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Authors

SWATHI SRINIVASAN, CHAIR

RYAN ZHANG, CHAIR

Rajvir Batra

Moritz Bonacker

Karina Gonzalez-Espinoza

Spencer Hurt

Amisha Kambath

Sydney Lewis

Eric Lin

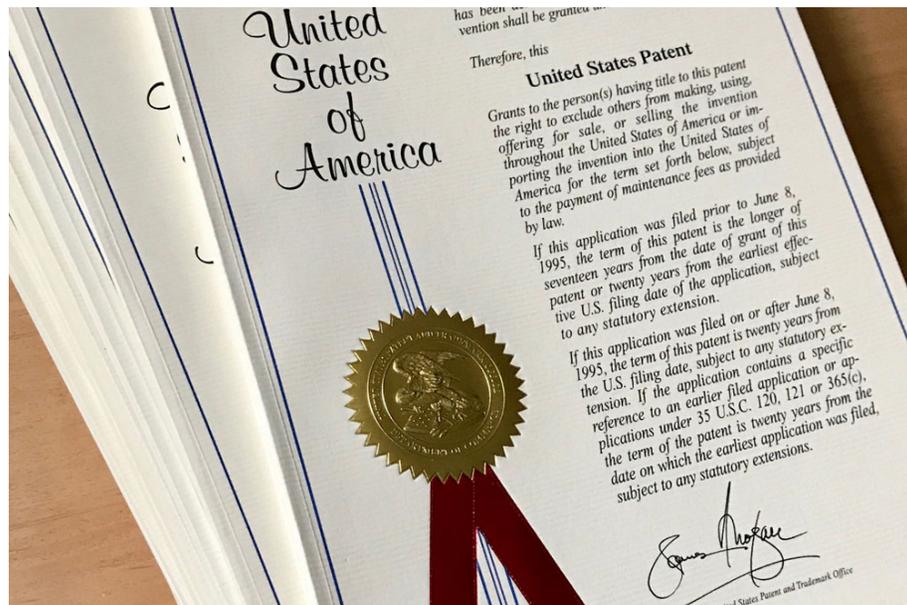
Keshav Rastogi

Connor Wagaman

Elly Zafft

PATENT TROLLING IN THE UNITED STATES

A State-by-State Analysis and Evaluation of Patent Trolling Legislation and Law



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Institute of Politics
Harvard University
79 John F. Kennedy Street
Cambridge, MA 02138
Tel: (617) 495-1360
Fax: (617) 496-4344
Web: www.iop.harvard.edu

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Executive Summary

The following proposal contains a survey of state-by-state research, recommendations, and sample text to compliment Sen. Lesser's upcoming bill to take legislative action against so-called patent trolls. As shown below, the vast majority of state legislation has focused specifically on bad faith infringement, but some states have also included good faith clauses as well as causes of action. The survey includes an overview section for each state, which highlights the partisan/bipartisan nature of the legislation, the key players in the passage or lack thereof, and the sociopolitical environment within the state. Each state summary concludes with the current environment of the legislation in each state, as well as the forces which may have influenced the passage of the legislation.

Upon reviewing the research conducted on a state-by-state basis, recommendations for how to secure passage of anti-troll legislation were discussed and debated. Recommendations are based on the passage of similar legislation, or lack thereof, in other states, and accommodate for the environment in the state of Massachusetts. The recommendations section refers to certain states, particular outcomes, and expert testimony. Recommendations include the following:

- Include clause that states “a demand or assertion of patent infringement that arises under 35 United States Code Section 271(e)(2) or 42 United States Code Section 262 is not subject to this article.”
- Maintain the clause “Any factor the court finds relevant”.
- The Attorney General must be willing to devote resources and develop expertise to successfully address patent trolling in Massachusetts.
- Clearly outline private cause of action as seen in New Hampshire. If the legislation does not pass, provide an easy method for outside jurisdiction to the Attorney General for patent protection, such as a Google Form or online request form, such as the New York state Attorney General submission form.
- Include exemptions for institutions of higher learning.
- Consider including a joinder provision, providing agency to the court, target, and state Attorney General.
- Keep clause 2(d) stating “reasonable timeframe.”

- Garner bipartisan support prior to the introduction of the legislation by appealing to small business interests.
- Simplify the language in the legislation by defining bad faith and good faith clearly.

Legislative language relating to the aforementioned recommendations, among others, is included in the recommendation section of this policy proposal. Given the explicit overlap among state legislation, the language resembles that of multiple states, each of which is cited.

Recommendations

The Supremacy Clause Argument

The Supremacy Clause requires that states do not interfere with the federal government's exercise of its constitutional powers. In the case of patent trolling, this can cause several barriers to effective patent legislation if the state ruling opposes federal ruling. States must draft very specific provisions to deal with patent trolls to avoid federal preemption.¹ While states do not deal with explicit preemption when it comes to patent laws, they may still be targeted under field preemption or conflict preemption. To avoid federal preemption, Massachusetts could implement the wording of Rhode Island's statute, which includes an exemption from this legislation for demand letters including a claim for relief under 35 U.S.C. §271(e)(2). In a similar vein, their could include wording from Arizona's Self Defeating Statute. Arizona's patent law states that "a demand or assertion of patent infringement that arises under 35 United States Code Section 271(e)(2) or 42 United States Code Section 262 is not subject to this article." By deferring to federal law, Arizona likely takes on responsibility in fewer cases, minimizing confusion about the jurisdiction in each case. What is notable is that federal patent law does not pertain to bad faith demand letters while Arizona's does; this suggests that federal law is not always broken when state law is and that there is very little overlap.

The greatest danger for patent trolling legislation is preemption by federal laws. In order to minimize this risk, it could be reasonable to remove any bad faith indicators related to the merit of the patent in question, unless a federal court has already ruled on the patent. State courts

¹ Jonathan Todd, "Stopping the Troll Tax: An Analysis of the Patent Troll Issue and South Carolina's Bad Faith Assertion of Patent Infringement Act," *South Carolina Law Review* 68, no. 4 (Spring 2017): 761-794

cannot assess the validity of a patent without conflicting with federal law. Even though removing this clause could make it harder to enforce patent trolling laws in some instances, it minimizes the risk of federal preemption. Focusing exclusively on demand letters and the filing process would certainly minimize risk in this regard.

Additionally, since, according to a 1979 Supreme Court ruling *Aronson v. Quick Point Pencil Co.*, “commercial agreements traditionally are the domain of state law,” followed by “State law is not displaced merely because the contract relates to intellectual property”, therefore states have the right to regulate patent licensing agreements within their borders.² States can also implement consumer protection laws, so the reframing of patent legislation as protecting consumers could help to avoid preemption.

Though this commission is concerned with the Massachusetts law, it is important to know that many argue that uniformity in patent law is crucial and that strong federal control is necessary. For that reason, a federal law giving individual states the freedom and capacity to create fair patent law would streamline patent laws. The Innovation Act is currently undergoing hearings which would place many state provisions into federal law.

Recommendation: Include clause that states “a demand or assertion of patent infringement that arises under 35 United States Code Section 271(e)(2) or 42 United States Code Section 262 is not subject to this article.”

Clause 2(i): “Any factor the court finds relevant”

Some states’ patent trolling laws do not explicitly state that the court can include any other factors it finds relevant in its decision about whether an assertion was made in good or bad

² <https://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1006&context=njtip>

faith. This is probably because the definitions of bad faith assertions were relatively exhaustive (and are quite similar to Bill S.128's definition), giving the authors of the bill no reason to provide courts that may not be directly trained to deal with patent trolling cases complete independence in making their rulings. Bad faith assertions are not the norm, constituting only 20% of all patent infringement claims, so ensuring that Bill S.128 provides clear definitions of bad faith assertions without room for bias in interpretation is likely imperative in getting it signed into law.

Recommendation: Maintain the clause “Any factor the court finds relevant”.

Role of the Attorney General

Patent trolls can often be intimidating, particularly for small businesses fearing the risk of a costly lawsuit. Therefore, cracking down on patent trolls is also a task for public law enforcement. By allowing both private and public cause of action, the state Attorney General has the opportunity to support small businesses' interests through class-action lawsuits. The state should generally allow individuals and the state Attorney General the ability to bring the sender of a demand letter to court. This enables the state to take action in cases that they have interests in while allowing individuals the flexibility and ability to pursue litigation on their own. However, if the state Attorney General has authority, they need to actually use that authority so that educational resources or resources intended for research are not unfairly threatened or expended. In a statement of support for the policy, LevelUp, a medium sized employee technology startup company based in Boston, stated the necessity of a private cause of action by explaining that their company had worked directly with the Attorney General on the issue of

patent trolls before and had found that office to be lacking in both the resources and expertise to adequately address the issue.³

Recommendation: The Attorney General must be willing to devote resources and develop expertise to successfully address patent trolling in Massachusetts.

Private Cause of Action

States such as New Hampshire have clear language on private cause of action. New Hampshire's legislation says the following: "I. The attorney general may bring an action in superior court for appropriate relief, including a temporary or permanent injunction, to enforce the provisions of this chapter. II. A target of conduct involving assertions of patent infringement, or a person aggrieved by a violation of this chapter may bring an action in superior court."⁴ By using clear language and assigning private cause of action, the Attorney General is able to exert jurisdiction on cases.

If the legislation does not pass, and there is no opportunity for private cause of action, there are other avenues Massachusetts may pursue. New York has no patent trolling legislation, but its AG published a set of guidelines in 2014 that allows private targets of patent trolling to submit complaints to the AG's office. Such guidelines could placate opponents of Senator Lesser's bill who are concerned with the potential restriction of good faith assertions, as New York's guidelines has faced little published opposition in years past. It is important to ensure that there is a clear and easy way for people to file complaints with the AG, and also have significant

³ Carroll, Brian. LevelUp Testimony on SB 128, SB 153, HB 130, § Joint Committee on Consumer Protection and Professional Licensure (2017).

⁴ <http://www.gencourt.state.nh.us/legislation/2014/SB0303.html>

penalties incurred by people found to be acting unlawfully. Ideally, there would be provisions for private cause of action.

Recommendation(s): Clearly outline private cause of action as seen in New Hampshire.⁵ If the legislation does not pass, provide an easy method for outside jurisdiction to the Attorney General for patent protection, such as a Google Form or online request form, such as the New York state Attorney General submission form.⁶

New Hampshire Clause:

I. The attorney general may bring an action in superior court for appropriate relief, including a temporary or permanent injunction, to enforce the provisions of this chapter.

II. A target of conduct involving assertions of patent infringement, or a person aggrieved by a violation of this chapter may bring an action in superior court.”

Exemptions for Universities and Healthcare Institutions

Pharmaceutical companies are among the parties most concerned about overreach of legislation intending to combat patent trolling.⁷ In response to these concerns, Wisconsin’s 2013 Act 339, which concerns patent notifications, explicitly exempts infringement notifications sent by healthcare institutions.⁸ Given pharma’s substantial presence in Massachusetts, neutralizing the industry’s concerns about the law should go a long way in getting Governor Baker to sign the bill into law.

⁵ <http://www.gencourt.state.nh.us/legislation/2014/SB0303.html>

⁶ <https://ag.ny.gov/patent-trolls>

⁷ <https://www.lexology.com/library/detail.aspx?g=7030f019-0443-4523-b7d7-94ab608ca371>

⁸ <https://docs.legis.wisconsin.gov/2013/related/acts/339>

Though an exemption for universities in patent trolling legislation may be helpful, in order to cater to the interests of only those who depend on just enforcement of their patents, the exemptions need not extend to any affiliates of the university. “In an average of 87% of universities over the last 20 years, the administrative costs of licensing patents through a dedicated Technology Transfer Office (TTO) were greater than the money that came in from licensing.”⁹ That is probably why only 5% of university patents are ever successfully licensed, and therefore very few of the cases raised will relate heavily to higher learning institutions. In order to raise support for this legislation in Massachusetts, support of these institutions should be garnered; doing so would not ignore a significant portion of trolls.¹⁰ Moreover, Brian Carroll, General Counsel for LevelUp explained that “the exclusions are more broad than the exclusions contained in all but two of the thirty-three states that have passed similar laws.”¹¹

Recommendation: Include exemptions for institutions of higher learning. See example text. Exemptions for pharmaceutical companies are likely to garner support. See example text.

Florida higher education exemption clause:

Exemptions. This part does not apply to an institution of higher education, to a technology transfer organization owned by or affiliated with an institution of higher education, or to a demand letter or an assertion of patent infringement that includes a claim for relief arising under 35 U.S.C. s. 271(e)(2) or 42 U.S.C. s. 262.¹²

Florida pharmaceutical exemption clause:

⁹ <http://www.ipwatchdog.com/2017/11/20/universities-patent-research/id=90200/>

¹⁰ <https://www.nature.com/news/universities-struggle-to-make-patents-pay-1.13811>

¹¹ Carroll, Brian. LevelUp Testimony on SB 128, SB 153, HB 130, § Joint Committee on Consumer Protection and Professional Licensure (2017).

¹² http://www.leg.state.fl.us/statutes/index.cfm/ch0697/index.cfm?App_mode=Display_Statute&Search_String=&URL=0500-0599/0501/Sections/0501.997.html

Exemptions. Subsection (2) does not apply to any of the following: (a) A patent notification of an institution of higher education or of a technology transfer organization that is owned, controlled, or operated by, or associated with, an institution of higher education.

(ag) A patent notification of a health care or research institution that has annual expenditures of at least \$10,000,000 and that receives federal funding.

(ar) A patent notification of an organization that is owned, controlled, or operated by an institution specified in par. (ag).¹³

Mississippi example for state institutions of higher learning:

The provision of this act shall not apply to any written or electronic communication sent by:

(a) Any owner of a patent who is using the patent in connection with substantial research, development, production, manufacturing, processing or delivery of products or materials; (b) A state institution of higher learning; (c) An agency of the State of Mississippi; (d) A technology transfer organization that is owned by or has a written affiliation agreement with a state institution of higher learning or an agency of the State of Mississippi, or is formed pursuant to Section 37-147-1; (e) Any person that has licensed patent rights from a state institution of higher learning, an agency of the State of Mississippi, or a technology transfer organization that is owned by or has a written affiliation agreement, a state institution of higher learning or an agency of the State of Mississippi, or is formed pursuant to Section 37-147-1, provided that the ownership of the patent rights remains with the state institution of higher learning, the agency of the State of Mississippi, or the technology transfer organization that is owned by or has a written affiliation agreement with a state institution of higher learning or an agency of the State of

¹³ <https://docs.legis.wisconsin.gov/2013/related/acts/339>

Mississippi, or is formed pursuant to Section 37-147-1; or (f) Any person seeking a claim for relief arising under 35 USC Section 271(e)(2) or 42 USC Section 262s.¹⁴

Accountability for Repercussions

There should be a greater specification of who pays the legal fees in the case that the countersuit alleging bad faith is successful. A primary reason why there was such backlash from universities against a new bill in Congress about bad faith clauses was because of two provisions within the bill, as explained in a letter by a group of universities to the House and Senate Judiciary Committees.¹⁵ The second provision was an “involuntary joinder” provision, which would force co-owners of a patent, such as corporate affiliates, to step in and pay these fees if the losing party could not, instead of the courts. Although it was meant to hold parent companies responsible for the action of the patent trolls they work with, an unintended consequence would be harming universities by forcing them to foot the bill.

Regarding the current legislation introduced in Massachusetts by Sen. Lesser, it stipulates in Section 4(f), “If a party is unable to pay an amount awarded by the court pursuant to subsection (a) or (b) of this section, the court may find any interested party joined pursuant to subsection (d) of this section jointly and severally liable for the abusive patent assertion and make the award recoverable against any or all of the joined interested parties.” The legislation should hold the person who sent a bad faith demand letter accountable for reparations, setting guidelines while giving some leniency to the judge as to the cost of the damages. In this way, the state does not have to take on costs and reparations are guaranteed to the target.

¹⁴

<https://codes.findlaw.com/ms/title-75-regulation-of-trade-commerce-and-investments/ms-code-sect-75-24-353.html>

¹⁵ <https://www.sciencemag.org/news/2015/04/us-universities-and-electronics-companies-spar-over-patent-troll-bill>

Recommendation: Include financial accountability for the entity which sent a bad faith demand letter, while providing discretion to the judge and court. See example text.

