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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1222 Session of  
2014

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INTRODUCED BY TOMLINSON, PILEGGI, VOGEL AND EICHELBERGER,  
FEBRUARY 4, 2014

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REFERRED TO JUDICIARY, FEBRUARY 4, 2014

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AN ACT

1 Prohibiting bad faith assertions of patent infringement;  
2 conferring powers and imposing duties on the Attorney  
3 General; and imposing penalties.

4 The General Assembly of the Commonwealth of Pennsylvania  
5 hereby enacts as follows:

6 Section 1. Legislative findings and purpose.

7 (a) Legislative findings.--The General Assembly finds and  
8 declares as follows:

9 (1) This Commonwealth is striving to build an  
10 entrepreneurial and knowledge-based economy. Attracting and  
11 nurturing small and medium-sized Internet technology and  
12 other knowledge-based companies is an important part of this  
13 effort and will be beneficial to this Commonwealth's future.

14 (2) Patents are essential to encouraging innovation,  
15 especially in the Internet technology and knowledge-based  
16 fields. The protections afforded by the Federal patent system  
17 create an incentive to invest in research and innovation,  
18 which spur economic growth. Patent holders have every right

1 to enforce their patents when they are infringed, and patent  
2 enforcement litigation is necessary to protect intellectual  
3 property.

4 (3) The General Assembly does not wish to interfere with  
5 the good faith enforcement of patents or good faith patent  
6 litigation. The General Assembly also recognizes that it is  
7 preempted from passing any law that conflicts with Federal  
8 patent law.

9 (4) Patent litigation can be technical, complex and  
10 expensive. The expense of patent litigation, which may cost  
11 hundreds of thousands of dollars or more, can be a  
12 significant burden on small and medium-sized companies. The  
13 Commonwealth wishes to help its businesses avoid these costs  
14 by encouraging the most efficient resolution of patent  
15 infringement claims without conflicting with Federal law.

16 (5) In order for companies in this Commonwealth to be  
17 able to respond promptly and efficiently to patent  
18 infringement assertions against them, it is necessary that  
19 they receive specific information regarding how their  
20 product, service or technology may have infringed the patent  
21 at issue. Receiving such information at an early stage will  
22 facilitate the resolution of claims and lessen the burden of  
23 potential litigation on companies in this Commonwealth.

24 (6) Abusive patent litigation and the assertion of bad  
25 faith infringement claims can harm companies in this  
26 Commonwealth. A business that receives correspondence  
27 asserting such claims faces the threat of expensive and  
28 protracted litigation and may make a decision that it has no  
29 choice but to settle and to pay a licensing fee, even if the  
30 claim is meritless. This severely impairs small and medium-

1 sized companies and nonprofits that lack the resources to  
2 investigate and defend themselves against infringement  
3 claims.

4 (7) Not only do bad faith patent infringement claims  
5 impose a significant burden on individual businesses in this  
6 Commonwealth, they also undermine this Commonwealth's efforts  
7 to attract and nurture small and medium-sized Internet  
8 technology and other knowledge-based companies. Funds used to  
9 avoid the threat of bad faith litigation are no longer  
10 available to invest, produce new products, expand or hire new  
11 workers, thereby harming this Commonwealth's economy.

12 (b) Purpose.--Through this narrowly focused act, the General  
13 Assembly seeks to facilitate the efficient and prompt resolution  
14 of patent infringement claims, protect businesses in this  
15 Commonwealth from abusive and bad faith assertions of patent  
16 infringement and build this Commonwealth's economy, while at the  
17 same time respecting Federal law and being careful to not  
18 interfere with legitimate patent enforcement actions.

19 Section 2. Definitions.

20 The following words and phrases when used in this act shall  
21 have the meanings given to them in this section unless the  
22 context clearly indicates otherwise:

23 "Demand letter." A letter, e-mail or other communication  
24 asserting or claiming that the target has engaged in patent  
25 infringement.

26 "Target." A person:

27 (1) who has received a demand letter or against whom an  
28 assertion or allegation of patent infringement has been made;

29 (2) who has been threatened with litigation or against  
30 whom a lawsuit has been filed alleging patent infringement;

1 or

2 (3) whose customers have received a demand letter  
3 asserting that the person's product, service or technology  
4 has infringed a patent.

5 Section 3. Bad faith assertions of patent infringement.

6 (a) General rule.--A person shall not make a bad faith  
7 assertion of patent infringement.

