

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5059

64th Legislature
2015 Regular Session

Passed by the Senate February 24, 2015
Yeas 41 Nays 6

President of the Senate

Passed by the House April 13, 2015
Yeas 94 Nays 3

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5059** as passed by Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5059

Passed Legislature - 2015 Regular Session

State of Washington

64th Legislature

2015 Regular Session

By Senate Law & Justice (originally sponsored by Senators Frockt, Fain, Pedersen, and Chase; by request of Attorney General)

READ FIRST TIME 02/06/15.

1 AN ACT Relating to bad faith assertions of patent infringement;
2 and adding a new chapter to Title 19 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that abusive patent
5 litigation, and especially the assertion of bad faith infringement
6 claims, can harm Washington's economy. A person or business that
7 receives a demand asserting such claims faces the threat of expensive
8 and protracted litigation and may determine that it has no choice but
9 to settle and to pay a licensing fee, even if the claim is meritless.
10 This is especially so for small and medium-sized entities and
11 nonprofits lacking adequate resources to investigate and defend
12 themselves against the infringement claims. Not only do bad faith
13 patent infringement claims impose a significant burden on individual
14 Washington businesses and other entities, they also undermine
15 Washington's efforts to attract and nurture information technology
16 and knowledge-based businesses. Resources expended to avoid the
17 threat of bad faith litigation are no longer available to invest,
18 develop and produce new products, expand, or hire new workers,
19 thereby harming Washington's economy. Through this legislation, the
20 legislature seeks to protect Washington's economy from abusive and

1 bad faith assertions of patent infringement, while not interfering
2 with federal law or legitimate patent enforcement actions.

3 NEW SECTION. **Sec. 2.** The definitions in this section apply
4 throughout this chapter unless the context clearly requires
5 otherwise.

6 (1) "Assertion of patent infringement" means:

7 (a) Sending or delivering a demand to a target;

8 (b) Threatening a target with litigation asserting, alleging, or
9 claiming that the target has engaged in patent infringement;

10 (c) Sending or delivering a demand to the customers of a target;
11 or

12 (d) Otherwise making claims or allegations, other than those made
13 in litigation against a target, that a target has engaged in patent
14 infringement or that a target should obtain a license to a patent in
15 order to avoid litigation.

16 (2) "Claim" means the scope of the patent owner's exclusive
17 rights to the use and control of the patent owner's invention.

18 (3) "Demand" means a letter, an email, or any other communication
19 asserting that a person has engaged in patent infringement.

20 (4) "Person" means any individual, corporation, partnership,
21 limited liability company, government, governmental subdivision,
22 institution of higher education, or any other legal or commercial
23 entity.

24 (5) "Target" means a person:

25 (a) Who has received a demand or against whom an assertion of
26 patent infringement has been made;

27 (b) Who has been threatened with litigation or against whom a
28 lawsuit has been filed alleging patent infringement; or

29 (c) Who has at least one customer who has received a demand
30 letter asserting that the person's product, service, or technology
31 has infringed a patent.

32 NEW SECTION. **Sec. 3.** (1) A person may not make assertions of
33 patent infringement in bad faith.

34 (2) A court may consider the following nonexclusive factors as
35 evidence that a person has made an assertion of patent infringement
36 in bad faith:

37 (a) The demand does not contain:

1 (i) The patent number or numbers issued by the United States
2 patent office or foreign agency;

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

5 (iii) Factual allegations relating to the specific areas in which
6 the target's product, service, or technology infringes the patent or
7 is covered by the claims in the patent;

8 (b) The target requested the information described in (a) of this
9 subsection, and the person failed to provide the information within a
10 reasonable time;

11 (c) Before making a demand, the person did not conduct any
12 analysis comparing the claims in the patent to the target's product,
13 service, or technology;

14 (d) The person threatens legal action that cannot legally be
15 taken;

16 (e) The assertion of patent infringement contains false,
17 misleading, or deceptive information;

18 (f) The person, or a subsidiary or an affiliate of the person,
19 has previously filed or threatened to file one or more lawsuits based
20 on the same or substantially equivalent assertion of patent
21 infringement, and a court found the person's assertion to be without
22 merit or found the assertion contains false, misleading, or deceptive
23 information; or

24 (g) Any other factor the court determines to be relevant.