*Georgia example for remedy and damages:*¹⁶

If proceedings are initiated in a court of competent jurisdiction by the author of a demand letter or the author's agent, principal, client, or employee, a target may move that a bad faith assertion of patent infringement has been made in violation of this article and request that a protective order be issued as described in this Code section. Upon such motion and a finding by the court that a target has established a reasonable likelihood that an author of a demand letter has made a bad faith assertion of patent infringement, the court shall require the author of the demand letter to post a bond in an amount equal to a good faith estimate of the target's expenses of litigation, including an estimate of reasonable attorney's fees, conditioned upon payment of any amounts finally determined to be due to the target. A hearing shall be held if either party so requests. A bond ordered pursuant to this Code section shall not exceed \$250,000.00. The court may waive the bond requirement if it finds the author of the demand letter has available assets equal to the amount of the proposed bond or for other good cause shown. 14 HB 809/AP H. B. 809 - 4 - 10-1-773. (a) A violation of this article shall constitute an unfair and deceptive act or practice in the conduct of consumer transactions under Part 2 of Article 15 of this chapter, the 'Fair Business Practices Act,' and the enforcement against any such violation shall be by public enforcement by the administrator and shall be enforceable through private action. (b) Whenever it may appear to the administrator that any person is using or has used any method, act, or practice declared by this article to be unlawful and that proceedings would be in the public interest, the administrator

¹⁶ <http://www.legis.ga.gov/Legislation/20132014/143216.pdf>

may bring action in a court of competent jurisdiction. Upon a showing by the administrator that a person has violated this article, the court may enter or grant any or all of the relief provided for in Code Section 10-1-397. (c) Any person who suffers injury or damages as a result of a violation of this article may bring an action individually against the person or persons engaged in such violation under the rules of civil procedure to seek equitable injunctive relief and to recover his or her general and exemplary damages sustained as a consequence thereof in any court having jurisdiction over the defendant. Such relief may include: (1) Restitution to any person or persons adversely affected by a defendant's actions in violation of this article; (2) Punitive damages in an amount equal to \$50,000.00 or three times the combined total of damages, costs, and fees, whichever is greater; (3) Expenses of litigation, including reasonable attorney's fees; and (4) Other relief as the court deems just and equitable. (d) Except as otherwise provided, this article is cumulative with other laws and is not exclusive.

Joinder Provision

The “Joinder Provision,” added in North Carolina’s legislation, provides the opportunity to join interested parties in the lawsuit. In this way, thinly capitalized patent trolls operating with a network of shell corporations cannot avoid paying damages and fees by leveraging their corporate structure. As this is a strategy often used by patent trolls in the past, it could be reasonable to include such a clause in the legislation.

Recommendation: Consider including a joinder provision, providing agency to the court, target, and state Attorney General. See example text.

*North Carolina Joinder Provision*¹⁷

¹⁷ https://www.ncleg.net/EnactedLegislation/Statutes/PDF/ByArticle/Chapter_75/Article_8.pdf

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

Clause 2(d)

Some states’ patent trolling laws do not include a clause about the timeframe under which the patent notification or demand letter was asking for monetary compensation. While this criterion may not be the most reliable indicator of a bad faith assertion, especially as compared to clause 2(a)(3) and clause 2(b), which concern whether the assertions made in the notification are actually factual, the majority of states that have enacted laws have similar language regarding a “reasonable period of time”.¹⁸

Recommendation: Keep clause 2(d) stating “reasonable timeframe.”

Bipartisan Support

Though this may not be fully in Senator Lesser’s control, bipartisan support seems to be beneficial to the passage of patent-related bills. Within the states covered, failed bills were more likely to have very lopsided, or single-party, sponsorships. This is not always the case, but a prevalent trend. Since party affiliation does not seem to have been an issue in other states, with strongly Republican, Democratic, and mixed legislatures and governors all passing anti-patent troll legislation with overwhelming support, even if Governor Baker does not wish to sign the legislation, Senator Lesser could likely readily assemble a veto-proof majority. Although this is certainly easier said than done, it is an option for this legislation unlike many others.

¹⁸ Appendix.

Recommendation: Garner bipartisan support prior to the introduction of the legislation by appealing to small business interests.

Complexity of the Legislation

Although the proposed legislation in patent trolling shares similarities in wording across states, some states have longer and difficult pieces of legislation. For an example of even simpler legislation that manages to maintain exemptions, see New Hampshire.¹⁹ Adopting the precedent set by other states in terms of patent trolling legislation is encouraged, providing a higher likelihood of passage due to specific language that has bipartisan support in other states.

Recommendation: Simplify the language in the legislation by defining bad faith and good faith clearly. See New Hampshire as example text.²⁰

New Hampshire clause:

A court may consider the following factors as evidence that a person has made a bad faith assertion of patent infringement: (a) The demand letter does not contain the following information: (1) The patent number., (2) The name and address of the patent owner or owners and assignee or assignees, if any., (3) Factual allegations concerning the specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent. (b) Prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the target's products, services, and technology, or such an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent. (c) The demand letter lacks the information described in subparagraph II(a), the target requests the information, and the person fails to

¹⁹ <http://www.gencourt.state.nh.us/legislation/2014/SB0303.html>

²⁰ <http://www.gencourt.state.nh.us/legislation/2014/SB0303.html>

provide the information within a reasonable period of time. (d) The demand letter demands payment of a license fee or response within an unreasonably short period of time. (e) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license. (f) The claim or assertion of patent infringement is meritless, and the person knew or should have known that the claim or assertion is meritless. (g) The claim or assertion of patent infringement is deceptive. (h) The person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or a similar claim of patent infringement; and (1) Those threats or lawsuits lacked the information described in subparagraph II(a); or (2) The person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless. (i) Any other factor the court finds relevant. III. A court may consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement: (a) The demand letter contains the information described in subparagraph II(a). (b) Where the demand letter lacks the information described in subparagraph II(a) and the target requests the information, the person provides the information within a reasonable period of time. (c) The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy. (d) The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent. (e) The person is: (1) The inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, is the original assignee; or (2) An institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education. (f) The person has: (1) Demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent; or (2)

Successfully enforced the patent, or a substantially similar patent through litigation. (g) Any other factor the court finds relevant.

State Summaries

Alabama

Overview

In April 2014, Republican Governor Robert Bentley signed SB 121 into law, legislation to penalize demand letters alleging patent infringement sent in “bad faith.” The bill was introduced by Republican State Senator Arthur Orr. However, there was a significant amount of support from the press and groups such as the Alabama Bankers Association. Scott Latham, CEO and President of that group, wrote an opinion piece in which he applauded the Legislature’s actions but called for further federal action to protect Alabama’s businesses,²¹ especially given that the law provides exemptions for patents that fall under federal patent law and stipulates that SB 121 should be interpreted consistently with federal law.²²

Policies

A. Bad Faith Policies

The law outlines factors that constitute bad faith practices in Section 2(e). The law creates a higher standard for these claims of patent infringement by requiring them to include specifications of patent number, name of the owner/assignee, and specific factual allegations of the infringement. Moreover, the sender of the demand letter must have completed a comparative analysis of the actual product to the patent in question, and if the demand letter lacks this information and it is requested but not received in a “reasonable period of time,” the assertion is

²¹ Latham, Scott. “Alabama Also Needs Patent Troll Legislation at the Federal Level.” AL.com, May 26, 2014. http://www.al.com/opinion/index.ssf/2014/05/alabama_also_needs_patent_trol.html.

²² Orr, Arthur. Prohibit a person from asserting a claim of patent infringement in bad faith, Pub. L. No. 121 (n.d.). Accessed December 5, 2018.

considered in bad faith. The law also allows for the courts to have utmost jurisdiction given the last two stipulations of bad faith policy: 1) the demand letter is deceptive, and 2) “Any other factor the court finds relevant.”²³ Since the courts can define what they find to be deceptive and relevant, respectively, they have utmost judgement in the ruling. The law also uses as evidence that a person has not made a bad faith assertion of patent infringement if the person is the inventor or original assignee of the patent, an institute of higher education, or a “technology transfer organization” that is affiliated with the university.

B. Good Faith Policies

Furthermore, the bill details factors that constitute a good faith demand letter in Section 2(f), although many of the factors are simply the converse of the bad faith policies. In addition to these adjustments, the section also includes in good faith practices making a concentrated effort to establish a strong case for infringement, having a strong investment in the patent or technology relating to the patent, successfully enforcing the patent previously, and being the inventor or joint inventor of the patent. Strikingly, the legislation actually grants judges sweeping authority to also determine good faith policies as the last stipulation under that section is “Any other factor the court finds relevant,” similar to that under the bad faith section.²⁴

C. Cause of Action

Section 2 explicitly negates a private cause of action and states that a person may not make a claim asserting bad faith—only the state Attorney General can. The Attorney General is the only figure that can investigate for claims of good or bad faith, issue subpoenas, and initiate a civil action on the behalf of the state to prosecute entities sending out demand letters in bad faith.

²³ Ibid.

²⁴ Ibid.

In addition, a court can award any of the following remedies to a plaintiff: equitable relief, damages, costs and fees, and exemplary damages. However, there is a lack of clarity on whether the courts or the entity found to be acting in bad faith is responsible for paying the legal fees and the op-ed by Scott Latham urged federal legislation to have explicit “loser pays” stipulations to ensure that smaller companies defending against a claim of patent infringement do not have to worry about legal fees when they know that a letter was sent in bad faith²⁵.

Current Environment for Patent Trolling

Multiple support pieces for patent troll legislation were published in Alabama including a piece published in *The Montgomery Advertiser*, an outlet under the *USA Today* network, in December 2013 by Bill Canary, president and CEO of the Business Council of Alabama, Ellie Taylor, president of the Alabama Grocers Association, and Scott Latham once again.²⁶

²⁵ Latham, Scott. “Alabama Also Needs Patent Troll Legislation at the Federal Level.” AL.com, May 26, 2014. http://www.al.com/opinion/index.ssf/2014/05/alabama_also_needs_patent_trol.html.

²⁶ Canary, Bill, Ellie Taylor, and Scott Latham. “Alabama Voices: Legislation Needed to Stop Job-Killing Patent Trolls.” *The Montgomery Advertiser*, December 28, 2013. <https://www.montgomeryadvertiser.com/story/news/2013/12/29/alabama-voices-legislation-needed-to-stop-job-killing-patent-trolls-/4225217/>.

Alaska

Overview

Alaska is one of the few states with no state laws on patent trolling.²⁷ According to our research, there has also been no major initiative to introduce legislation in recent years. There may be no patent troll legislation because of the structure of the Alaskan economy. Its main industries are in resource extraction (mostly petroleum and gas) and the government, there are not many businesses which highly depend on innovation and the use of patents.²⁸ Alaska is also one of the least innovative states, measured as the number of patents issued per capita.²⁹

²⁷ See Intellectual Property Magazine June 2016 p. 54f.

²⁸ See Goldsmith 2013 (*What Drives The Alaska Economy?* In UA Research Summary No. 13 • December 2008 Institute of Social and Economic Research • University of Alaska Anchorage)

²⁹ See United States Patent and Trademark Office, “Patents Issued (per capita) (most recent) by state”, http://www.statemaster.com/graph/gov_pat_iss_percap-government-patents-issued-per-capita (accessed Nov 16, 2018)

Arizona

Overview

On March 24, 2016, Governor Doug Ducey signed HB 2386, the *Patent Troll Prevention Act*, into law. This law prohibits bad faith demand letters. The legislation was sponsored by Republican State Representative Eddie Farnsworth and was passed with wide unanimous bipartisan support in the State Senate and House. No comprehensive research exploring the implications or efficacy of this legislation have been found by the authors of this paper.

Policies

A. Bad Faith Policies

HB 2386 declares a demand letter to be in bad faith if it lacks necessary information (such as a patent number), does not specify how patents were infringed, makes unreasonable requests, has false or misleading details, or contains other factors that can be found relevant by the court.

B. Good Faith Policies

The law is somewhat lenient, however, because it establishes various terms of good faith. For example, the law allows a person to provide missing information to the target given they request it. Other characteristics of good faith demands include whether or not a person has made significant investments in a patent, has pursued litigation, attempted to negotiate a reasonable remedy, demonstrated reasonable business practices in previous attempts to enforce the patent, etcetera. HB 2386 also protects the practices of a person who owns or has the right to enforce a patent, asserting that the legislation does not make it unfair or deceptive to “advise other of that ownership or right of license or enforcement, communicate to others that the patent is available

for license or sale, notify another of the infringement of the patent pursuant to 35 United States Code Section 287, or seek compensation for a past or present infringement, or license to the patent, if it is reasonable to believe that the person from whom compensation is sought may owe the compensation or may need or want a license to practice the patent.”³⁰ The bill does not define how restitution is to be decided, likely leaving it to already existing laws.

C. Cause of Action

This legislation is enforceable through private action or prosecution by the state Attorney General. In addition, the legislation specifies that any patent violations that fall under federal law are not subject to the law.

³⁰ State of Arizona, Fifty-Second Legislature. “HB 3286.” 2016.
<https://www.azleg.gov/legtext/52leg/2r/bills/hb2386p.pdf>

Arkansas

Overview

Arkansas has not passed, or attempted to pass, any legislation regarding patent trolls and bad faith demand letters. However, the Arkansas Attorney General was among the 42 state Attorney Generals to submit a letter in support of federal legislation to curb patent trolling in February 2013.³¹ Furthermore, the only publicity over the issue we could find comes from an opinion piece by attorney Blake Glasgow, in which he argues that patent trolling is a large national problem and describes his experiences working specifically with Arkansas's businesses to deal with the demand letters they've received and the threat of patent trolls.³²

Current Environment for Patent Trolling

We were unable to find significant information given the little coverage of the issue of patent trolling in Arkansas.

³¹ Swain, Philip C. "Patent Troll Watch | Foley Hoag." Foley Hoag, March 14, 2016. <https://www.foleyhoag.com/publications/ebooks-and-white-papers/2016/march/state-ag-patent-troll-watch-march-2016>.

³² Glasgow, Blake. "Blake Glasgow: Patent Trolls Come To Arkansas." *Talk Business & Politics* (blog), November 13, 2013. <https://talkbusiness.net/2013/11/blake-glasgow-patent-trolls-come-arkansas/>.

California

Overview

California has been surprisingly inactive on patent trolling considering the immensity of innovation and tech companies present within the Silicon Valley. Part of the reason for the lack of action may be because of the role universities play in the process of research and patents. For example, the University of California was the co-plaintiff along with a patent troll called Eolas, alleging major tech companies violated patents. The company claimed to “own the concept of embedding interactive content in a Web page,”³³ and since the patent originated in the University of California, the university received a cut from those lawsuits. The participation and influence of California academia could be a factor that explains the reluctance to target patent trolling.

California has not been entirely silent on the issue. Although it is one of the few states to not have any patent troll legislation in place, California enacted AJR 9 in 2015. This resolution urges the President and Congress to “craft a balanced and workable approach to reduce incentives for and minimize unnecessary patent litigation while ensuring that legitimate patent enforcement rights are protected and maintained.”³⁴ The resolution unanimously passed in the Assembly, and received support from California Citizens Against Lawsuit Abuse, California Healthcare Institute, California Hotel & Lodging Association, the Electronic Frontier

³³ Lee, Timothy. “Patent Trolls Have a Surprising Ally: Universities - The Washington Post.” The Washington Post, November 30, 2013.

https://www.washingtonpost.com/news/the-switch/wp/2013/11/30/patent-trolls-have-a-surprising-ally-universities/?noredirect=on&utm_term=.e70a5e72d9e6.

³⁴ “Bill Text - AJR-9 Patent Reform.” California Legislative Information. Accessed October 8, 2018.

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AJR9.

Foundation, and the Internet Association, among others.³⁵ There were no listed groups in opposition to the bill.³⁶

Actual legislation that would have targeted patent trolls was introduced in 2015, but it stalled in the Senate Judiciary Committee.³⁷ SB 681 was introduced in February 2015, and would have made it a civil infraction to send out a written communication in bad faith about a patent infringement.³⁸ The bill analysis lists the following organizations as in support: California Bankers Association, California Chamber of Commerce, Innovation Alliance, Qualcomm, Inc., and Silicon Valley Leadership Group.³⁹ There are no groups listed in opposition to SB 681.⁴⁰

Policies

A. Bad Faith Policies

While SB 681 lists various actions that would be unlawful if done under bad faith, it never specifically defines what that would mean. The language used is that it would be unlawful to send a complaint letter if the sender “in bad faith, makes a specified statement, seeks compensation for specified conduct, or fails to include specific information in the communication.” The bill then goes on to list the specific statements that cannot be made and compensation that cannot be sought in bad faith. One example of a statement that cannot be made in bad faith is “that the sender has the right to license or enforce the patent at the time the communications are sent, if the sender is not a person with that right.” What’s interesting about

³⁵ Ibid.

³⁶ Ibid.

³⁷ Senate Judiciary Committee, “Bill Analysis”, *California Legislative Information*, Last modified February 27, 2015, Accessed October 08, 2018, http://www.leginfo.ca.gov/pub/15-16/bill/sen/sb_0651-0700/sb_681_cfa_20150420_150647_sen_comm.html

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

the way it's worded is that it's not implied that the action is inherently in bad faith and therefore unlawful, but rather it *could* be. This is in contrast to other states that frequently use the same example as being representative of acting in bad faith. In comparison, SB 681 specifically states that any of the listed actions can be defended by claiming it was a simple mistake.⁴¹

B. Good Faith Policies

SB 681 addresses good faith through a clause that reads “It shall be an affirmative defense that the sender did not act in bad faith if the sender demonstrates that the statement, representation, or omission was a mistake made in good faith.” Again, the bill does not specify that would define a mistake made in good faith.⁴²

C. Cause of Action

SB 681 specifies that violators would be charged a civil penalty of \$2,500 for each violation. A case against them could only be brought on by the state Attorney General however, not a private citizen: “notwithstanding any other law, the Attorney General or an attorney acting on behalf of the state shall have the sole authority to enforce its provisions, and that it shall not be construed to create a private right of action.”⁴³

⁴¹ “Bill Text - AJR-9 Patent Reform.” California Legislative Information. Accessed October 8, 2018. https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AJR9.

