

HOUSE BILL 430

I4

4lr0381

By: **Delegate Cardin**

Introduced and read first time: January 24, 2014

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law – Patent Infringement – Assertions Made in Bad Faith**

3 FOR the purpose of prohibiting a person from making certain assertions of patent
4 infringement in bad faith; authorizing a court to consider certain factors as
5 evidence of whether a person has made an assertion of patent infringement in
6 bad faith or in good faith; providing that the Attorney General and the Division
7 of Consumer Protection of the Office of the Attorney General have the same
8 authority to take certain actions as the Attorney General and the Division have
9 under the Maryland Consumer Protection Act; authorizing certain individuals
10 to bring a civil action in a certain court to recover for certain injuries or losses
11 sustained as a result of a violation of this Act; authorizing a court to award
12 certain damages and remedies under certain circumstances; defining certain
13 terms; and generally relating to bad faith assertions of patent infringement.

14 BY adding to

15 Article – Commercial Law

16 Section 11–1601 through 11–1604 to be under the new subtitle “Subtitle 16. Bad
17 Faith Assertions of Patent Infringement”

18 Annotated Code of Maryland

19 (2013 Replacement Volume)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
21 MARYLAND, That the Laws of Maryland read as follows:

22 **Article – Commercial Law**

23 **SUBTITLE 16. BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT.**

24 **11–1601.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
2 INDICATED.

3 (B) “CLAIM” MEANS THE SCOPE OF THE PATENT OWNER’S EXCLUSIVE
4 RIGHTS TO THE USE AND CONTROL OF THE PATENT OWNER’S INVENTION.

5 (C) “DEMAND LETTER” MEANS A LETTER, AN ELECTRONIC MAIL, OR
6 ANY OTHER WRITTEN COMMUNICATION ASSERTING THAT A PERSON HAS
7 ENGAGED IN PATENT INFRINGEMENT.

8 (D) “DIVISION” MEANS THE DIVISION OF CONSUMER PROTECTION OF
9 THE OFFICE OF THE ATTORNEY GENERAL.

10 (E) “TARGET” MEANS A PERSON:

11 (1) WHO HAS RECEIVED A DEMAND LETTER OR AGAINST WHOM
12 AN ASSERTION OF PATENT INFRINGEMENT HAS BEEN MADE;

13 (2) WHO HAS BEEN THREATENED WITH LITIGATION OR AGAINST
14 WHOM A LAWSUIT HAS BEEN FILED ALLEGING PATENT INFRINGEMENT; OR

15 (3) WHO HAS AT LEAST ONE CUSTOMER WHO HAS RECEIVED A
16 DEMAND LETTER ASSERTING THAT THE PERSON’S PRODUCT, SERVICE, OR
17 TECHNOLOGY HAS INFRINGED A PATENT.

18 **11-1602.**

19 (A) A PERSON MAY NOT MAKE AN ASSERTION OF PATENT
20 INFRINGEMENT AGAINST ANOTHER IN BAD FAITH.

21 (B) (1) A COURT MAY CONSIDER THE FOLLOWING FACTORS AS
22 EVIDENCE THAT A PERSON HAS MADE AN ASSERTION OF PATENT
23 INFRINGEMENT IN BAD FAITH:

24 (I) THE DEMAND LETTER SENT BY THE PERSON DOES NOT
25 CONTAIN:

26 1. THE ALLEGED PATENT NUMBER;

27 2. THE NAME AND ADDRESS OF THE PATENT OWNER
28 OR ASSIGNEE, IF ANY; OR

1 **3. FACTS RELATING TO THE SPECIFIC AREAS IN**
2 **WHICH THE TARGET’S PRODUCT, SERVICE, OR TECHNOLOGY INFRINGES THE**
3 **PATENT OR IS COVERED BY THE CLAIMS IN THE PATENT;**

4 **(II) THE TARGET REQUESTED THE INFORMATION**
5 **DESCRIBED IN ITEM (I) OF THIS PARAGRAPH, AND THE PERSON FAILED TO**
6 **PROVIDE THE INFORMATION WITHIN A REASONABLE PERIOD OF TIME;**

7 **(III) BEFORE SENDING THE DEMAND LETTER, THE PERSON**
8 **DID NOT CONDUCT AN ANALYSIS COMPARING THE CLAIMS IN THE PATENT TO**
9 **THE TARGET’S PRODUCT, SERVICE, OR TECHNOLOGY, OR THE ANALYSIS WAS**
10 **CONDUCTED BUT DOES NOT IDENTIFY SPECIFIC AREAS IN WHICH THE**
11 **PRODUCT, SERVICE, OR TECHNOLOGY IS COVERED BY THE CLAIMS IN THE**
12 **PATENT;**

13 **(IV) THE DEMAND LETTER DEMANDED A RESPONSE OR**
14 **PAYMENT OF A LICENSING FEE WITHIN AN UNREASONABLY SHORT PERIOD OF**
15 **TIME;**

16 **(V) THE PERSON OFFERED TO LICENSE THE PATENT FOR**
17 **AN AMOUNT THAT IS NOT BASED ON A REASONABLE ESTIMATE OF THE VALUE OF**
18 **THE LICENSE;**

