

2016 -- H 7197

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LC003881
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO COMMERCIAL LAW - GENERAL REGULATORY PROVISIONS

Introduced By: Representatives Kennedy, Shekarchi, Ackerman, Azzinaro, and
Blazejewski

Date Introduced: January 15, 2016

Referred To: House Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 6 of the General Laws entitled "COMMERCIAL LAW - GENERAL
2 REGULATORY PROVISIONS" is hereby amended by adding thereto the following chapter:

3 CHAPTER 41.1

4 PATENT INFRINGEMENT

5 **6-41.1-1. Legislative findings and statement of purpose. --** (a) Rhode Island is striving
6 to build an entrepreneurial and knowledge-based economy. Attracting and nurturing small and
7 medium-size internet technology ("IT") and other knowledge-based companies is an important
8 part of this effort and will be beneficial to Rhode Island's future.

9 (b) Patents are essential to encouraging innovation, especially in the IT and knowledge-
10 based fields. The protections afforded by the federal patent system create an incentive to invest
11 in research and innovation, which spurs economic growth. Patent holders have every right to
12 enforce their patents when they are infringed, and patent enforcement litigation is necessary to
13 protect intellectual property.

14 (c) The general assembly does not wish to interfere with the good faith enforcement of
15 patents or good faith patent litigation. The general assembly also recognizes that Rhode Island is
16 preempted from passing any law that conflicts with federal patent law.

17 (d) Patent litigation can be technical, complex, and expensive. The expense of patent
18 litigation, which may cost hundreds of thousands of dollars or more, can be a significant burden
19 on small and medium-size companies. Rhode Island wishes to help its businesses avoid these

1 costs by encouraging the most efficient resolution of patent infringement claims without
2 conflicting with federal law.

3 (e) In order for Rhode Island companies to be able to respond promptly and efficiently to
4 patent infringement assertions against them, it is necessary that they receive specific information
5 regarding how their product, service, or technology may have infringed the patent at issue.
6 Receiving such information at an early stage will facilitate the resolution of claims and lessen the
7 burden of potential litigation on Rhode Island companies.

8 (f) Abusive patent litigation, and especially the assertion of bad faith infringement claims,
9 can harm Rhode Island companies. A business that receives a letter asserting such claims faces
10 the threat of expensive and protracted litigation and may feel that it has no choice but to settle and
11 to pay a licensing fee, even if the claim is meritless. This is especially so for small and medium-
12 size companies and nonprofits that lack the resources to investigate and defend themselves
13 against infringement claims.

14 (g) Not only do bad faith patent infringement claims impose a significant burden on
15 individual Rhode Island businesses, they also undermine Rhode Island's efforts to attract and
16 nurture small and medium-size IT and other knowledge-based companies. Funds used to avoid
17 the threat of bad faith litigation are no longer available to invest, produce new products, expand,
18 or hire new workers, thereby harming Rhode Island's economy.

19 (h) Through this narrowly focused act, the general assembly seeks to facilitate the
20 efficient and prompt resolution of patent infringement claims, protect Rhode Island businesses
21 from abusive and bad faith assertions of patent infringement, and build Rhode Island's economy,
22 while at the same time respecting federal law and being careful to not interfere with legitimate
23 patent enforcement actions.

24 **6-41.1-2. Definitions. – As used in this chapter:**

25 (1) "Demand letter" means a letter, e-mail, or other communication, asserting or claiming
26 that the target has engaged in patent infringement;

27 (2) "Person" means any natural person, or the estate of any natural person or trust or
28 association of persons, whether formal or otherwise, or any corporation, partnership, company, or
29 any other legal or commercial entity;

30 (3) "Target" means a Rhode Island person:

31 (i) Who has received a demand letter, or against whom an assertion or allegation of
32 patent infringement has been made;

33 (ii) Who has been threatened with litigation or against whom a lawsuit has been filed
34 alleging patent infringement; or

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

3 **6-41.1-3. Bad faith assertions of patent infringement.** – (a) A person shall not make a
4 bad faith assertion of patent infringement.

5 (b) A court may consider the following factors as evidence that a person has made a bad
6 faith assertion of patent infringement:

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

8 (i) The patent number;

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

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

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

17 (3) The demand letter lacks the information described in subsection (b)(1) of this section,
18 and after the target has requested the information, the person fails to provide the information
19 within a reasonable period of time.

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

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

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

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

27 (8) The person or its subsidiaries or affiliates have previously filed or threatened to file
28 one or more lawsuits based on the same or similar claim of patent infringement; and

29 (i) Those threats or lawsuits lacked the information described in subsection (b)(1) of this
30 subsection; or

31 (ii) The person attempted to enforce the claim of patent infringement in litigation and a
32 court found the claim to be meritless.

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

34 (c) A court may consider the following factors as evidence that a person has not made a

1 bad faith assertion of patent infringement:

2 (1) The demand letter contains the information described in subsection (b)(1) of this
3 section.

4 (2) The demand letter lacks the information described in subsection (b)(1) of this section
5 and after the target has requested the information, the person provides the information within a
6 reasonable period of time.

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

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

11 (5) The person is:

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

14 (ii) An institution of higher education or a technology transfer organization owned or
15 affiliated with an institution of higher education.

16 (6) The person has:

17 (i) Demonstrated good faith business practices in previous efforts to enforce the patent, or
18 a substantially similar patent; or

19 (ii) Successfully enforced the patent, or a substantially similar patent, through litigation.

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

21 **6-41.1-4. Bond.** – Upon a motion by a target and a finding by the court that a target has
22 established a reasonable likelihood that a person has made a bad faith assertion of patent
23 infringement in violation of this chapter, the court shall require the person to post a bond in an
24 amount equal to a good faith estimate of the target's costs to litigate the claim and amounts
25 reasonably likely to be recovered under §6-41.1-5(b), conditioned upon payment of any amounts
26 finally determined to be due to the target. A hearing shall be held if either party so requests. A
27 bond ordered pursuant to this section shall not exceed two hundred fifty thousand dollars
28 (\$250,000). The court may waive the bond requirement if it finds the person has available assets
29 equal to the amount of the proposed bond or for other good cause shown.

30 **6-41.1-5. Enforcement, remedies, and damages.** – (a) The attorney general shall have
31 the same authority under this chapter to conduct civil investigations, bring civil actions, and enter
32 into assurances of discontinuances as provided under chapter 36 of title 6 (antitrust law). In an
33 action brought by the attorney general under this chapter, the court may award or impose any
34 relief available under chapter 36 of title 6 (antitrust law).

1 (b) A target of conduct involving assertions of patent infringement or a person aggrieved
2 by a violation of this chapter may bring an action in superior court. A court may award the
3 following remedies to a plaintiff who prevails in an action brought pursuant to this subsection:

4 (1) Equitable relief;

5 (2) Actual damages;

6 (3) Costs and fees, including reasonable attorney's fees; and

7 (4) Exemplary damages in an amount equal to fifty thousand dollars (\$50,000) or three

8 (3) times the total of actual damages, costs, and fees, whichever is greater.

9 (c) This chapter shall not be construed to limit rights and remedies available to the state
10 of Rhode Island or to any person under any other law and shall not alter or restrict the attorney
11 general's authority under chapter 36 of title 6 (antitrust law) with regard to conduct involving
12 assertions of patent infringement.

13 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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- 1 This act would authorize the attorney general and/or aggrieved persons to file an action in
- 2 superior court alleging bad faith patent infringement and seeking equitable and/or monetary relief
- 3 including exemplary damages in connection with frivolous patent infringement claims.
- 4 This act would take effect upon passage.

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