⁴² Ibid.

⁴³ Ibid.

Colorado

Overview

Colorado has worked to protect sources of innovation in the state from abusive practices of patent trolls. This is because Colorado is home to quickly-growing technological industries vital to job growth.⁴⁴ The state is home to innovative hubs like Boulder, a city with one of the highest patents per capita rates in the country.⁴⁵

In 2015, Democratic Representative Dan Pabon sponsored House Bill 15-1063, “A Bill for An Act Concerning Prohibited Communication Concerning Patents,” in the Colorado House of Representatives while Republican Senator David Balmer sponsored partner legislation in the Colorado State Senate. On May 6th, the bill passed the State House and State Senate, and Governor John Hickenlooper signed the bill into law on June 5.⁴⁶

Policies

HB 15-1063 limits the ability for patent trolls to make false claims or empty threats about litigation over patent rights. According to the bill summary: “The bill prohibits a person from making a written or electronic communication with another concerning a patent if: the communication falsely states that litigation has been commenced against the recipient or an affiliated party; the communication threatens litigation and there is a consistent pattern of such threats having been made but no litigation is filed; or the allegations in the communication lack a

⁴⁴ University of Colorado Boulder, Leeds School of Business. “Forty-Ninth Annual Business Economic Outlook.” 2014.

https://www.colorado.edu/business/sites/default/files/attached-files/2014_colo_bus_econ_outlook.pdf

⁴⁵ Metropolitan Policy Program at the Brookings Institute. “Patenting Prosperity: Invention and Economic Performance in the United States and its Metropolitan Areas.” 2013.

<https://www.brookings.edu/wp-content/uploads/2016/06/patenting-prosperity-rothwell.pdf>

⁴⁶ Open States. “HB 15-1063 Colorado House Bill.” 2015.

<https://openstates.org/co/bills/2015A/HB15-1063/#votes>

reasonable basis because of specified deficiencies.”⁴⁷ HB 15-1063 specifies that only the state Attorney General can file an action to enforce the prohibitions outlined in the bill. The legislation also outlines damages that the guilty party must compensate for.

This law gave state prosecutors a newfound power to act against patent trolls. Previously, such litigation was considered a private matter that parties were expected to resolve themselves. By making empty claims and falsely threatening litigation an illegal act, lawmakers were attempting to protect small businesses, particularly ones without many resources because “they’re more inclined to pay money to make a claim go away — even if it’s baseless — and avoid a long and expensive legal process.”⁴⁸

Current Environment for Patent Trolling

Little research has been conducted on HB 15-1063’s efficacy at protecting small businesses and innovative sectors. However, through ten thousand dollars of court records for expenses toward litigation and remedies towards plaintiffs, we know that it has resulted in litigation.⁴⁹

⁴⁷ “A Bill for An Act Concerning Prohibited Communication Concerning Patents” 2015 (Colorado). http://www.leg.state.co.us/clics/clics2015a/csl.nsf/fsbillcont3/1A35DBED9436A53D87257DA2006189AA?open&file=1063_01.pdf

⁴⁸ The Denver Post. “Colorado Taking Aim at Patent Trolls.” June 17, 2015. <https://www.denverpost.com/2015/06/17/colorado-taking-aim-at-patent-trolls/>

⁴⁹ Colorado Legislative Council Staff, Economics Section. “Focus Colorado: Economic and Revenue Forecast.” June 19, 2015. <http://www2.cde.state.co.us/artemis/gaserials/ga417internet/ga417201506internet.pdf>

Connecticut

Overview

In 2014, the state senate of Connecticut passed SB-258, “An Act Concerning Bad Faith Claims or Assertions of Patent Infringement.”⁵⁰ However, the legislation was not reintroduced in the House after 2014.

Policies

The National Federation of Independent Business, Andy Markowski, State Director, described the provisions of SB-258 as a “common sense approach to help protect small businesses from frivolous lawsuits related to bad faith patent assertion claims, by allowing for judicial relief, the awarding of attorney's fees for prevailing plaintiffs among other damages, and independent action by the Attorney General for enforcement. Legislators should keep in mind that even one frivolous lawsuit can easily wipe out an entire small business.”⁵¹

Those who argued against the law included PhRMA, which argued that the bill “prevents demand letters sent in good faith to marketplace competitors that are required to defend patents per federal laws.”⁵²

A. Bad Faith Policies

According to this statute, seven factors determine whether or not an entity has acted in bad faith, including specific information on the content of the demand letter, the reasonability time period of sending the letter and demanding payment, the specified financial demands, and the past history of the person sending the letter.⁵³

⁵⁰https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=SB258&which_year=2014

⁵¹ <https://www.cga.ct.gov/2014/JFR/S/2014SB-00258-R00JUD-JFR.htm>

⁵² <https://www.cga.ct.gov/2014/JFR/S/2014SB-00258-R00JUD-JFR.htm>

⁵³ <https://www.cga.ct.gov/2014/FC/2014SB-00258-R000118-FC.htm>

B. Good Faith Policies

The statute also describes seven factors that prove a patent infringement claim was not made in bad faith, including specifications about the patent number, the patent owner, the time period during which information is provided to the consumer upon request, efforts to engage in a good faith, investment in the use of the patent or the relative technologies, connection to the invention, as an institution of higher learning or technology transfer organization affiliated with an institution of higher learning, and past demonstrations of good faith. There is also a clause allowing the court to look at “any other factor the court finds relevant.”⁵⁴

C. Cause of Action

The state Attorney General may act on behalf of the state of Connecticut to bring an action relating to bad faith assertions of patent infringement. While the legislation does not explicitly create private cause of action, it does say that “Nothing in this section shall limit the right of a person adversely affected by violations of the law from bringing a private cause of action under this section or any other law that may entitle such person to relief.”⁵⁵

⁵⁴ Ibid.

⁵⁵ <https://www.cga.ct.gov/2014/FC/2014SB-00258-R000118-FC.htm>

Delaware

Overview

Delaware is a major player in the world of patent trolls. Delaware is home to more than 50 percent of publicly traded companies in the U.S. and more than 60 percent of Fortune 500 companies.⁵⁶ As a consequence, the 2017 Supreme Court ruling in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, a federal case which required patent litigation to occur in courts where companies are based, has resulted in a significant increase in patent litigation in Delaware.

In the year following *TC Heartland*, Delaware experienced the most patent litigation case filings of any US state, with 907 total filings, which accounts for 23 percent of total filings. Interestingly enough, however, there has not yet been legislation concerning patent trolls introduced to the state.⁵⁷

Policies

Despite Delaware's large role, there are no laws in force or bills introduced concerning patent troll prevention in the state.

Current Environment for Patent Trolls

Delaware has had a Democrat as governor for the past 25 years, since 1993, a Democratic state senate since before 1992, and a Democratic state house since 2009 (the House had a Republican majority from 1992-2009).⁵⁸ Again, despite bipartisan support in other states, there is no current law concerning patent trolling, and no efforts to add anti-patent troll legislation seem

⁵⁶ <https://technical.ly/delaware/2014/09/23/why-delaware-incorporation/>

⁵⁷ <http://www.ipwatchdog.com/2018/06/13/patent-litigation-shows-shift-towards-delaware/>

⁵⁸https://ballotpedia.org/Delaware_State_Senate; https://ballotpedia.org/Delaware_House_of_Representatives

to be in place. There has been no high-profile discussion in Delaware about creating a law to fight patent trolling.

Florida

Overview

The “Patent Troll Prevention Act” was passed in 2015 by the Florida legislature and signed into law.⁵⁹ Though limited by federal preemption, the state was motivated by a desire to build “an entrepreneurial and business-friendly economy” including protection for both companies and consumers from bad faith litigation threats while avoiding the prosecution of good faith.⁶⁰ It was developed by a bipartisan group of legislators.

One of the criteria for identifying bad faith litigation is whether the accuser “offered to license the patent for an amount that is not based on a reasonable estimate of the value of the license.”⁶¹ However, in order to make a reasonable offer, the plaintiff must secure documents detailing the revenue of the infringers, which in itself requires a lawsuit. In preventing bad faith letters, the Patent Troll Prevention Act encourages additional litigation.

Policies

A. Bad Faith Policies

The 2015 law clarifies that a demand letter is in bad faith if it includes a claim that the target, or a person affiliated with the target, has infringed a patent and that the target is legally liable for such infringement. Factors that define bad faith policy include false assertions within a demand letter, baseless claims, or a lack of sufficient information to inform the target of certain information.⁶²

⁵⁹http://www.leg.state.fl.us/statutes/index.cfm/ch0697/index.cfm?App_mode=Display_Statute&URL=0500-0599/0501/0501PartVIIContentsIndex.html&StatuteYear=2015&Title=-%3E2015-%3EChapter%20501-%3EPart%20VII

⁶⁰https://www.flsenate.gov/PublishedContent/Committees/2014-2016/JU/MeetingRecords/MeetingPacket_3450.pdf

⁶¹ <https://law.justia.com/codes/florida/2015/title-xxxiii/chapter-501/part-vii/section-501.993>

⁶²http://www.leg.state.fl.us/statutes/index.cfm/ch0697/index.cfm?App_mode=Display_Statute&URL=0500-0599/0501/0501PartVIIContentsIndex.html&StatuteYear=2015&Title=-%3E2015-%3EChapter%20501-%3EPart%20VII

B. Good Faith Policies

Laws such as the Patent Troll Prevention Act may encourage patent assertion entities to avoid using the traditional demand letter and opt instead for a federal patent infringement complaint. Institutions of higher learning are exempted from the statute, as well as assertions which include a claim to relief relating to biological and pharmaceutical products.⁶³

C. Cause of Action

The law as passed in Florida allows for private cause of action, by noting that “a person aggrieved by a violation of this part may bring an action in a court of competent jurisdiction.”⁶⁴

⁶³ Ibid.

⁶⁴http://www.leg.state.fl.us/statutes/index.cfm/ch0697/index.cfm?App_mode=Display_Statute&Search_String=&URL=0500-0599/0501/Sections/0501.995.html

Georgia

Overview

Georgia has been proactive in crafting legislation to curb the success of patent trolls. In July 2014, its House Bill 809 became effective. The legislation defined “claims in the patent,” “demand letters,” and “targets,” and established liability for bad and good faith assertions in a way very similar to legislation in other states such as Indiana.⁶⁵

Policies

A. Bad Faith Policies

In Georgia’s law, evidence of bad faith mainly centers around the demand letter.⁶⁶ Georgia’s law pays close attention to the wording and other circumstances of the demand letter in an effort to detect bad faith. Some examples of bad faith include: an insufficient demand letter (e.g. missing patent number, name and address of patent owner, factual allegations of the infringement), insufficient analysis before the sending of the demand letter, and a letter demanding payment in an unreasonably short period of time. It also stipulates that if previous lawsuits by the same entity were found to be in of bad faith, it might be indicative that the current lawsuit is also in bad faith. If a letter is found to be in bad faith, the law stipulates many possible punishments, such as granting restitution to the aggrieved party and charge punitive damages up to \$50,000 or three times the total costs/damage inflicted.⁶⁷

B. Good Faith Policies

⁶⁵ <https://www.washingtonexaminer.com/patent-troll-law-goes-into-effect-in-georgia>

⁶⁶ <http://www.legis.ga.gov/Legislation/20132014/143216.pdf>

⁶⁷ <http://www.ipbrief.net/2014/07/26/georgias-law-against-patent-trolls/>

Georgia's law also clarifies what would constitute a good faith letter. Georgia's listed evidence of good faith include: the demand letter does not satisfy the conditions of bad faith, the author of the demand letter has substantial investment in the use of the patent, or the author of the demand letter is either the inventor, institution of higher education, or has a history of good faith assertions.

C. Cause of Action

Georgia's law establishes a civil cause of action. According to the legislation, "Any person who suffers injury or damages as a result of a violation of this article may 104 bring an action individually against the person or persons engaged in such violation under 105 the rules of civil procedure to seek equitable injunctive relief and to recover his or her 106 general and exemplary damages".⁶⁸

⁶⁸ <http://www.legis.ga.gov/Legislation/20132014/143216.pdf>

Hawaii

Overview

Hawaii has neither passed nor introduced patent troll legislation.⁶⁹ However, there has been participation from Senator Hirono to push through a patent act through the Senate. Additionally, it is important to note that the University of Hawaii was one of the forces attempting to block the passage of the Senate bill.⁷⁰

Media coverage within Hawaii of patent reform legislation occurring outside of the state has been somewhat negative. The Honolulu Civil Beat has run two articles on patent trolling, one in 2011,⁷¹ and one in 2014.⁷² There seems to be a concern that not enough patents are being filed in Hawaii to begin with, and further legislation would negatively impact both small business and larger scale research institutions.

⁶⁹ <https://www.pillsburylaw.com/images/content/1/0/v2/104295/054-056IPM-June-2016Feat.pdf>

⁷⁰ <https://www.eff.org/deeplinks/2014/05/students-and-researchers-take-stand-against-patent-trolls>

⁷¹ LaFrance, Adrienne. "Hawaii Problems Won't Be Fixed by Patent Reform." Honolulu Civil Beat. September 06, 2011. Accessed November 16, 2018.

<https://www.civilbeat.org/2011/09/12712-hawaii-problems-wont-be-fixed-by-patent-reform/>.

⁷² LaFrance, Adrienne. "Hawaii Problems Won't Be Fixed by Patent Reform." Honolulu Civil Beat. September 06, 2011. Accessed November 16, 2018.

<https://www.civilbeat.org/2011/09/12712-hawaii-problems-wont-be-fixed-by-patent-reform/>.

Idaho

Overview

In March 2014, Idaho Governor Butch Otter (R) signed Senate Bill 1354 into law.⁷³ The Bad Faith Assertions of Patent Infringement Act, designed to crack down on patent trolls, was sponsored by then-Lieutenant Governor Brad Little (R) and Representative Luke Malek (R). The legislation was supported by Micron Technology, a publicly-traded semiconductor company based in Boise, ID, that found itself facing numerous IP-related lawsuits.⁷⁴ The text of the law focuses on reducing actions by patent trolls that could hurt “Idaho’s efforts to attract and nurture IT and other knowledge-based companies.”⁷⁵

Policies

A. Bad Faith Policies

The law addresses bad faith assertions of patent infringement and implements a set of criteria, primarily based on the structure and contents of the demand letter or other form of communication, to determine whether the assertion was in fact made in bad faith. Information used to decide that a demand letter (or similar document) makes a bad faith assertion of patent infringement include the circumstances during which a person sends a demand letter, the information contained in the letter itself, factual allegations regarding the target’s products, services and technology, the reasonability of demands for payment, and the merit of the claim or assertion of patent infringement.

⁷³<https://www.washingtonexaminer.com/idaho-governor-signs-patent-troll-bill-into-law-new-hampshire-working-on-its-own>

⁷⁴<https://www.businesswire.com/news/home/20190129005259/en/INVESTOR-ACTION-ALERT-Schall-Law-Firm-Announces>;<https://www.prnewswire.com/news-releases/rm-law-announces-class-action-lawsuit-against-micron-technology-inc-300785475.html>

⁷⁵ <https://legislature.idaho.gov/statutesrules/idstat/title48/t48ch17/sect48-1701/>

B. Good Faith Policies

The legislature was careful to ensure that none of the legislation “interfere[s] with the good faith enforcement of patents or good faith patent litigation,” and that “nothing conflicts with federal patent law.”⁷⁶ A particular effort was made to prohibit “abusive patent litigation,” with such litigation identified primarily through the receipt of demand letters, defined as “a letter, e-mail or other communication asserting or claiming that the target has engaged in patent infringement, or that the actions of the target would benefit from the grant of a license to any patent, or any similar assertion.”⁷⁷

Notably, the law also includes a list of features that make a demand letter reasonable: “A. The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy. B. The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent. C. The person has: Demonstrated good faith in previous efforts to enforce the patent, or a substantially similar patent; or Successfully enforced the patent, or a substantially similar patent, through litigation.” If the filer of the demand letter is found to be in violation of Idaho Code § 48-17, remedies and damages can be awarded.⁷⁸

C. Cause of Action

⁷⁶ https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1701

⁷⁷ https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1702

⁷⁸ https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1706

A complaint can be brought by the affected person, through a private action lawsuit. The state Attorney General can also bring complaints, as per provisions in the Idaho consumer protection act, chapter 6, title 48, Idaho Code.⁷⁹

⁷⁹https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1706; https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1705

Illinois

Overview

In the recent past, there have been three pieces of legislation related to patent trolling introduced in Illinois. The first was SB 3405 in 2014⁸⁰, followed by HB 2691 in 2015⁸¹ and SB 2887 in 2016.⁸² All three bills aimed to amend the Illinois Consumer Fraud and Deceptive Business Practices Act, a “state statute designed to protect consumers from business owners who use deceptive tactics to prey on consumers.”⁸³ Only SB 3405 was successfully signed into law.