8 (b) Evidence of bad faith.--A court may consider the  
9 following factors as evidence that a person has made a bad faith  
10 assertion of patent infringement:

11 (1) The demand letter does not contain all of the  
12 following information:

13 (i) The patent number.

14 (ii) The name and address of the patent owner or  
15 owners and assignee or assignees, if any.

16 (iii) Factual allegations concerning the specific  
17 areas in which the target's products, services and  
18 technology infringe the patent or are covered by the  
19 claims in the patent.

20 (2) Prior to sending the demand letter, the person fails  
21 to conduct an analysis comparing the claims in the patent to  
22 the target's products, services and technology, or such an  
23 analysis was done but does not identify specific areas in  
24 which the products, services and technology are covered by  
25 the claims in the patent.

26 (3) The demand letter lacks the information under  
27 paragraph (1), the target requests the information and the  
28 person fails to provide the information within a reasonable  
29 period of time.

30 (4) The demand letter demands payment of a license fee

1 or response within an unreasonably short period of time.

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

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

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

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

14 (i) those threats or lawsuits lacked the information  
15 described under paragraph (1); or

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

19 (9) Any other factor the court finds relevant.

20 (c) Evidence against bad faith.--A court may consider the  
21 following factors as evidence that a person has not made a bad  
22 faith assertion of patent infringement:

23 (1) The demand letter contains the information under  
24 subsection (b) (1).

25 (2) Where the demand letter lacks the information under  
26 subsection (b) (1) and the target requests the information,  
27 the person provides the information within a reasonable  
28 period of time.

29 (3) The person engages in a good faith effort to  
30 establish that the target has infringed the patent and to

1 negotiate an appropriate remedy.

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

5 (5) The person is:

6 (i) the inventor or joint inventor of the patent or,  
7 in the case of a patent filed by and awarded to an  
8 assignee of the original inventor or joint inventor, is  
9 the original assignee; or

10 (ii) an institution of higher education or a  
11 technology transfer organization owned or affiliated with  
12 an institution of higher education.

13 (6) The person has:

14 (i) demonstrated good faith business practices in  
15 previous efforts to enforce the patent, or a  
16 substantially similar patent; or

17 (ii) successfully enforced the patent, or a  
18 substantially similar patent, through litigation.

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

20 Section 4. Bond.

21 Upon motion by a target and a finding by the court that a  
22 target has established a reasonable likelihood that a person has  
23 made a bad faith assertion of patent infringement in violation  
24 of this act, the court shall require the person to post a bond  
25 in an amount equal to a good faith estimate of the target's  
26 costs to litigate the claim and amounts reasonably likely to be  
27 recovered under section 5, conditioned upon payment of any  
28 amounts finally determined to be due to the target. A hearing  
29 shall be held if either party so requests. A bond shall not  
30 exceed \$250,000. The court may waive the bond requirement if it

1 finds the person has available assets equal to the amount of the  
2 proposed bond or for other good cause shown.

3 Section 5. Enforcement, remedies and damages.

4 (a) Enforcement.--The Attorney General shall have the same  
5 authority under this act to make rules, conduct civil  
6 investigations, bring civil actions and enter into assurances of  
7 discontinuance as under the act of December 17, 1968 (P.L.1224,  
8 No.387), known as the Unfair Trade Practices and Consumer  
9 Protection Law. In an action brought by the Attorney General  
10 under this act the court may award or impose any relief  
11 available under the Unfair Trade Practices and Consumer  
12 Protection Law.

13 (b) Remedies.--A target of conduct involving assertions of  
14 patent infringement, or a person aggrieved by a violation of  
15 this act or by a violation of rules adopted under this act, may  
16 bring an action in a court of common pleas. A court may award  
17 the following remedies to a plaintiff who prevails in an action  
18 brought under this act:

19 (1) Equitable relief.

20 (2) Damages.

21 (3) Costs and fees, including reasonable attorney fees.

22 (4) Exemplary damages in an amount equal to \$50,000 or  
23 three times the total of damages, costs and fees, whichever  
24 is greater.

25 (c) Construction.--This act shall not be construed to limit  
26 rights and remedies available to the Commonwealth or to any  
27 person under any other law and shall not alter or restrict the  
28 Attorney General's authority with regard to conduct involving  
29 assertions of patent infringement.

30 Section 6. Effective date.

1        This act shall take effect in 30 days.