19 **(VI) THE ASSERTION OF PATENT INFRINGEMENT IS**
20 **WITHOUT MERIT, AND THE PERSON KNEW, OR SHOULD HAVE KNOWN, THAT THE**
21 **ASSERTION IS WITHOUT MERIT;**

22 **(VII) THE ASSERTION OF PATENT INFRINGEMENT IS**
23 **DECEPTIVE;**

24 **(VIII) 1. THE PERSON, OR A SUBSIDIARY OR AN AFFILIATE**
25 **OF THE PERSON, PREVIOUSLY HAS FILED OR THREATENED TO FILE ONE OR**
26 **MORE LAWSUITS BASED ON THE SAME OR A SIMILAR ASSERTION OF PATENT**
27 **INFRINGEMENT; AND**

28 **2. A. THE THREATS OR LAWSUITS DID NOT**
29 **PROVIDE THE INFORMATION DESCRIBED IN ITEM (I) OF THIS PARAGRAPH; AND**

30 **B. A COURT FOUND THE PERSON’S ASSERTION TO BE**
31 **WITHOUT MERIT; AND**

32 **(IX) ANY OTHER FACTOR THE COURT DETERMINES TO BE**
33 **RELEVANT.**

1 **(2) THE COURT MAY CONSIDER THE FOLLOWING FACTORS AS**
2 **EVIDENCE THAT A PERSON HAS MADE AN ASSERTION OF PATENT**
3 **INFRINGEMENT IN GOOD FAITH:**

4 **(I) IF THE DEMAND LETTER SENT BY THE PERSON DOES**
5 **NOT CONTAIN THE INFORMATION DESCRIBED IN PARAGRAPH (1)(I) OF THIS**
6 **SUBSECTION, THE PERSON PROVIDES THE INFORMATION TO THE TARGET**
7 **WITHIN A REASONABLE PERIOD OF TIME;**

8 **(II) THE PERSON HAS:**

9 **1. ENGAGED IN A GOOD FAITH EFFORT TO**
10 **ESTABLISH THAT THE TARGET HAS INFRINGED THE PATENT; AND**

11 **2. ATTEMPTED TO NEGOTIATE AN APPROPRIATE**
12 **REMEDY;**

13 **(III) THE PERSON HAS:**

14 **1. DEMONSTRATED GOOD FAITH BUSINESS**
15 **PRACTICES IN PREVIOUS EFFORTS TO ENFORCE A PATENT; OR**

16 **2. SUCCESSFULLY ENFORCED A PATENT THROUGH**
17 **LITIGATION;**

18 **(IV) THE PERSON HAS MADE A SUBSTANTIAL INVESTMENT**
19 **IN THE USE OF THE PATENT OR IN THE PRODUCTION OR SALE OF A PRODUCT**
20 **COVERED BY THE PATENT;**

21 **(V) THE PERSON IS:**

22 **1. AN INVENTOR OF THE PATENT OR AN ORIGINAL**
23 **ASSIGNEE; OR**

24 **2. A REPRESENTATIVE OF AN INSTITUTION OF**
25 **HIGHER EDUCATION OR A TECHNOLOGY TRANSFER ORGANIZATION AFFILIATED**
26 **WITH AN INSTITUTION OF HIGHER EDUCATION; AND**

27 **(VI) ANY OTHER FACTOR THE COURT DETERMINES TO BE**
28 **RELEVANT.**

29 **11-1603.**

1 **THE ATTORNEY GENERAL AND THE DIVISION SHALL HAVE THE SAME**
2 **AUTHORITY UNDER THIS SUBTITLE TO ADOPT REGULATIONS, CONDUCT**
3 **INVESTIGATIONS, AND BRING CIVIL AND CRIMINAL ACTIONS AS PROVIDED IN**
4 **TITLE 13 OF THIS ARTICLE.**

5 **11-1604.**

6 **(A) IN ADDITION TO ANY ACTION BY THE DIVISION OR ATTORNEY**
7 **GENERAL AUTHORIZED BY TITLE 13 OF THIS ARTICLE, A TARGET MAY BRING AN**
8 **ACTION IN AN APPROPRIATE COURT TO RECOVER FOR INJURY OR LOSS**
9 **SUSTAINED AS A RESULT OF A VIOLATION OF THIS SUBTITLE.**

10 **(B) IF A TARGET PREVAILS IN AN ACTION BROUGHT UNDER THIS**
11 **SUBTITLE AND IS AWARDED DAMAGES, THE COURT ALSO MAY AWARD:**

12 **(1) COURT COSTS AND FEES, INCLUDING REASONABLE**
13 **ATTORNEY'S FEES;**

14 **(2) EXEMPLARY DAMAGES IN AN AMOUNT NOT TO EXCEED THE**
15 **GREATER OF:**

16 **(I) \$50,000; OR**

17 **(II) THREE TIMES THE TOTAL OF DAMAGES, COSTS, AND**
18 **FEES; AND**

19 **(3) ANY EQUITABLE RELIEF THAT THE COURT CONSIDERS**
20 **APPROPRIATE.**

21 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
22 **October 1, 2014.**