There were approximately 160 cases of patent related lawsuits brought to Illinois courts in 2015, compared to 149 in 2014, 248 in 2016, and 196 in 2017.⁸⁴

Patent trolling in Illinois seems to be a relatively bi-partisan issue. Of the two failed bills, one was introduced by a Republican and the other by a Democrat. SB 3405 was introduced by a Democrat, but picked up Republican co-sponsors in both the House and the Senate before being signed by the governor.⁸⁵

Press coverage of patent trolls in Illinois slowed from a high point in 2013-14, and the tone has clearly shifted. Recent and semi-recent coverage focused mainly on high profile

⁸⁰ Griffin, Jonathan. "2014 PATENT TROLLING LEGISLATION." National Conference of State Legislatures. September 21, 2015. <http://www.ncsl.org/research/financial-services-and-commerce/patent-trolling-legislation.aspx>.

⁸¹ *ibid.*

⁸² *ibid.*

⁸³ Illinois Consumer Fraud Explained | What Is Consumer Fraud? Learn about Law. July 10, 2018. <https://www.oflaherty-law.com/learn-about-law/consumer-fraud-in-illinois>.

⁸⁴ Patent Cases, Dockets and Filings in the District of Illinois." Justia Dockets & Filings. <https://dockets.justia.com/browse/state-illinois/noscat-10/nos-830?page=1>.

⁸⁵ Bill Status of SB3405 98th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=3405&GAID=12&DocTypeID=SB&SessionID=85&GA=98>.

national issues of patent legislature, like the 2017 Supreme Court ruling⁸⁶ and lawsuits involving large companies like IBM and Apple⁸⁷.

Policies

A. Bad Faith Policies

SB 3405 doesn't mention bad faith, focusing instead on making "blatantly untrue" attacks unlawful. This includes a person claiming to have a patent over something when they do not; a person claiming that they will take legal action when they have no intent to do so; or if not enough information is included in the complaint letter, making it unnecessarily difficult for someone receiving it to understand what exactly is an infringement and what is not.⁸⁸ HB 2691 is very similar to SB 3405 and likewise does not refer bad faith. The main difference is that it focuses on copyrights instead of only patents.⁸⁹

SB 2887 is structured differently from the previous two bills, and instead lists out what could be considered evidence that a patent complaint was filed in bad faith. This includes: a complaint letter that does not include the patent number, name and current address of the filer,

⁸⁶ Brian Fung, "The Supreme Court's Big Ruling on 'patent Trolls' Will Rock Businesses Everywhere," Chicago Tribune, May 28, 2017,

<https://www.chicagotribune.com/bluesky/technology/ct-bsi-wp-supreme-court-patent-trolls-20170526-story.html>.

⁸⁷ Elahi, Amina. "Groupon Is Focus of IBM's Latest Patent-infringement Suit." Chicago Tribune. March 03, 2016.

<https://www.chicagotribune.com/bluesky/originals/ct-ibm-sues-groupon-bsi-20160302-story.html>; Lanxon, Nate.

"Nokia Sues Apple to Escalate Mobile-patent Licensing Battle." Chicago Tribune. December 22, 2016.

<https://www.chicagotribune.com/bluesky/technology/ct-nokia-apple-patents-blm-bsi-20161222-story.html>.; Chang,

Andrea, and Javier Panzar. "Apple Ordered to Pay \$533 Million in iTunes Patent Lawsuit." Chicago Tribune.

February 26, 2015. <https://www.chicagotribune.com/business/la-fi-apple-patent-verdict-20150226-story.html>

Chang, Andrea, and Javier Panzar. "Apple Ordered to Pay \$533 Million in iTunes Patent Lawsuit." Chicago

Tribune. February 26, 2015.

<https://www.chicagotribune.com/business/la-fi-apple-patent-verdict-20150226-story.html>

⁸⁸ "Patent Cases, Dockets and Filings in the District of Illinois." Justia Dockets & Filings.

<https://dockets.justia.com/browse/state-illinois/noscat-10/nos-830?page=1>.

⁸⁹ "Bill Status of HB2691 99th General Assembly." Illinois General Assembly Home Page.

<http://www.ilga.gov/legislation/BillStatus.asp?DocNum=2691&GAID=13&DocTypeID=HB&LegID=88417&SessionID=88&SpecSess=&Session=&GA=99>.

and specific infringement; failure to provide this information within a reasonable time period if it is requested; failure to conduct an analysis of how the product infringes on the patent; a demand for monetary compensation or response in too short a time frame; a license offer that does not accurately reflect the market price of the patent; the person filing the complaint reasonably should have known that it was not valid; or previous claims from the same entity have been previously deemed meritless.⁹⁰

B. Good Faith Policies

SB 3405 specifies that it is lawful for someone who owns a patent or has the legal right to license it to: advise others about its content, inform others if it is up for sale, notify others of infringement, or seek compensation for past or present infringement.⁹¹ HB 2691 is extremely similar to SB 3405 in terms of what is considered lawful, and was likely influenced by its success.⁹²

SB 2887 states that there is evidence of the patent holder acting in good faith if: they included all the suggested information in the original letter; provided any missing information within a reasonable period of time if prompted; they have demonstrated good business practice in the past when dealing with patents; or if they are the original inventor, assignee, joint inventor, an institution of higher learning, or affiliated with one.⁹³

⁹⁰ "Bill Status of SB2887 99th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?GAID=13&GA=99&DocNum=2887&DocTypeID=SB&SessionID=88&LegID=96207&SpecSess=&Session=>

⁹¹ "Patent Cases, Dockets and Filings in the District of Illinois." Justia Dockets & Filings. <https://dockets.justia.com/browse/state-illinois/noscat-10/nos-830?page=1>.

⁹² "Bill Status of HB2691 99th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=2691&GAID=13&DocTypeID=HB&LegID=88417&SessionID=88&SpecSess=&Session=&GA=99>.

⁹³ "Bill Status of SB2887 99th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?GAID=13&GA=99&DocNum=2887&DocTypeID=SB&SessionID=88&LegID=96207&SpecSess=&Session=>

C. Cause of Action

HB 2691 states that “a person who sends certain written communications bears liability or owes compensation to another person if: (1) the communication falsely states that litigation has been filed against the intended recipient; or (2) the assertions contained in the communication lack a reasonable basis in fact or law because the communication seeks compensation for a copyright that has been held invalid or unenforceable in a final, unappealable or unappealed, judicial or administrative decision.”⁹⁴

SB 3405 includes the same language and conditions stated in HB 2691, but states that someone is also liable if: “the communication falsely threatens that administrative or judicial relief will be sought if compensation is not paid or the infringement issue is not otherwise resolved,” or “the content of the communication fails to include information necessary to inform an intended recipient or any affiliated person about the patent assertion.”⁹⁵

SB 2887 also states that “a target may bring a civil action in circuit court against a person who has made a bad faith assertion of patent infringement against the target,” the conditions for what constitutes a bad faith assertion being mentioned before.⁹⁶

⁹⁴ "Bill Status of HB2691 99th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=2691&GAID=13&DocTypeID=HB&LegID=88417&SessionID=88&SpecSess=&Session=&GA=99>.

⁹⁵ "Bill Status of SB3405 98th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=3405&GAID=12&DocTypeID=SB&SessionID=85&GA=98>.

⁹⁶ "Bill Status of SB2887 99th General Assembly." Illinois General Assembly Home Page. <http://www.ilga.gov/legislation/BillStatus.asp?GAID=13&GA=99&DocNum=2887&DocTypeID=SB&SessionID=88&LegID=96207&SpecSess=&Session=>

Indiana

Overview

Indiana has shown a continued interest in limiting the operations of patent trolls. This has come largely in the form of legislation defining bad faith activity in relation to patent litigation. Indiana's Troll Statute, P.L. 172-2015, became effective on July 1, 2015 and was incorporated into Indiana Code as Title 24, Trade Regulation § 24-11-3-2.⁹⁷

Policies

A. Bad Faith Assertions

A list of factors of bad faith are given in Indiana Code § 24-11-3-2. The first few indicators center on characteristics of the demand letter. Indiana's legislation targets vague demand letters by specifying that a demand letter was written in bad faith if it did not include the name and address of the patent owner, any assignee of the patent, and factual allegations identifying areas of the patent that were infringed upon.⁹⁸ Other listed bad faith factors include a failure to provide analysis on the products claimed to be infringing the patent, if the demand letter demands a licensing fee in an unreasonable amount of time, the claim of infringement is meritless, the licensing fee is not a reasonable estimate, or if the person has previously filed or threatened litigation along the same lines as the current litigation.

B. Good Faith Assertions

⁹⁷ "Indiana Troll Statute Enacted." Quarles & Brady LLP. Accessed November 1, 2018.

<https://www.quarles.com/publications/indiana-troll-statute-enacted/>;

<http://iga.in.gov/legislative/laws/2017/ic/titles/024#24-11-1-1>

⁹⁸ "Indiana Code Title 24. Trade Regulation § 24-11-3-2." Findlaw. Accessed November 1, 2018.

<https://codes.findlaw.com/in/title-24-trade-regulation/in-code-sect-24-11-3-2.html>.

Factors indicating good faith are also stated in Indiana Code § 24-11-3-2. Firstly, it is stated that if all the requirements in the bad faith assertions were not met, it is indicative of good faith. Other listed evidence of good faith includes if the person bringing the litigation has heavily invested in the use of the patent or actively produces and/or sells products under the patent. This in effect implies that patent troll bad faith assertions only pertain to non-practicing entities, as practicing entities are protected under the good faith clause. A few final factors implying good faith include if the plaintiff is the inventor or an assignee of the original inventor of the patent, or the plaintiff has shown a history of business practices in good faith in the past, especially if the plaintiff has won litigation cases in the past on the specific patent.

Iowa

Overview

Iowa does not have a patent trolling law in place. However, the issue has been a topic of public discussion for several years. In January 2015, Senate Study Bill 1028 was introduced to target patent trolling—it included a private right of action for bad faith patent infringement claims as well as remedies and penalties for victims of bad faith assertions. The bill stalled after facing strong opposition from pharmaceutical companies and institutions of higher education.⁹⁹

Policies

A. Bad Faith Policies

Senate Study Bill 1028 includes a wide range of indicators for bad faith assertions. Indicators to be considered by a court include missing information in the demand letter and the failure to provide such information in a reasonable amount of time, making obviously meritless claims of patent infringement as well as demanding an unreasonably high payment in a short amount of time.¹⁰⁰ Bad faith indicators therefore follow legislation introduced in other states.

There are also consequences if bad faith is found, including that the court can require payment of equitable relief, damages, costs, and fees, as well as exemplary damages amounting to fifty thousand dollars or three times total damages, costs, and fees, whichever is greater.¹⁰¹

B. Good Faith Policies

⁹⁹ See Swain 2016, “Patent Troll Watch”, <https://www.foleyhoag.com/publications/ebooks-and-white-papers/2016/march/state-ag-patent-troll-watch-march-2016> (accessed December 7th 2018)

¹⁰⁰ General Assembly Iowa, SSB 1028, Section 2, 2.

<https://www.legis.iowa.gov/publications/search/document?fq=id:620824&q=ssb1028>

¹⁰¹ General Assembly Iowa, SSB 1028, Section 3

The absence of bad faith indicators like providing all of the necessary information to determine the infringement claim and engaging in a good faith effort to resolve the assertion are considered as good faith indicators. If the alleged infringer is the inventor of the patent, an institution of higher education, or if the party makes substantial investment in the user of the patent, this is also evidence for a good faith patent infringement claim.¹⁰²

C. Cause of Action

The bill includes a private cause of action with the possibility for the attorney general to file lawsuits in order to achieve consumer reimbursement. The bill applies to all residents of Iowa, thereby protecting them against patent trolling.¹⁰³

¹⁰² General Assembly Iowa, SSB 1028, Section 2, 3.

¹⁰³ General Assembly Iowa, SSB 1028, Section 4

Kansas

Overview

Kansas' anti-patent troll law, Senate Bill 38, took effect July 1, 2015. The law was introduced by a Special Committee on the state Judiciary. Unlike previous legislation that included a clause for “any factor the court finds relevant,” SB 38 removed much of the ability for courts to define “bad faith” by explicitly listing prohibited actions.¹⁰⁴

Policies

A. Bad Faith Assertions

Several factors determine whether an entity has acted in bad faith, including specific information on the content of the demand letter, the reasonability time period of sending the letter and demanding payment, the specified financial demands, and the past history of the person sending the letter.¹⁰⁵

B. Good Faith Assertions

The statute also describes seven factors that prove a patent infringement claim was made in good faith, including specifications about the patent number, the patent owner, the time period during which information is provided to the consumer upon request, efforts to engage in a good faith, investment in the use of the patent, connection to the invention, or being an institution of higher learning, and past demonstrations of good faith.¹⁰⁶

C. Cause of Action

¹⁰⁴ http://www.kslegislature.org/li_2016/b2015_16/measures/documents/sb38_enrolled.pdf

¹⁰⁵ <https://law.justia.com/codes/kansas/2015/chapter-50/article-6/section-50-6-140/>

¹⁰⁶ Ibid.

The law specifies that county or district attorneys do not have the authority to raise civil action alleging a violation of this law. Instead, the policies of the attorney general's office are meant to enforce the Kansas Consumer Protection Act.¹⁰⁷

¹⁰⁷ http://www.kslegislature.org/li_2016/b2015_16/measures/documents/sb38_enrolled.pdf

Kentucky

Overview

Kentucky has yet to pass legislation on patent trolling. Several bills have been filed in the state, such as Senate Bill 116 and House Bill 190, which sought to outline what constitutes bad faith patent infringement assertions, address such actions, and allow letter recipients to sue for damages. This bill passed the State Senate,¹⁰⁸ though it failed to become law. Between 2005 and 2014, patent asserting entities, or “trolls,” filed a total of 97 lawsuits against 42 companies in Kentucky, with nearly 75% of those suits filed between 2009-2014.¹⁰⁹

Policies

A. Bad Faith Assertions

The failed Senate Bill 116 laid out several factors that prove whether an entity has acted in bad faith, including specific information on the content of the demand letter, the reasonability time period of sending the letter and demanding payment, the specified financial demands, and the past history of the person sending the letter.¹¹⁰

B. Good Faith Assertions

The Senate Bill 116 also had a number of provisions to describe whether a patent infringement claim was made in good faith, including specifications about the patent number, the patent owner, the time period during which information is provided to the consumer upon request, efforts to engage in a good faith, investment in the use of the patent or the relative technologies, connection to the invention, as an institution of higher learning or technology

¹⁰⁸ Karmasek, Jessica. “Ky. Senate passes patent troll legislation”

¹⁰⁹ Vanness, Sidney. “Senator McConnell, don't ignore Kentucky's small businesses”

¹¹⁰ Justia: “2014 Louisiana Laws Revised Status: RS 15:1428”

transfer organization affiliated with an institution of higher learning, and past demonstrations of good faith. There is also a clause allowing for consideration of “any other factor the court finds relevant.”¹¹¹

C. Cause of Action

There is no explicit cause of action in the legislation. However, it is written that “Nothing in this section shall be construed to: 1. Limit the rights and remedies otherwise available under the law to a person who is a victim of a bad-faith assertion of patent infringement; or 2. Restrict the exercise of powers or the performance of the duties of the Attorney General, which he or she is authorized to exercise or perform by law.”¹¹²

¹¹¹ Ky.gov: “SB 116” Ky.gov: “SB 116”

¹¹² Ky.gov: “SB 116”

Louisiana

Overview

Patent trolling has met resistance in Louisiana, whose border is just minutes from Marshall, Texas, the patent trolling capital of the United States. In 2014, Governor Bobby Jindal (R) signed into law bipartisan statute § 51:1428, an amendment to the state unfair or deceptive trade practice act which outlines bad faith assertions of patent infringement.¹¹³

Policies

A. Bad Faith Assertion

This statute lists seven factors to determine whether or not an entity has acted in bad faith, including specific information on the content of the demand letter, the reasonability time period of sending the letter and demanding payment, the specified financial demands, and the past history of the person sending the letter.¹¹⁴

B. Good Faith Assertions

The statute also describes seven factors that prove a patent infringement claim was made in good faith, including specifications about the patent number, the patent owner, the time period during which information is provided to the consumer upon request, efforts to engage in a good faith, investment in the use of the patent or the relative technologies, connection to the invention, as an institution of higher learning or technology transfer organization affiliated with an institution of

¹¹³ Swain, Phillip. "Patent Troll Watch"

¹¹⁴ Justia: "2014 Louisiana Laws Revised Status: RS 15:1428"

higher learning, and past demonstrations of good faith. There is also a clause allowing for consideration of “any other factor the court finds relevant.”¹¹⁵

C. Cause of Action

The state Attorney General has the sole authority to investigate claims, and if the letter recipient is from the state, then the person asserting patent infringement is answerable to this Louisiana statute.¹¹⁶

¹¹⁵ Justia: “2014 Louisiana Laws Revised Status: RS 15:1428”

¹¹⁶ *Ibid.*

Maine

Overview

In April of 2014, Maine signed S.P. 654, “An Act Regarding Bad Faith Assertions of Patent Infringement” into law, to address issues of bad faith accusations of infringement. The statute was passed by both Democrats and Republicans in the Maine legislature.¹¹⁷ Instrumental to the passage of the bill were grassroots efforts and advocacy from the Maine Credit Union League and credit unions. This was accompanied by dedicated House members who emphasized the importance of passing the bill’s Majority Report.¹¹⁸

Policies

A. Bad Faith Policies

The law includes a number of factors as evidence for the court that the person made a bad faith assertion of patent infringement. Standard to many similar pieces of legislation, factors include specific information on the content of the demand letter, the reasonability time period of sending the letter and demanding payment, the specified financial demands, and the past history of the person sending the letter.

