are covered  
56 by the claims in the patent.

57 (3) The demand lacks the information described in subdivision (1) of this subsection, the  
58 target requests the information, and the person fails to provide the information within a  
59 reasonable period of time.

60 (4) The person demands payment of a license fee or response within an unreasonably  
61 short period of time.

62 (5) The person offers to license the patent for an amount that is not based on a reasonable  
63 estimate of the value of the license, or the person offers to license the patent for an amount that is  
64 based on the cost of defending a potential or actual lawsuit.

65 (6) The claim or assertion of patent infringement is meritless, and the person knew or  
66 should have known that the claim or assertion is meritless; or the claim or assertion relies on an  
67 interpretation of the patent that was disclaimed during prosecution, and the person making the  
68 claim or assertion knows or should have known about the disclaimer, or would have known  
69 about the disclaimer if the person reviewed the patent's prosecution history.

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

71 (8) The person or its subsidiaries or affiliates have previously or concurrently filed or  
72 threatened to file one or more lawsuits based on the same or similar claim of patent infringement  
73 and (i) those threats or lawsuits lacked the information described in subdivision (1) of this

74 subsection or (ii) the person attempted to enforce the claim of patent infringement in litigation  
75 and a court found the claim to be meritless.

76 (9) The person making the claim or assertion sent the same demand or substantially the  
77 same demand to multiple recipients and made assertions against a wide variety of products and  
78 systems without reflecting those differences in a reasonable manner in the demands.

79 (10) The person making the claim or assertion is aware of, but does not disclose, any  
80 final, nonfinal, or preliminary postgrant finding of invalidity or unpatentability involving the  
81 patent.

82 (11) The person making the claim or assertion seeks an injunction when that is  
83 objectively unreasonable under the law.

84 (12) Any other factor the court finds relevant.

85 (b) A court may consider the following factors as evidence that a person has not made a  
86 bad-faith assertion of patent infringement:

87 (1) The demand contains the information described in subdivision (1) of subsection (a) of  
88 this section.

89 (2) Where the demand lacks the information described in subdivision (1) of subsection  
90 (a) of this section and the target requests the information, the person provides the information  
91 within a reasonable period of time.

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

94 (4) The person makes a substantial investment in the use of the patent or in the  
95 production or sale of a product or item that the person reasonably believes is covered by the  
96 patent. "Use of the patent" in the preceding sentence means actual practice of the patent and does  
97 not include licensing without actual practice.

98 (5) The person is either (i) the inventor or joint inventor of the patent or, in the case of a  
99 patent filed by and awarded to an assignee of the original inventor or joint inventor, is the  
100 original assignee or (ii) an institution of higher education or a technology transfer organization  
101 owned or affiliated with an institution of higher education.

102 (6) The person has demonstrated good-faith business practices in previous efforts to  
103 enforce the patent, or a substantially similar patent, or has successfully enforced the patent, or a  
104 substantially similar patent, through litigation.

105 (7) Any other factor the court finds relevant.

106 (c) This Article does not apply to any of the following:

107 (1) A demand letter or assertion of patent infringement arising under any of the  
108 following:

109 (i) 7 U.S.C. § 136, et seq.

110 (ii) 7 U.S.C. § 2321, et seq.

111 (iii) 21 U.S.C. § 301, et seq.

112 (iv) 35 U.S.C. § 161, et seq.

113 (v) 35 U.S.C. § 271(e)(2).

114 (vi) 42 U.S.C. § 262.

115 (2) A demand letter or assertion of patent infringement by or on behalf of (i) an  
116 institution of higher education incorporated under the laws of and with its principal offices in  
117 Massachusetts or (ii) a technology transfer organization owned by or affiliated with the  
118 institution of higher education.

119 (3) A demand letter or assertion of patent infringement by or on behalf of a nonprofit  
120 research organization recognized as exempt from federal income tax under 26 U.S.C. § 501(c)(3)  
121 incorporated under the laws of and with its principal offices in Massachusetts, or a technology  
122 transfer organization owned by or affiliated with the organization.

123 (4) A demand letter or assertion of patent infringement made by an operating entity or its  
124 affiliate.

125 (d) Subject to the provisions of subsections (a) and (b) of this section, and provided the  
126 activities are not carried out in bad faith, nothing in this section shall be construed to deem it an  
127 unlawful practice for any person who owns or has the right to license or enforce a patent to do  
128 any of the following:

129 (1) Advise others of that ownership or right of license or enforcement

130 (2) Communicate to others that the patent is available for license or sale

131 (3) Notify another of the infringement of the patent

132 (4) Seek compensation on account of past or present infringement or for a license to the  
133 patent

134 Section 3. (a) Upon motion by a target and a finding by the court that a target has  
135 established a reasonable likelihood that a person has made a bad-faith assertion of patent  
136 infringement in violation of this Chapter, the court shall require the person to post a bond in an  
137 amount equal to a good-faith estimate of the target's fees and costs to litigate the claim and  
138 amounts reasonably likely to be recovered under section 4 of this chapter, conditioned upon  
139 payment of any amounts finally determined to be due to the target. A hearing shall be held if  
140 either party so requests. A bond ordered pursuant to this section shall not exceed five hundred  
141 thousand dollars.

142 (b) The court may waive the bond requirement of subsection (a) of this section if it finds  
143 the person has available assets equal to the amount of the proposed bond or for other good cause  
144 shown.

145 (c) If the person asserting patent infringement fails within 30 days to pay any fee or cost  
146 ordered by a court in a matter related to the asserted patent infringement, the amount not paid  
147 shall be paid out of the bond posted under subsection (a) of this section without affecting the  
148 obligation of the person asserting patent infringement to pay any remainder of those fees or costs  
149 not paid out of the bond.

150 Section 4. (a) The Attorney General shall have the same authority under this Chapter to  
151 make rules, conduct civil investigations, bring civil actions, and enter into assurances of  
152 discontinuance as provided under Chapter 93A. In an action brought by the Attorney General  
153 pursuant to this Section, the court may award or impose any relief available under this Chapter.

154 (b) A target or a person aggrieved by a violation of this Chapter or by a violation of rules  
155 adopted under this Chapter may bring an action in superior court against a person who has made

156 a bad-faith assertion of patent infringement. A court may award to a plaintiff who prevails in an  
157 action brought pursuant to this subsection one or more of the following remedies:

158 (1) Equitable relief

159 (2) Damages

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

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

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

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

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

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

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