25 (3) Nothing in the demand letter or patent assertion may be used
26 to move for declaratory judgment in underlying patent infringement
27 litigation.

28 (4) A court may consider the following factors as evidence that a
29 person has made an assertion of patent infringement in good faith:

30 (a) If the demand does not contain the information set forth in
31 subsection (2)(a) of this section, the person provides the
32 information to the target within a reasonable period of time after
33 such information is requested by the target;

34 (b) The person has:

35 (i) Engaged in reasonable analysis to establish a reasonable,
36 good faith basis for believing the target has infringed the patent;
37 and

38 (ii) Attempted to negotiate an appropriate remedy in a reasonable
39 manner;

40 (c) The person has:

1 (i) Demonstrated reasonable business practices in previous
2 efforts to enforce the patent; or

3 (ii) Successfully enforced the patent, or a substantially similar
4 patent, through litigation;

5 (d) The person has made a substantial investment in the use of
6 the patent or in the production or sale of a product covered by the
7 patent;

8 (e) The person is:

9 (i) An inventor of the patent or an original assignee;

10 (ii) An institution of higher education or a technology transfer
11 organization affiliated with an institution of higher education; or

12 (iii) Any owner or licensee of a patent who is using the patent
13 in connection with substantial research, development, production,
14 manufacturing, processing, or delivery of products or materials; or

15 (f) Any other factor the court determines to be relevant.

16 (5) Unless done in bad faith, nothing in this section may be
17 construed to deem it an unfair or deceptive trade practice for any
18 person who owns or has the right to license or enforce a patent to:

19 (a) Advise others of that ownership or right of license or
20 enforcement;

21 (b) Communicate to others that the patent is available for
22 license or sale; or

23 (c) Seek compensation on account of a past or present
24 infringement, or license to the patent, when it is reasonable to
25 believe that the person from whom compensation is sought may owe such
26 compensation or may need or want such a license to practice the
27 patent.

28 (6) The provisions of this act do not apply to a demand letter or
29 civil action that includes a claim for relief arising under 35 U.S.C.
30 Sec. 271(e)(2), 7 U.S.C. Sec. 136, 7 U.S.C. Sec. 2321, 21 U.S.C. Sec.
31 301, 35 U.S.C. Sec. 161, 42 U.S.C. Sec. 262, or 35 U.S.C. Sec. 287.

32 NEW SECTION. **Sec. 4.** The attorney general may bring an action
33 in the name of the state, or as parens patriae on behalf of persons
34 residing in the state, to enforce this chapter. For actions brought
35 by the attorney general to enforce the provisions of this section,
36 the legislature finds that the practices covered by this section are
37 matters vitally affecting the public interest for the purpose of
38 applying the consumer protection act, chapter 19.86 RCW. For actions
39 brought by the attorney general to enforce this chapter, a violation

1 of this chapter is not reasonable in relation to the development and
2 preservation of business and is an unfair or deceptive act in trade
3 or commerce and an unfair method of competition for purposes of
4 applying the consumer protection act, chapter 19.86 RCW.

5 NEW SECTION. **Sec. 5.** If any provision of this act or its
6 application to any person or circumstance is held invalid, the
7 remainder of the act or the application of the provision to other
8 persons or circumstances is not affected.

9 NEW SECTION. **Sec. 6.** This chapter may be known and cited as the
10 "patent troll prevention act."

11 NEW SECTION. **Sec. 7.** Sections 1 through 4 and 6 of this act
12 constitute a new chapter in Title 19 RCW.

--- END ---