B. Good Faith Policies

Maine’s legislation is particularly concerned with bad faith policies, and does not spend much time at all defining good faith policies. The legislation notes that a person engaged in a good faith effort to establish that the target infringed the patent and to negotiate an appropriate remedy as evidence that a person did not make a bad faith assertion of patent infringement. Additionally, if the person demonstrated good faith business practices in previous efforts to

¹¹⁷ <http://www.verrilldana.com/maine-enacts-legislation-to-protect-small-businesses-from-patent-trolls/>

¹¹⁸ https://news.cuna.org/articles/Grassroots_key_to_passage_of_Maine's_patent_'troll'_law

enforce the patent or a substantially similar patent, this will be considered as a factor of evidence that the person did not make a bad faith assertion of patent infringement.

C. Cause of Action

The target may bring a civil action against the person who has made a bad faith assertion of patent infringement against them. The court may consider awarding equitable relief, damages, costs and fees, including reasonable attorney's fees, and punitive damages in an amount equal to \$50,000 or three times the total damages, costs and fees, whichever is greater. Maine's legislation also includes a clause that notes that when a target reasonably believes a person made a bad faith assertion of patent infringement against the target, the target may file a motion with the court to require the person to post a bond. The state Attorney General may also bring an action to enjoin a violation of the law.

Maryland

Overview

In May 2014, Maryland signed Bill 585 into law with a bipartisan vote.¹¹⁹ The statute prohibits bad-faith assertions of patent infringement.

Policies

A. Bad Faith Policies

Factors a court may consider when determining whether a person is acting in bad faith include: (1) the contents of the demand letter, including the absence of a patent number, the name and address of the patent owner or assignee, and the specificity of facts relating to the areas in which the target's product, service, or technology infringes the patent or is covered by the claims in the patent; (2) the responsiveness of the person to inquiries by the target related to the demand letter; (3) the extent to which the person conducted an analysis specifically comparing the claims in the patent to the target's product, service, or technology; (4) whether the demand letter demanded a response or payment of a licensing fee within an unreasonably short period of time; (5) the amount the person offered to license the patent; (6) whether the assertion of the patent infringement is without merit or deceptive; (7) whether the person, a subsidiary, or an affiliate previously filed or threatened to file one or more lawsuits based on the same or a similar assertion of patent infringement; and (8) any other factor the court determines to be relevant.

B. Good Faith Policies

Factors a court may consider as evidence that a person acted in good faith include, among other things “(1) that the person has engaged in a good faith effort to establish that the target has

¹¹⁹<http://mgaleg.maryland.gov/webmga/frmMain.aspx?id=sb0585&stab=01&pid=billpage&tab=subject3&ys=2014>
RS

infringed the patent and attempted to negotiate an appropriate remedy; (2) whether the person has demonstrated good faith business practices in previous efforts to enforce a patent or successfully enforced a patent through litigation; (3) that the person has made a substantial investment in the use of the patent or in the production or sale of a product covered by the patent; (4) that the person is either an inventor of the patent, an original assignee, or a representative of an institution of higher education or a technology transfer organization affiliated with an institution of higher education; and (5) any other fact the court determines to be relevant.”¹²⁰

C. Cause of Action

The bill creates a private cause of action for recipients of letters. It also authorizes the state Attorney General and its Division of Consumer Protection to investigate and bring civil or criminal actions for bad-faith assertions of patent infringement.¹²¹

¹²⁰<http://mgaleg.maryland.gov/webmga/frmMain.aspx?pid=billpage&stab=01&id=sb0585&tab=subject3&ys=2014>
RS

¹²¹<http://mgaleg.maryland.gov/webmga/frmMain.aspx?pid=billpage&stab=01&id=sb0585&tab=subject3&ys=2014>
RS

Massachusetts

Overview

State Senator Lesser introduced Senate Bill S128 in January 2017, and the legislation, “An Act to protect innovation and entrepreneurship in the Commonwealth” was included in the omnibus spending bill, H.4732. Although it passed in both the House and Senate, Governor Charlie Baker used a line-item veto on the entire section about patent trolling,¹²² and as the veto occurred on the last day of the legislative session, the legislative chambers were not able to convene to attempt to override the veto.

One of the prominent groups in opposition to the legislation was the Associated Industries of Massachusetts, which in their testimony against the bill, stated that the legislation was no longer necessary given the recent Supreme Court ruling *TC Heartland LLC v. Kraft Food Brands Group LLC* and the action the United States Federal Trade Commission has taken to deter patent troll activity, although specifics of the measures taken by the FTC were not outlined.¹²³ Moreover, the group argued that patent law should be regulated at the federal level and that a private cause of action would not be beneficial.¹²⁴ However, a private cause of action was supported by LevelUp, a medium sized employee technology startup company based in Boston, that stated it had worked directly with the state Attorney General on the issue of patent trolls before and had found that office to be lacking in both the resources and expertise to adequately

¹²² “Bill H.4732.” The 190th General Court of the Commonwealth of Massachusetts. Accessed November 2, 2018. <https://malegislature.gov/Bills/190/H4732/BillHistory?pageNumber=2>.

¹²³ Associated Industries of Massachusetts Testimony on SB 128, SB 153, HB 130, § Joint Committee on Consumer Protection and Professional Licensure (2017).

¹²⁴ MacDougall, Bradley A. STATEMENT OF ASSOCIATED INDUSTRIES OF MASSACHUSETTS BEFORE HOUSE CHAIR JENNIFER E. BENSON, SENATE CHAIR BARBARA A. L’ITALIEN, AND MEMBERS OF THE JOINT COMMITTEE ON CONSUMER PROTECTION AND PROFESSIONAL LICENSURE AGAINST S. 128 AND S. 153 AND IN SUPPORT OF H. 130, AN ACT RELATIVE TO BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT., § Joint Committee on Consumer Protection and Professional Licensure (2017).

address the issue.¹²⁵ LevelUp also had a specific critique against S128, asserting in its testimony that the exemptions stipulated for bad faith actors were far too broad.¹²⁶ Thus the company stated that they would support the legislation if it included a narrowing amendment to the applicability exclusions, such as having applicability carve-outs directly tailored to institutes of higher education but not allowing exemptions for “affiliates.”¹²⁷

Others who testified on S128 were more supportive. For example, the Massachusetts High Technology Council expressed their support for the bill relating to Massachusetts’ important innovation and technology sectors.¹²⁸ In addition, individuals such as Mohammad Ali, CEO of the cloud data protection company Carbonite,¹²⁹ and Spiro Anthony Marangoudakis, a small business owner, gave personal accounts of the experiences for small companies regarding patent trolls and the constant concern over their vulnerability to abusive practices without protections.¹³⁰

Policies

A. Bad Faith Policies

Section 2 of S128 outlines nine factors that the courts can consider to classify a demand letter as sent in bad faith. The legislation requires the demand letter to include specifications of patent number, name of the owner/assignee, and specific factual allegations of the infringement.

¹²⁵ Carroll, Brian. LevelUp Testimony on SB 128, SB 153, HB 130, § Joint Committee on Consumer Protection and Professional Licensure (2017).

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ Gallagher, Mark J. Massachusetts High Technology Council Testimony, § Joint Committee on Consumer Protection and Professional Licensure (2017).

¹²⁹ Ali, Mohammad. Mohammad Ali’s Testimony to Massachusetts State Legislature regarding Patent Trolls, § Joint Committee on Consumer Protection and Professional Licensure (2017).

¹³⁰ Marangoudakis, Spiro Anthony. Spiro Anthony Marangoudakis Letter, § Joint Committee on Consumer Protection and Professional Licensure (2017).

Moreover, the sender of the demand letter must have completed a comparative analysis of the actual product to the patent in question, and if the demand letter is lacking the above information and it is requested but not received in a “reasonable period of time,” the assertion is considered in bad faith.¹³¹ The provisions also mention deceptive practices that constitute bad faith, such as making a claim of patent infringement when the actor knows the claim is unenforceable, sending the same or substantially similar demand letter to multiple recipients without addressing differences in the technologies in question, and falsely implying in the demand letter that a claim of patent infringement has already been filed in court.¹³²

The bill outlines what constitutes an “Assertion of patent infringement,” which includes the sending of a demand letter to a target or customer of the target, threatening a target with litigation for infringement, or simply “making claims or allegations . . . that a target has engaged in patent infringement.”¹³³ The legislation also includes exceptions for any party making significant investment in research and development, manufacturing, or the provision of goods and services, as well as institutes of higher education and non-profit research institutes.¹³⁴ The legislation also grants discretion to judges themselves through the last test factor: “Any other factor the court finds relevant.”¹³⁵

B. Good Faith Policies

Section 2 also includes stipulations for good faith policies, although many of the factors are simply the converse of those under the bad faith policies. In addition to those adjustments, the section also includes making a concentrated effort to establish a strong case for infringement

¹³¹ Lesser, Eric. An Act to protect innovation and entrepreneurship in the Commonwealth, Pub. L. No. S128 (2017).

¹³² *Ibid.*

¹³³ *Ibid.*

¹³⁴ *Ibid.*

¹³⁵ *Ibid.*

and negotiate for a fair remedy, having a strong investment in the patent or technology relating to the patent, and being the inventor or joint inventor of the patent.¹³⁶

C. Cause of Action

The legislation establishes a private cause of action by stating that “A target of conduct involving assertions of patent infringement” or a person “aggrieved by a violation of this chapter” may bring an action in Superior Court and may receive remedies for equitable relief, damages, costs and fees, and exemplary damages up to \$50,000. The bill states that regardless of whether the sender of the demand letter has conducted business in Massachusetts, if the recipient is in Massachusetts, the suit shall occur in the Commonwealth. Finally, the legislation balances the private cause of action with a public one by giving the state Attorney General the authority to enforce the legislation and investigating violations, and grants them the ability to file suit on behalf of the state for any violation of the article.¹³⁷

¹³⁶ Ibid.

¹³⁷ Ibid.

Michigan

Overview

In 2015, the Michigan House of Representatives introduced HB 4587, legislation against bad faith patent infringement claims. The same year, the Michigan Senate introduced a companion bill, SB 289.¹³⁸ The Senate Bill was adopted on June 9, 2016 with amendments made by the House, and has since been enacted as the Bad-Faith Patent Infringement Claims Act.¹³⁹ The law provides remedies for the bad-faith assertion of patent infringement, including a private cause of action, and it allows the state Attorney General to investigate and enforce the law.

Policies

A. Bad Faith Policies

The law includes three distinct cases which may constitute a bad-faith assertion. The first case involves a communication that falsely states that an action seeking administrative or judicial relief has been filed against the target or an affiliated person. The second case includes if the assertions contained in the communication lack a reasonable basis in fact or law because the person asserting the patent does not have the current right, and does not represent a person that has the current right, to license the patent to or enforce the patent against the target or an affiliated person. The final case includes if the communication attempts to receive compensation for a patent that has been held to be invalid or unenforceable, or seeks compensation because of activities undertaken after the patent has expired.

¹³⁸ "Patent Troll Watch." Go to FoleyHoag. Accessed December 08, 2018. <https://www.foleyhoag.com/publications/ebooks-and-white-papers/2016/march/state-ag-patent-troll-watch-march-2016>.

¹³⁹ "Michigan Legislature." Michigan Legislature - Section 333.7403. Accessed December 08, 2018. [http://www.legislature.mi.gov/\(S\(bxq3a25omb5rntuitdsu1of0\)\)/mileg.aspx?page=getobject&objectname=2015-SB-0289](http://www.legislature.mi.gov/(S(bxq3a25omb5rntuitdsu1of0))/mileg.aspx?page=getobject&objectname=2015-SB-0289).

B. Good Faith Policies

C. Cause of Action

Concerning powers of the Attorney General, Section 9 of the Act lists some powers vested in the state Attorney General which include conducting a civil investigation, entering into an assurance of discontinuation, bringing a civil action, or promulgating rules under the administrative procedures act, 1969. This section also grants subpoena powers to the attorney general if he/she finds probable cause to believe a person has engaged, is engaging, or is about to engage in an unlawful practice under this act, after an *ex parte* hearing.

A target or an affiliated person aggrieved by a violation of this act may bring a private action in state court. Furthermore, the court can provide the following as remedies: injunctive relief, damages, attorney fees, and exemplary damages in an amount equal to 3 times the actual damages.

Minnesota

Overview

Minnesota, like most other states, has experienced examples of patent trolling. A particularly infamous case centered around MPHJ Technology Investments LLC, a NPE based in Delaware.¹⁴⁰ MPHJ sent letters to various Minnesotan small business owners, alleging that it had a patent on office technology used to scan documents to email.¹⁴¹ Attorney General Lori Swanson (DFL) received several complaints from small enterprises, and reached a settlement prohibiting MPHJ from requesting license fees from or alleging patent infringement against Minnesotans without first notifying the state AG's office.¹⁴²

In response to such incidents and a lack of federal legislation on the issue, the legislature adopted HF 1586, or Chapter 89, which was signed into law in 2016. The bill was introduced by Representatives Josh Heintzemann (R), Joe Hoppe (R), and Joe Atkins (DFL).¹⁴³

Policies

A. Bad Faith Assertions

CH 89 was designed to prohibit bad faith assertions of patent infringement. The legislation clearly defines what qualifies as a bad faith claim. A patent infringement communication is considered to be in bad faith if it falsely states that the sender has filed a lawsuit in connection with the claim, the sender lacks the right to license or enforce the patent,

¹⁴⁰ <https://www.ftc.gov/enforcement/cases-proceedings/142-3003/mphj-technology-investments-llc-matter>

¹⁴¹ Baxter, Annie. "Company's 'patent Trolling' Will End in Minnesota after Attorney General Investigation." Accessed November 1, 2018.

<https://www.mprnews.org/story/2013/08/20/business/patent-trolling-to-end-after-investigation>

¹⁴² Nash, Bernard, Ann-Marie Luciano, and Bryan Mosca. "Recent Developments in State Attorneys General Enforcement." *Urban Lawyer* 46, no. 4 (2014): 904.

¹⁴³ "Minnesota HF1586 | 2015-2016 | 89th Legislature." LegiScan. Accessed November 1, 2018. <https://legiscan.com/MN/text/HF1586/id/1371675>.

the patent is expired or invalidated, or the communication is “likely to materially mislead a reasonable end user.”¹⁴⁴ A patent notification would qualify for the last if it fails to inform the end user, of the identity of the person asserting the claim, the patent under scrutiny, and/or the product, service, or technology alleged to be infringing on the patent. If a bad faith claim is made, the AG has the right to seek an injunction of the claim, impose a civil penalty of \$50,000 per violation, seek reimbursement to the state for the investigation and prosecution, and pursue restitution to the end user for “legal and professional expenses related to the violation.”¹⁴⁵

B. Good Faith Assertions

The law allows for some important exceptions and thus, in effect, constructs a definition for good faith claims. CH 89 explicitly mentions that it is not meant to restrict a person who has the right and license to enforce a patent or a person who has “demonstrated good faith business practices in previous efforts to enforce the patent” from attempting to enforce a patent.¹⁴⁶ The law also exempts communications sent by an entity engaged in the research for, development of, and/or production of the good related to the patent under scrutiny, an institution of higher education, a charitable institution, or a technology transfer organization working with either of the previous two.

C. Cause of Action

CH 89 permits individuals and businesses to file complaints about bad faith assertions with the state Attorney General, who then may proceed to pursue civil action against the patent

¹⁴⁴ <https://www.revisor.mn.gov/statutes/cite/325D.72/pdf>

¹⁴⁵ Ibid.

¹⁴⁶ <https://www.revisor.mn.gov/statutes/2017/cite/325D.72>

entity accused of bad faith.¹⁴⁷ The law states that it does not create a private cause of action following a bad faith claim.¹⁴⁸

¹⁴⁷ Law, Virtus. “New Patent Troll Law in Minnesota.” *Virtus Law* (blog), April 13, 2017. <https://www.virtuslaw.com/2017/04/13/new-patent-troll-law-minnesota/>.

¹⁴⁸ “Minnesota HF1586 | 2015-2016 | 89th Legislature.” LegiScan. Accessed November 1, 2018. <https://legiscan.com/MN/text/HF1586/id/1371675>.

Mississippi

Overview

Mississippi has enacted legislation to tackle cases of bad-faith claims of patent infringement. HB 589 was introduced by Republican Rep. Andy Gipson, and was signed into law by the Governor on March 28, 2015. The law went into effect on July 1, 2015.¹⁴⁹ The law prohibits bad faith assertions of patent infringement; defines certain terms; provides factors that the court may consider in determining whether a bad faith assertion of patent infringement has been made; provides procedures for actions under this act; and provides for enforcement, remedies and damages of this act.¹⁵⁰

Policies

A. Bad Faith Policies

Mississippi's anti-patent trolling legislation prohibits bad faith assertions of patent infringement and includes several factors that the court may consider in determining whether a bad faith assertion of patent infringement has been made. Specifically, it outlines three cases that may result in a bad-faith assertion: 1) if "the communication threatens litigation if compensation is not paid or the infringement issue is not otherwise resolved", 2) the communication "falsely states that litigation has been filed against the intended recipient, or 3) if "the assertions contained in the communication lack a reasonable basis in fact or law".¹⁵¹ If any of these three criteria are resolved, a complaint is categorized as a bad-faith assertion.

¹⁴⁹ Billstatus.ls.state.ms.us. (2018). *Mississippi State Legislature*. [online] Available at: <http://billstatus.ls.state.ms.us/2015/pdf/history/HB/HB0589.xml> [Accessed 8 Dec. 2018].

¹⁵⁰ Ncsl.org. (2018). *2015 Patent Trolling Legislation*. [online] Available at: <http://www.ncsl.org/research/financial-services-and-commerce/2015-patent-trolling-legislation.aspx> [Accessed 8 Dec. 2018].

¹⁵¹ <http://www.ncsl.org/research/financial-services-and-commerce/2015-patent-trolling-legislation.aspx>

B. Cause of Action

Section 3 of the Act grants the state's Attorney General the power to conduct civil investigations and to conduct civil actions pertaining to any violations of the Act.¹⁵² The Act also allows the intended recipient alleging a violation of this act to bring a private action in any circuit court in Mississippi. The court must award litigation costs and fees, including reasonable attorney's fees, to a plaintiff who prevails in an action brought pursuant to this section. In addition, the court may discretionarily award the actual damages, and punitive damages in the amount equal to three times the actual damages. The court may also require the person who may have violated Section 2 of this Act to post a bond equal to a good-faith estimate of the costs to litigate a claim and amounts reasonably likely to be recovered if an action were to be brought under Section 3 of this act.¹⁵³

¹⁵² Billstatus.ls.state.ms.us. (2018). *Mississippi State Legislature*. [online] Available at: <http://billstatus.ls.state.ms.us/2015/pdf/history/HB/HB0589.xml> [Accessed 8 Dec. 2018].

¹⁵³ Billstatus.ls.state.ms.us. (2018). *Mississippi State Legislature*. [online] Available at: <http://billstatus.ls.state.ms.us/2015/pdf/history/HB/HB0589.xml> [Accessed 8 Dec. 2018].

Missouri

Overview

Patent trolling has met strong resistance in Missouri on both sides of the political aisle. In 2014, Missouri Governor Jay Nixon (D) signed into law Senate Bill 706, which was meant to combat patent trolls.

Policies

A. Bad Faith Policies

Senate Bill 706 established a seven-factor test for courts to consider whether an assertion of patent infringement in a demand letter is made in bad faith. The seven-factor test for bad faith is: (1) the demand letter contains no patent number, the identity of the owner is not made clear, and factual allegations concerning the alleged infringement, (2) the person making the assertion of infringement does not provide the previous information upon request, (3) the demand letter calls for a response within an unreasonable amount of time, (4) the person offers to license the patent for an unreasonable amount given the value of the license, (5) the person previously presented a demand letter using the same patent and it was found to be in bad faith, (6) the person attempted to enforce the patent through litigation and the court found it was presented in bad faith, and (7) any other factor the court finds relevant.¹⁵⁴

B. Good Faith Policies

Senate Bill 706 also outlined several factors the court may consider as evidence that the claim was not brought in bad faith: (1) the demand letter contains the patent number, the identity of the owner is clear, and factual allegations concerning the alleged infringement are outlined;

¹⁵⁴ Karmasek, Jessica. “Missouri Governor Signs Patent Troll Bill into Law”

(2) if the information in (1) was not originally provided, the person does so in a reasonable timeframe upon request; (3) the person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy; (4) the person makes a substantial investment in the use of the patent or production of the product outlined by the patent; (5) the person is the inventor/joint inventor/original assignee or an institution of higher learning/associated with an institution of higher learning; (6) the person has demonstrated good faith business policies in the past or has successfully enforced the patent or a substantially similar patent through litigation; and (7) any other factor the court finds relevant.¹⁵⁵

C. Cause of Action

The law establishes a private cause of action for those subject to bad faith demand letters, and also provides the state Attorney General with the authority to investigate and prosecute bad faith patent demands under Missouri antitrust laws.¹⁵⁶

¹⁵⁵ Senate.mo.gov “Senate Bill No. 706, 97th General Assembly, 2014”

¹⁵⁶ Schroeder, John. “New Missouri law targets bad faith patent assertions”

Montana

Overview

The state legislature passed SB 39 to revise patent and copyright trolling laws with support from the both the Montana Chamber of Commerce and the state Attorney General.¹⁵⁷

The law went into effect in April of 2015.¹⁵⁸

Policies

A. Bad Faith Policies

Section 2 of the law outlines several requirements to define what would constitute bad faith, such as requiring the demand letters to include specifications such as patent number, identity of the individual claiming patent infringement, and specific factual allegations of the infringement. Other factors include making a claim of patent infringement when the actor knows the claim is unenforceable, falsely implying in the demand letter that a claim of patent infringement has already been filed in court, seeking compensation for activities that occurred after the patent's expiration, and making such an assertion when the actor is not the owner or does not represent the owner of the patent in question.¹⁵⁹

The legislation never explicitly defines a patent troll. Instead it uses the terminology “person” and uses a very broad definition that encompasses a “natural person, partnership,

¹⁵⁷ “Montana Prosperity Plan: Pursuing Pro-Business Public Policy at the 2015 Legislative Session.” Montana Chamber of Commerce. Accessed October 26, 2018.

<https://www.montanachamber.com/wp-content/uploads/2017/05/MTProsperityPlan2015.pdf>.

¹⁵⁸ “Montana Legislative Branch.” Legislative Branch Page. Montana Legislature Detailed Bill Information. Accessed October 26, 2018.

[http://laws.leg.mt.gov/legprd/LAW0203W\\$BSRV.ActionQuery?P_SESS=20151&P_BLTP_BILL_TYP_CD=&P_BILL_NO=&P_BILL_DFT_NO=LC0208&P_CHPT_NO=&Z_ACTION=Find&P_SBJT_SBJ_CD=&P_ENTY_ID_SEQ=#spon_table](http://laws.leg.mt.gov/legprd/LAW0203W$BSRV.ActionQuery?P_SESS=20151&P_BLTP_BILL_TYP_CD=&P_BILL_NO=&P_BILL_DFT_NO=LC0208&P_CHPT_NO=&Z_ACTION=Find&P_SBJT_SBJ_CD=&P_ENTY_ID_SEQ=#spon_table).

¹⁵⁹ Smith, Cary. Generally revise patent and copyright trolling laws, Pub. L. No. SB 39 (2015).

<https://leg.mt.gov/bills/2015/billpdf/SB0039.pdf>.

corporation, company” among others.¹⁶⁰ There are also exceptions for who can bring about claims of patent infringement, including for owners of the patent using it for “substantial research, commercial development, production, manufacturing, processing or delivery of products or materials” and institutes of higher education.¹⁶¹

B. Good Faith Policies

Though there is no section dedicated specifically to delineating good faith policies, part 2 of Section 2 explains situations that are not in violation of the legislation. For example, the legislation states that it is not in bad faith for the owner or individual with the right to license the patent to inform others of that right, to communicate about the sale of that patent, notify about the infringement of the patent, and seek compensation for that infringement.¹⁶² Thus there seems to be an implicit good faith standard for those who own legitimate patents.

C. Cause of Action

Section 3 establishes a private cause of action, stating that any “intended recipient or affiliated person may bring a cause of action for a violation.”¹⁶³ Section 4 provides the following relief for successful plaintiffs: compensatory damages, costs and fees, and punitive damages equal to three times the amount of the first categories’ costs. In addition to relief, the legislation stipulates that the courts can require the sender of the demand letter to post a bond amount “equal to a good faith estimate of the costs to litigate a claim.” Furthermore, the state Attorney General has the authority to enforce the legislation by conducting investigations and bringing forth civil actions for violations themselves.¹⁶⁴

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

Nebraska

Overview

In August 2013, Nebraska's AG sent warnings to a patent troll's law firm, asserting that to send frivolous licensing demands to Nebraska businesses may constitute unfair business practices and violate Nebraska's unfair competition law. However, Senator Mello did not find the existing law adequate. On March 25, 2014, Senator Mello introduced LR485, a bill to examine issues surrounding patent trolls. It was referred to Judiciary Committee, but died there.

Policies

A. Bad Faith Policies

An assertion is made in bad faith if the demand letter lacks the personal information of the demander, demands payment of a license fee or response within an unreasonably short period of time, or offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license. Additionally, an assertion is made in bad faith if the person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement and those threats.¹⁶⁵

B. Good Faith Policies

An assertion is made in good faith first and foremost if the person establishes that the target has infringed or may be infringing the patent and to negotiate an appropriate remedy. Moreover, a good faith assertion is characterized by the person making a substantial investment

¹⁶⁵ "Patent Progress's Guide to State Patent Legislation." Patent Progress, www.patentprogress.org/patent-progress-legislation-guides/patent-progresss-guide-state-patent-legislation/.

in the use of the patent or in the production or sale of a good, process, or design covered by the patent, or if the demand is made by an institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education.¹⁶⁶

C. Causes of Action

Nebraska law establishes both a private cause of action for those subject to bad faith demand letters and a public cause of action for the state Attorney General to investigate and prosecute bad faith patent demands.¹⁶⁷

¹⁶⁶ *Ibid.*

¹⁶⁷ *Ibid.*

Nevada

Overview

Nevada is one of 8 states with no legislation specifically aimed towards patent troll litigation. Nevada was one of 42 states that signed a 2013 state AG letter supporting federal patent reform legislation.¹⁶⁸

¹⁶⁸ Huang, Qian. Navigating the Landscape of Anti-trolling Legislation. PDF. New York: Intellectual Property Magazine.

New Hampshire

Overview

In July 2014, Governor Chris Sununu signed S.B. 303 into law.¹⁶⁹ The bill was sponsored by Senator Sharon Carson (R), and Representatives Gary Hopper (R) and Robert Rowe (R).¹⁷⁰

Policies

A. Bad Faith Assertions

Bad faith assertions of patent infringement are based on a set of criteria, primarily based on the structure and contents of the demand letter or other form of communication, to determine whether the assertion was in fact made in bad faith. Signs of a bad faith assertion include the lack of personal contact information, the lack of factual allegations regarding the target's products, services and technology, unreasonable and immediate demands for payment, and the lack of factual merit of the assertion of patent infringement.¹⁷¹

B. Good Faith Assertions

A demand letter is considered reasonable if the person has made a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent. Additionally, the person must have demonstrated previous efforts to enforce the patent, or a substantially similar patent through litigation.¹⁷²

C. Causes of Action

¹⁶⁹ <http://www.gencourt.state.nh.us/legislation/2014/SB0303.html>

¹⁷⁰ <https://legiscan.com/NH/votes/SB303/2014>

¹⁷¹ "Patent Progress's Guide to State Patent Legislation." Patent Progress, www.patentprogress.org/patent-progress-legislation-guides/patent-progresss-guide-state-patent-legislation/.

¹⁷² *Ibid.*

A complaint can be brought by the affected person. The attorney general may also bring an action in superior court for appropriate relief, including a temporary or permanent injunction, to enforce the provisions of this chapter. A court may award the following remedies to a plaintiff: (a) equitable relief; (b) damages; and (c) costs and fees, including attorney's fees.

New Jersey

Overview

New Jersey has tried to tackle patent troll reform several times. In February 2014, the New Jersey General Assembly introduced bill A2462 and the Senate simultaneously introduced S1563 to prohibit bad faith assertion of patent infringement.¹⁷³ Although the legislation passed the Assembly committee, it never made it to a full Assembly vote. The same legislation was reintroduced in January 2016, this time as A310 and S1696.¹⁷⁴ In both instances, the bills received bipartisan support.¹⁷⁵ By February 2016, A310 had unanimously passed a Committee, however, the legislation seems to have been stalled, yet again, in the New Jersey Legislature.

Policies

A. Bad Faith Policies

Article 3 of the legislation outlines nine factors that constitute bad faith assertions. The legislation creates a higher standard for these claims of patent infringement by requiring them to include specifications of patent number, name of the owner/assignee, and specific factual allegations of the infringement. Moreover, the sender of the demand letter must have completed a comparative analysis of the actual product to the patent in question, and if the demand letter is lacking the above information and it is requested but not received in a “reasonable period of time,” the assertion is considered in bad faith.¹⁷⁶ The provisions also make further mention of

¹⁷³ “A2462 AcaAa (2R) Prohibits Bad Faith Assertion of Patent Infringement.” New Jersey Office of Legislative Services. Accessed November 1, 2018. <https://www.njleg.state.nj.us/bills/BillView.asp>.

¹⁷⁴ <https://www.njleg.state.nj.us/bills/BillView.asp?BillNumber=A310>

¹⁷⁵ Singleton, Troy. An Act concerning bad faith assertions of patent infringement and supplementing Title 56 of the Revised Statutes, Pub. L. No. A310 (n.d.). ftp://www.njleg.state.nj.us/20162017/A0500/310_T1.PDF.

¹⁷⁶ Singleton, Troy. An Act concerning bad faith assertions of patent infringement and supplementing Title 56 of the Revised Statutes, Pub. L. No. A310 (n.d.). ftp://www.njleg.state.nj.us/20162017/A0500/310_T1.PDF.

deceptive practices that count as bad faith. Among these stipulations includes making a claim of patent infringement when the actor knows the claim is unenforceable, sending the same or substantially similar demand letter to multiple recipients without addressing differences in the technologies in question, and falsely implying in the demand letter that a claim of patent infringement has already been filed in court.¹⁷⁷ Finally, the law allows the court to consider “[a]ny other factor” it finds relevant in determining bad faith.

Although the legislation focuses on the contents of the demand letter itself and not on the sender, it does briefly mention “Patent Assertion Entities.”¹⁷⁸ The bill also includes exceptions for who can bring about claims of patent infringement, including for owners of the patent using it for “substantial research, development, production, manufacturing, processing, or delivery of products or materials” and institutes of higher education.¹⁷⁹

B. Good Faith Policies

Article 2 also includes stipulations for good faith policies, although many of the factors are simply the converses of those under the bad faith policies. In addition to those adjustments, the article also includes in good faith practices making a concentrated effort to establish a strong case for infringement and negotiate for a fair remedy, having a strong investment in the patent or technology relating to the patent, successfully enforcing the patent previously, and being the inventor or joint inventor of the patent.¹⁸⁰ Strikingly, the legislation actually grants judges sweeping authority to also determine good faith policies as the last stipulation under that section is “Any other factor the court finds relevant”, similar to that under the bad faith section.¹⁸¹

¹⁷⁷ Ibid.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ Ibid.

¹⁸¹ Ibid.

C. Cause of Action

The bill would establish a private cause of action, allowing any “target of conduct involving assertions of patent infringement” to bring a claim.¹⁸² Furthermore, a court could award any of the following remedies to a plaintiff: equitable relief, damages, costs and fees, and exemplary damages. The state Attorney General can also investigate violations, and bring suit on behalf of the state for any violation of the article.¹⁸³ The law balances both a public and private cause of action.

¹⁸² *Ibid.*

¹⁸³ *Ibid.*

New Mexico

Overview

New Mexico has no anti-patent trolling laws, and no record was found of any consideration of anti-patent trolling legislation.

New York

Overview

New York has dealt with previous incidents of patent trolling through the office of the State AG. The New York State Legislature has not acted to prevent bad faith assertions of patents.¹⁸⁴

State Attorney General (AG) Eric T. Schneiderman (D) joined his peers in Vermont, Nebraska, and Minnesota in suing MPHJ Technology Investments LLC, a Delaware-based patent firm that used “deceptive tactics” to get New York businesses to pay for patent licenses. MPHJ claimed that its patents relating to the process of scanning and emailing documents had been violated by the use of certain equipment, sending more than 1,000 letters to various small and mid-sized businesses.¹⁸⁵ Schneiderman reached a civil agreement with MPHJ, requiring the latter to reveal its true identity to its targets, describe its claims with specificity, and only make good-faith claims.¹⁸⁶

Schneiderman intended for the settlement to have broader implications, as his office stated that the requirements imposed on MPHJ were the minimum standards expected of NPEs to avoid liability.¹⁸⁷ The state legislature has not acted on the matter, but the AG’s settlement has, in effect, become the official guidance on good-faith/bad-faith assertions. Chief of the Antitrust Bureau Eric J. Stock, Assistant Attorney General in the Antitrust Bureau Zachary Biesanz, and

¹⁸⁴ “Patent Progress's Guide to State Patent Legislation.” Patent Progress,

www.patentprogress.org/patent-progress-legislation-guides/patent-progresss-guide-state-patent-legislation/.

¹⁸⁵ Jones, Ashby. “New York State Cracks Down on ‘Patent Trolls.’” *Wall Street Journal*, January 14, 2014, sec. Tech. <https://www.wsj.com/articles/new-york-state-cracks-down-on-8216patent-trolls8217-1389657027>.

¹⁸⁶ “New York Bears down on Patent Trolls, Settles with Delaware Firm.” *Reuters*, January 14, 2014. <https://www.reuters.com/article/us-patent-trolls-settlement-idUSBREA0D05S20140114>.

¹⁸⁷ Jones, Ashby. “New York State Cracks Down on ‘Patent Trolls.’” *Wall Street Journal*, January 14, 2014, sec. Tech. <https://www.wsj.com/articles/new-york-state-cracks-down-on-8216patent-trolls8217-1389657027>.

Executive Deputy Attorney General for Economic Justice Karla G. Sanchez were all involved in the MPHJ investigation and likely played some role in crafting the ultimate settlement.¹⁸⁸

Policies:

A. Bad Faith Assertions

The AG office's guidelines go into more detail about the previously mentioned requirements for allegations of patent infringement made against individuals and businesses based in New York. A mass mailing of patent infringement letters to hundreds of businesses with "little regard to the actual likelihood that the businesses infringed" constitutes an action in bad faith. In addition, if the patent troll communicates through an attorney, the attorney must "take diligent efforts" to ensure that the accusations are in good faith. In addition, the patent holder must provide a reasonable explanation of their claim and a factual explanation of the specific licensing fee demanded and cannot attempt to enforce an invalid patent. Finally, the patent holder must make clear its identity in its communications with its targets. At the ending of the guidelines, the AG's office emphasizes that these standards are *minimum* standards and should not be considered a "safe harbor," meaning that abusive practices that meet the guidelines will still be subject to scrutiny from the AG.

B. Good Faith Assertions

The AG's guidelines require that the patent holder make a "serious, good-faith effort to determine whether a targeted business actually engages in infringement before making an accusation." Such an effort would result in an attempt to enforce a patent and obtain

¹⁸⁸ "A.G. Schneiderman Announces Groundbreaking Settlement With Abusive 'Patent Troll' | New York State Attorney General." Accessed November 1, 2018. <https://ag.ny.gov/press-release/ag-schneiderman-announces-groundbreaking-settlement-abusive-%E2%80%9Cpatent-troll%E2%80%9D>.

compensation for patent infringement that satisfies the guidelines listed above. Following the guideline that requires the claim be grounded in reasonable and factual analysis would likely lead to the rest of the requirements being easily satisfied.

C. Cause of Action

As Albany has not issued any legislation on patent trolling, the guidelines are not legally binding for the AG's office. However, since they were issued by the office itself, they will likely be followed by the AG, which is the administrative entity typically tasked with handling patent troll cases by legislation proposed and passed in other states. It is not clear whether New York state citizens/businesses can directly sue NPEs for bad faith actions, but the AG's website has a "Patent Trolls Reporting Form" that allows businesses to file complaints against patent trolling and prompt the AG's office to investigate.¹⁸⁹

¹⁸⁹ "Antitrust Bureau - Patent Trolls Reporting Form | New York State Attorney General." Accessed November 1, 2018. <https://ag.ny.gov/antitrust-bureau-patent-trolls-reporting-form>.

North Carolina

Overview

North Carolina introduced its first patent trolling legislation in August 2014 as “The Abusive Patents Assertions Act” (H1032). The bill adds Article 8 to Chapter 75 of the North Carolina General Statutes, which covers legislation regarding consumer protection. It adopted many indicators for bad faith patent infringement claims and consequences of a victorious counter lawsuit for the patent troll. Legislators added further bad faith indicators and changed some aspects of the process for counter lawsuits. The legislation was primarily sponsored by Tom Murray, a Republican, but was unanimously passed by Republicans and Democrats, and ultimately, signed into law.¹⁹⁰

A. Bad Faith Assertion

North Carolina incorporated several indicators of bad faith assertion. First of all, failure to include sufficient information about the patent in question as demanding a payment in an unreasonably short period of time can be interpreted as evidence for bad faith. If the asserting entity fails to conduct a thorough analysis whether their patent is applicable to the alleged instance of infringement, this further speaks in favor of a bad faith assertion. Courts should also consider whether the infringement claim is obviously meritless or has been found so in previous cases. If the demand for payment is based on an unreasonable estimate of a patent’s worth, bad faith assertion is also more likely. In general, the law gives courts broad discretion to consider other factors they may find relevant in order to identify a bad faith assertion. North Carolina

¹⁹⁰ See North Carolina General Assembly, “House Bill 1032”, <https://www2.ncleg.net/BillLookup/2013/H1032> (accessed November 28, 2018)

further added the indicator that demand letters were sent out to multiple recipients or for various products and services without changing the content of demand letters. Moreover, failure to disclose findings about invalidity or unpatentability of a patent may be interpreted as evidence for bad faith. Finally, if the demanding party seeks an injunction even if unreasonable under law this is evidence for bad faith as well.¹⁹¹

B. Good Faith Assertion

Indicators for good faith assertions are for the most part the absence of bad faith indicators. For example, it may be considered an indicator for good faith if sufficient information about the infringed patent was included or if no immediate payment was demanded. Previous successful enforcement of the patent as well as general good-faith business practices also point to a good faith assertion. If the demanding company makes extensive use or generates a lot of revenue with the patent, this also is evidence for good faith. In North Carolina, demand letters sent by institutions of higher education, non-profit research organizations as well as operating entities are excluded from bad faith patent infringement claims in order to protect the right of entities operating in good faith to enforce their patents.¹⁹²

Targets of demand letters may file a countersuit asserting a bad faith patent infringement claim. If the court finds a reasonable likelihood of a bad faith assertion, he can order the demanding company to post a bond of the estimated cost of litigating the claim and the amount likely to be recovered in a lawsuit (maximum \$500,000). If the victim of a bad faith infringement wins in court, the demanding company has to pay equitable relief, damages, cost and fees as well as an exemplary fine which is either \$50,000 or three times the sum of damages, costs and fees

¹⁹¹ See NC General Statutes (GS) - Chapter 75 Article 8

¹⁹² See NC GS §75 - 143 b)

whatever is higher. The law in North Carolina also provides the possibility to join interested parties in the lawsuit and hold them accountable for bad faith patent infringement assertions. Parties are defined as interested if they have the right to enforce the patent or sub-patents at issue or have a direct financial interest in the case. This additional clause prevents often thinly capitalized patent trolls from escaping their obligations.¹⁹³

C. Cause of Action

The legislation allows the state Attorney General to “make rules, conduct civil investigations, bring civil actions, and enter into assurances of discontinuance.”¹⁹⁴ Because bad faith patent infringement assertions often involve small businesses, the Attorney General can take action against Non-practicing entities by initiating civil investigations and civil actions in court. Therefore, the legislation includes both private and public cause of action.

The law also recognizes the possibility of preemption through federal law. The same concerns as in Vermont apply. Problems arise when courts cannot determine a bad faith assertion based on objectively baseless factors and have to consider subjective factors. Because state courts cannot determine the merit of a particular patent but only consider circumstantial factors, some cases of potential bad faith patent infringement assertions cannot be decided in state courts without preemption by federal law.¹⁹⁵

Current Judicial Environment for Patent Trolling

It is still too early to assess the overall impact of the new laws on the practice of patent trolling. As the legislation is mainly based on previous behavior of patent trolls, patent trolls

¹⁹³ See NC GS §75 - 144 and §75 - 145

¹⁹⁴ NC GS , §75-145

¹⁹⁵ See Gardner et al. 2016 p. 416 - 424

could come up with new practices not covered by the current bad faith indicators. Deciding these cases without assessing the patent validity (which would likely result in federal preemption) may not be possible.¹⁹⁶

¹⁹⁶ See Cole, “Beware Pitfalls In North Carolina’s Patent ‘Troll’ Law”, <https://ncbarblog.com/beware-pitfalls-in-north-carolinas-patent-troll-law/> (accessed November 28, 2018)

North Dakota

Overview

Anti-patent trolling legislation is written into North Dakota Code, Chapter 51-36, which was written in 2016. No information was found on the parties responsible for its writing.

Policies

A. Bad Faith Assertions

An assertion is made in bad faith if the demand letter does not include: the patent number; the name and address of the patent owner and assignee, or factual allegations concerning the specific areas in which the target's product infringe the patent. Additionally, a bad faith assertion is defined by the person failing to conduct an analysis comparing the claim in the patent to the target's product. Moreover, in a bad faith assertion, the demand letter necessarily demands payment of a license fee or a response within an unreasonably short period of time, while another indicator of a bad faith assertion is if the person sent the same demand to multiple recipients and made assertions against a variety of products without reflecting different demands.¹⁹⁷

B. Good Faith Assertions

A person is engaging in a good faith effort to establish the case for an infringed patent if he or she meets the following qualifications: if the person is ready to negotiate an appropriate remedy, or if the person has made a substantial investment in the production or sale of the product covered by the patent. Additionally, the person must be an inventor or joint inventor of

¹⁹⁷ LawServer, www.lawserver.com/law/state/north-dakota/nd-code/north_dakota_code_51_36_03.

the patent. Exceptions are made for institutions of higher education or technology transfer organizations affiliated with an institution of higher education.¹⁹⁸

C. Causes of Action

Current Environment for Patent Trolling

There have been no recorded cases of bad faith patent infringement claims in North Dakota so far -- a fact that may be evidence for the deterrent effect of the legislation. However, since these laws were written in 2016, it is too early to assess effectiveness of the new laws. As the legislation is mainly based on previous behavior of patent trolls, patent trolls could come up with new practices not covered by the current bad faith indicators.¹⁹⁹

¹⁹⁸ Ibid.

¹⁹⁹ Ibid.

Ohio

Overview

Ohio legislators have made previous attempts to introduce legislation on patent trolls, but such legislation has never made it past the committee stage. In 2014, Rep. Roegner (R) introduced H.B 573 attempting to prohibit a person from making a bad faith assertion of patent infringement, to permit a victim of a bad faith assertion of patent infringement to file a tort action lawsuit and recover losses, and to authorize the Attorney General to investigate and institute a civil action on a bad faith assertion of patent infringement.²⁰⁰ The legislation was cosponsored by Republican representatives in the House, though the legislation itself was based off of a Vermont law spearheaded by members of the Democratic party.

Policies:

A. Bad Faith Assertions

H.B 573 defines factors as evidence of a bad faith assertion that are similar to many states, such as Vermont and Iowa. Several factors determine whether or not an entity has acted in bad faith, including specific information on the content of the demand letter, the reasonability time period of sending the letter and demanding payment, the specified financial demands, and the past history of the person sending the letter. HB 573 includes electronic communications in addition to the previous scrutiny associated with written claims. In the same vein, the legislation adds that a bad faith assertion is made if the person asserting the patent is not a person, or does not represent a person, with the current right to license or enforce the patent.²⁰¹

²⁰⁰ "Patent Troll Watch." Go to FoleyHoag. Accessed January 30, 2019.

<https://foleyhoag.com/publications/ebooks-and-white-papers/2016/march/state-ag-patent-troll-watch-march-2016>.

²⁰¹ http://archives.legislature.state.oh.us/bills.cfm?ID=130_HB_573;

<https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-194>

B. Good Faith Assertions

The two introduced pieces of legislation also describe several factors that prove a patent infringement claim was not made in bad faith, including specifications about the patent number, the patent owner, the time period during which information is provided to the consumer upon request, efforts to engage in a good faith, investment in the use of the patent or the relative technologies, connection to the invention, as an institution of higher learning or technology transfer organization affiliated with an institution of higher learning, and past demonstrations of good faith. There is also a clause devoted to “any other factor the court finds relevant”. HB 194 adds that if a person makes or has made a substantial investment in the use of patents in the production or sale of a product, service, or technology that is covered by the patent, they have not made a bad faith assertion.

C. Cause of Action

Both HB 194 and 573 include provisions that allow civilians, higher education institutions, and the Attorney General to raise civil lawsuits. Specifically, they authorize a person aggrieved by a bad faith assertion to sue, in addition to specifying the type of damages that a court may award in such an action. Additionally, both pieces of legislation permit the state Attorney General to investigate an alleged bad faith assertion upon his or her own inquiries or as a result of complaints, and also allow the attorney general to bring a civil action in connection with a bad faith assertion if he or she believes the action would be in the public’s interest. If the court were to prove a bad faith assertion of patent infringement, the person approaching the court

can ask the court for a variety of remedies, including injunctive relief, compensatory damages, costs, attorneys' fees, and punitive damages.²⁰²

²⁰² Ibid.

Oklahoma

Overview

Oklahoma adopted anti-patent troll legislation in 2014. HB 2837 was introduced by two Republican representatives in February of 2014. There was relatively little pushback against this legislation. The bill passed unanimously and was signed by the governor in May of 2014.²⁰³

Policies

A. Bad Faith Assertions

The Oklahoma law starts with definitions of “affiliated person,” “intended recipient,” and “person.”²⁰⁴ After that, it defines bad faith centering on the communication between entity making a claim and the alleged infringing entity. It expresses that any false statements in the communication (the demand letter) is indicative of bad faith. Other factors the court may use to determine bad faith include components commonly seen from other states, such as requirements to include the correct details of the patent on the demand letter.²⁰⁵

B. Good Faith Assertions

A good faith assertion must specify the patent number, the patent owner, the time period during which information is provided to the consumer upon request, efforts to engage in a good faith, investment in the use of the patent or the relative technologies, connection to the invention, and past demonstrations of good faith.

C. Cause of Action

²⁰³ <https://www.lexology.com/library/detail.aspx?g=a20d5092-b136-44fa-b166-f6f7267b0ee5>

²⁰⁴ http://webserver1.lsb.state.ok.us/cf_pdf/2013-14%20ENR/hB/HB2837%20ENR.PDF

²⁰⁵ <http://www.ncsl.org/research/financial-services-and-commerce/patent-trolling-legislation.aspx>

There is a private cause of action for targets of bad faith assertions. The state Attorney General also has the authority to investigate and prosecute bad faith patent demands.²⁰⁶

²⁰⁶ Schroeder, John. “New Missouri law targets bad faith patent assertions”

Oregon

Overview

Oregon has one law concerning patent trolls, SB 1540, which was introduced and signed into law by the governor in 2014²⁰⁷. SB 1540's specific language is "Relating to bad-faith assertions of patent infringement; creating new provisions; amending ORS 646.608; and declaring an emergency."²⁰⁸ Despite being an early action taker in relation to patent trolling, Oregon has proposed no further legislature. SB 1540 was introduced by Republican State Senator Jackie Winters and had bipartisan sponsors prior to being passed unanimously, as well as the support of the department of Justice.¹

Policies

A. Bad Faith Assertions

SB 1540 is extensive in identifying what it considers to be acting under "bad faith." A patent holder is seen as acting in bad faith if they made monetary demands under an unreasonable time frame; failed to provide the recipient of their complaint with a valid patent number, current contact information, and explicit factual reasoning for the claim; if they failed to conduct a thorough comparison of their patent and the one which they are targeting or did so in such a way that it would be unhelpful to the recipient of a complaint for identifying what exactly they are infringing on, if they offer an unreasonable licensing fee; or if they have previously filed a complaint that failed to meet the requirements listed in the bill or which an authoritative third party has deemed as acting in bad faith.²

²⁰⁷ Oregon Department of Justice (2014). *BILL MAKES PATENT TROLLING AN UNLAWFUL TRADE PRACTICE*.

²⁰⁸ 77th Oregon Legislative Assembly. *Enrolled Senate Bill 1540*. Salem: Oregon Legislature, 2014. <https://olis.leg.state.or.us/liz/2014R1/Downloads/MeasureDocument/SB1540>

B. Good Faith Assertions

Conversely, a patent holder is seen as potentially acting in good faith if they or their affiliate provided all the previously listed information in their complaint; conducted a comparison that established in clear language what aspects of the offending product infringed on what aspects of their patent; attempted to reach a settlement or offered a licensing fee before moving forward with a complaint; made substantial invested in using or prosecuting the patent; is either listed as an inventor or assignee in the patent, an institution of higher education or affiliated with one; or has previously successfully enforced the patent in question.²

C. Cause of Action

There is little language in the law concerning cause of action.²⁰⁹

Current Environment for Patent Trolling

Both right and left leaning media outlets in Oregon have covered patent troll news inside and outside the state, before and after their law was passed²¹⁰. Most recently there has been some attention on the burgeoning cannabis market, and how they can be vulnerable to patent trolls.²¹¹

While SB 1540 makes patent trolling illegal, it does not specify or give suggestions as to how things should be handled if a complaint is found to be acting in bad faith. It does state that the attorney general has control to “adopt rules necessary to implement the provisions” of the bill. Oregon was quickly and successfully able to pass a law that address patent trolling directly.

²⁰⁹ <https://gov.oregonlive.com/bill/2014/SB1540/>

²¹⁰ The Oregonian. Advance Local Media. <https://www.oregonlive.com/>

²¹¹ Shepherd, Katie. 2016. “Meet the New Faces of Cannabis-10 People Now Shaping Legal Weed in Oregon.” Willamette Week. May 16, 2016.

<https://www.wweek.com/news/2018/05/16/meet-the-new-faces-of-cannabis-10-people-now-shaping-legal-weed-in-oregon/>.; Stangel, Matt. 2016. “A TED Talks-Styled Educational Cannabis Series Is Coming to Portland.”

Willamette Week. March 14, 2016.

<https://www.wweek.com/potlander/2018/03/13/a-ted-talks-styled-educational-cannabis-series-is-coming-to-portland/>

Pennsylvania

Overview

Pennsylvania Senate Bill 1222, introduced in February 2014, was written to limit and discourage frivolous patent infringement lawsuits. It would allow a target of a demand letter, someone threatened with patent infringement, or a defendant in a patent infringement lawsuit to bring an action in state court for bad faith patent claims. The bill was sponsored by four Republicans, but it died in committee.²¹²

Policies

A. Bad Faith Policies

SB1222 lays out a number of factors that the court may consider as evidence that an entity made a bad faith assertion of patent infringement. Standard to similar pieces of legislation, the legislation notes that if the demand letter does not contain the patent number, or the name and address of the patent owner or owners and assignee or assignees, if any, that may indicate bad faith. Additionally, bad faith may be confirmed if there are no factual allegations concerning the specific areas in which the target's products, services, or technology infringed the patent or are covered by the claims in the patent, or if the target requested this information and the sender did not provide the information within a reasonable period of time. Prior to sending the demand letter, if the person failed to conduct an analysis comparing the claims in the patent to the target's products, services, or technology or an analysis was done but does not identify specific areas in which the products, services or technology are covered by the claims in the patent, this may be evidence of bad faith. Other potential areas of evidence include if the demand letter includes a

²¹² <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=S&type=B&bn=1222>

demand for payment of a license fee or a response within an unreasonably short period of time, if the person offered to license the patent for an amount that is not based on a reasonable estimate of the value of the license, if the person knew or should have known that the assertion of patent infringement is meritless, if the assertion of patent infringement is deceptive, or if the person or a subsidiary or affiliate of the person previously filed or threatened to file a lawsuit based on the same or similar claim of patent infringement.²¹³

B. Good Faith Policies

The legislation notes that a person engaged in a good faith effort to establish that the target infringed the patent and to negotiate an appropriate remedy as evidence that a person did not make a bad faith assertion of patent infringement. Additionally, if the person demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent, this will be considered as a factor of evidence that the person did not make a bad faith assertion of patent infringement.²¹⁴

C. Cause of Action

SB 1222 includes provisions that allow civilians, higher education institutions, and the Attorney General to raise civil lawsuits. Specifically, they authorize a person aggrieved by a bad faith assertion to sue, in addition to specifying the type of damages that a court may award in such an action. It permits the state AG to investigate an alleged bad faith assertion as a result of complaints, and it allows the AG to bring a civil action in connection with a bad faith assertion in the public's interest.²¹⁵

²¹³ "Pennsylvania SB1222 | 2017-2018 | Regular Session." LegiScan, legiscan.com/PA/bill/SB1222/2017.

²¹⁴ *Ibid.*

²¹⁵ "Pennsylvania SB1222 | 2017-2018 | Regular Session." LegiScan, legiscan.com/PA/text/SB1222/id/1819130.

Rhode Island

Overview

On June 14, 2016, Governor Gina Raimondo (D) signed H.B. 7425 into law.²¹⁶ The bill was sponsored by Brian Kennedy (D), on behalf of state Attorney General Peter F. Kilmartin (D). The companion bill in the senate, S.B. 2542, was sponsored by Senate Minority Leader Dennis L. Algieri (R). The bills passed each chamber unanimously.

Rhode Island's laws ensure that there is no interference "with the good faith enforcement of patents or good faith patent litigation," and that "nothing conflicts with federal patent law."²¹⁷ A particular effort was made to prohibit "abusive patent litigation," with such litigation identified primarily through the receipt of demand letters, "a letter, e-mail or other communication asserting or claiming that the target has engaged in patent infringement, or that the actions of the target would benefit from the grant of a license to any patent, or any similar assertion."²¹⁸

Policies

A. Bad Faith Assertions

Bad faith assertions of patent infringement are based on a set of criteria, primarily based on the structure and contents of the demand letter or other form of communication, to determine whether the assertion was in fact made in bad faith. Signs of a bad faith assertion include the lack of personal contact information, the lack of factual allegations regarding the target's products, services and technology, unreasonable and immediate demands for payment, and the lack of factual merit of the assertion of patent infringement.

²¹⁶ <https://www.ri.gov/press/view/27623>

²¹⁷ https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1701

²¹⁸ https://www.lawserver.com/law/state/idaho/id-code/idaho_code_48-1702

B. Good Faith Assertions

A demand letter reasonable is considered reasonable if the person has made a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent. Additionally, the person must have demonstrated previous efforts to enforce the patent, or a substantially similar patent through litigation.²¹⁹

C. Causes of Action

A complaint can be brought by the affected person. The state Attorney General can also bring complaints. Notably, the law also includes a list of features that make a demand letter reasonable: “A. The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy. B. The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent. C. The person has: Demonstrated good faith in previous efforts to enforce the patent, or a substantially similar patent; or Successfully enforced the patent, or a substantially similar patent, through litigation.” If the filer of the demand letter is found to be in violation of the law, remedies and damages can be awarded.

²¹⁹ Ibid.

South Carolina

Overview

The Bad Faith Assertion of Patent Infringement Act (H. 3682) intends to prohibit bad faith assertions of patent infringements. The law took effect July 1, 2016, and passed the state legislature with bipartisan support and was signed into law.²²⁰

Policies:

A. Bad Faith Policies

Elements of bad faith assertions are numerous. If a demand letter lacks basic information, including patent numbers, addresses of patent owners, the lack of factual allegations outlining harm suffered by the patent holder, or an analysis comparing the target's product to the owner's patent, that may be taken as signs of a bad faith assertion. Another criterion for bad faith assertions include a demand for money within a short period of time.²²¹

B. Good Faith Policies

Good faith assertions must include sufficient information about the infringed patent, no demand for immediate payment, and proof that the demanding company makes extensive use or generates a lot of revenue with the patent. Exceptions are made for institutions of higher education and non-profit research organizations.

C. Cause of Action

The legislation provides a private cause of action to the recipients of bad faith assertions.

²²⁰ "Patent Progress's Guide to State Patent Legislation." Patent Progress, www.patentprogress.org/patent-progress-legislation-guides/patent-progresss-guide-state-patent-legislation/.

²²¹ Ibid.

South Dakota

Overview

The South Dakota law 57A-3-311, passed on 2015, requires greater clarity in patent demand letters and include patent litigation reforms that will help limit the power of patent trolls.

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Policies

A. Bad Faith Assertions

Relates to bad faith assertions of patent infringement; provides a penalty for violations; relates to a demand letter and threats of legal action that cannot legally be taken; provides for bonds, damages, costs and fees.²²³

B. Good Faith Assertions

According to state law 57A-3-311, if a person against whom a claim is asserted proves that “(i) that person in good faith tendered an instrument to the claimant as full satisfaction of the claim, (ii) the amount of the claim was unliquidated or subject to a bona fide dispute, and (iii) the claimant obtained payment of the instrument, the following subsections apply: (1) The claimant, if an organization, proves that (i) within a reasonable time before the tender, the claimant sent a conspicuous statement to the person against whom the claim is asserted that communications concerning disputed debts, including an instrument tendered as full satisfaction of a debt, are to

²²² "Patent Troll Watch." Go to FoleyHoag. Accessed January 30, 2019.

<https://foleyhoag.com/publications/ebooks-and-white-papers/2016/march/state-ag-patent-troll-watch-march-2016>.

²²³ Ibid.

be sent to a designated person, office, or place, and (ii) the instrument or accompanying communication was not received by that designated person, office, or place.”²²⁴

C. Cause of Action

A cause of action accrues when the breach occurs, regardless of the aggrieved party's lack of knowledge of the breach. A breach of warranty occurs when tender of delivery is made, except that where a warranty explicitly extends to future performance of the goods and discovery of the breach must await the time of such performance the cause of action accrues when the breach is or should have been discovered. Where an action commenced within the time is so terminated as to leave available a remedy by another action for the same breach such other action may be commenced after the expiration of the time limited and within six months after the termination of the first action unless the termination resulted from voluntary discontinuance or from dismissal for failure or neglect to prosecute.

²²⁴ "Patent Troll Watch." Go to FoleyHoag. Accessed January 30, 2019.
<https://foleyhoag.com/publications/ebooks-and-white-papers/2016/march/state-ag-patent-troll-watch-march-2016>.

Tennessee

Overview

The Bad Faith Patent Assertion Statute states that a “person” violates the act if they send a demand letter “(1) when there is a ‘consistent pattern’ of false threats of patent litigation; (2) containing false communications that litigation has been filed; or (3) where assertions are made in the letter that ‘lack a reasonable basis in fact or law.’” The goal of the legislation was to prevent small businesses from dealing with costs associated with defending “bad faith” patent allegations. The bill passed with a unanimous bipartisan vote.²²⁵

Policies

A. Bad Faith Policies

Tennessee incorporates several factors to define a bad faith letter. If the demand letter does not contain the patent number, or the name and address of the patent owner or owners and assignee or assignees, that may indicate bad faith. Additionally, if there are no factual allegations concerning the specific areas in which the target's products infringed the patent or are covered by the claims in the patent, or if the target requested this information and the sender did not provide the information within a reasonable period of time, there are further grounds for a bad-faith assertion. Other potential areas of evidence include if the demand letter includes a demand for payment of a license fee or a response within an unreasonably short period of time, if the person offered to license the patent for an amount that is not based on a reasonable estimate of the value of the license, if the person knew or should have known that the assertion of patent infringement

²²⁵ Admin. “Spurious Lawsuit by Infamous 'Patent Troll' Against Adam Corolla Defeated in Court with Help from Digital Rights Group, Electronic Frontier Foundation.” Tennessee Star, 18 May 2018, tennesseestar.com/2018/05/18/spurious-lawsuit-by-infamous-patent-troll-against-adam-corolla-defeated-in-court-wit-h-help-from-digital-rights-group-electronic-frontier-foundation/.

is meritless, or if the person or a subsidiary or affiliate of the person previously filed or threatened to file a lawsuit based on the same or similar claim of patent infringement. However, there are exceptions, such as: “(1) Any owner of a patent who is using the patent in connection with substantial research, development, production, manufacturing, processing or delivery of products or materials; (2) Any institution of higher education as that term is defined in section 101 of the Higher Education Act of 1963 (20 U.S.C. § 1001); (3) Any technology transfer organization whose primary purpose is to facilitate the commercialization of technology developed by an institution of higher education; or (4) Any person or business entity seeking a claim for relief arising under 35 U.S.C. § 271(e)(2).”²²⁶

B. Good Faith Policies

A person is engaged in a good faith effort if the person demonstrates good faith business practices in previous efforts to enforce the patent or a substantially similar patent. Additionally, it may be considered an indicator for good faith if sufficient information about the infringed patent was included or if no immediate payment was demanded. Demand letters sent by institutions of higher education, non-profit research organizations as well as operating entities are excluded from bad faith patent infringement claims in order to protect the right of entities operating in good faith to enforce their patents.²²⁷

C. Cause of Action

The law “creates a cause of action for recipients of demand letters that assert patent infringement in bad faith.” Any person who has a bad faith demand brought against them may be awarded “litigation costs and fees, including attorneys’ fees, and may be awarded actual

²²⁶ Ibid.

²²⁷ Ibid.

damages as well as punitive damages equal to three times the amount of actual damages. In addition, the office of the attorney general is empowered to enforce the bill through its investigative and prosecutorial authority.”²²⁸

²²⁸ “Patent Trolls Who Send Bad Faith Demand Letters Are Now On The Hook for Damages and Attorneys' Fees in Tennessee.” Bass, Berry & Sims PLC, www.bassberry.com/news/patent-trolls-who-send-bad-faith-demand-letters-are-now-on-the-hook-for-damages-and-attorneys-fees-in-tennessee/.

Texas

Overview

Texas is notorious for patent trolling, particularly on the federal level. In particular, one court in Eastern Texas has been in the spotlight for welcoming patent litigation. The number of patent cases filed in the Eastern District of Texas skyrocketed in recent years. Starting from a normal number of just over 200 patent case filings in 2009, the number of cases exponentially increased: Over 2,540 patent cases were filed in 2015.²²⁹ This popularity for patent trolling in Eastern Texas is primarily due to a purposefully friendly legal environment set up by a conscious effort of the court's jurors and judges.²³⁰

Although Eastern Texas was notorious for being favorable to federal patent trolls, the Texas state legislature did have many initiatives that were against patent trolling. Texas HB 3176 proposed civil penalties and fees against bad-faith litigation. Texas SB 1187 was a response to the proposal from the house. Ultimately, Texas SB 1457, filed in March 12th, 2015, successfully passed both chambers and became effective on September 1, 2015.

Policies

A. Bad Faith Assertions

The bill focused on bad faith claims of patent infringement, provided a case for civil penalties, and created a criminal offense. Bad faith assertions were described as: threatening litigation, the claim is objectively baseless — for instance, if the plaintiff does not have the right

²²⁹ Glaser, April. "Why It Matters That Patent Trolls Won't Be Able to Force Their Cases in Texas." Recode, May 23, 2017. <https://www.recode.net/2017/5/23/15678290/patent-trolls-eastern-texas-supreme-court>.

²³⁰ Love, Brian J., and James Yoon. "Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas." *Stanford Technology Law Review* 20 (2017): 1.

to the patent, the patent is invalid / expired, or the communication is misleading. The civil penalty was stated to be not exceed \$50,000.²³¹

B. Good Faith Assertions

The legislation notes that a person engaged in a good faith effort to establish that the target infringed the patent and to negotiate an appropriate remedy as evidence that a person did not make a bad faith assertion of patent infringement. Additionally, if the person demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent, this will be considered as a factor of evidence that the person did not make a bad faith assertion of patent infringement.²³²

C. Causes of Action

Those who face bad faith assertions may be awarded “litigation costs and fees, including attorneys’ fees, and may be awarded actual damages as well as punitive damages equal to three times the amount of actual damages. In addition, the Texas OAG is empowered to enforce the bill through its investigative and prosecutorial authority.”²³³

²³¹ <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=84R&Bill=SB1457>

²³² Ibid.

²³³ “Patent Trolls Who Send Bad Faith Demand Letters Are Now On The Hook for Damages and Attorneys' Fees in Tennessee.” Bass, Berry & Sims PLC, www.bassberry.com/news/patent-trolls-who-send-bad-faith-demand-letters-are-now-on-the-hook-for-damages-and-attorneys-fees-in-tennessee/.

Utah

Overview

Utah has been home to many prominent calls for patent reform, particularly among politicians such as Senator Orrin Hatch who went on to work on such legislation at the national level. Similarly, a push for statewide legislation began in 2014, rooted within the small business community.²³⁴ Mike McKell, a Republican in the Utah House of Representatives, was joined by Republican State Senator John Valentine in sponsoring House Bill 117. The legislation passed with bipartisan support after several amendments, and Governor Gary Herbert signed the bill into law on April 1, 2014.²³⁵

Policies

A. Bad Faith Assertions

Utah's law prohibits the distribution of bad faith demand letters asserting patent infringement. An assertion is considered in bad faith if it lacks the following information: patent numbers of the patents being asserted; name and address of the current patent owner; name and address of any entity having the right to enforce or license the patent; name and address of all persons/entities holding a controlling interest in the owner/exclusive licensee of the asserted patents; identification of at least one claim of each asserted patent; and a description of one or more allegedly infringing products for each asserted claim including the make, model number, or other specific identifying indicia.²³⁶

B. Good Faith Assertions

²³⁴ Rebecca Jensen, Deseret News. "Main Street Won't Give Up Against Patent Trolls." July 23, 2014. <https://www.deseretnews.com/article/865607398/Main-Street-wont-give-up-against-patent-trolls.html>

²³⁵ Ibid.

²³⁶ "Don't Be Mistaken for a Troll: Compliance with State Patent Legislation." Maschoff Brennan, 12 Dec. 2016, mabr.com/dont-be-mistaken-for-a-troll-compliance-with-state-patent-legislation/.

If the person demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent, that is evidence that the person did not make a bad faith assertion. Moreover, if a person engaged in a good faith effort establishes that target infringed the patent and negotiates an appropriate remedy, that is also evidence that a person did not make a bad faith assertion of patent infringement.²³⁷

C. Causes of Action

This bill altered Utah's judicial code and "create[d] a cause of action for the distribution of bad faith demand letters asserting patent infringement."²³⁸ By allowing district courts to evaluate whether or not a demand letter contained faulty information, neglected to provide necessary details, or properly claimed infringement of patent rights, the legislation lets a person who receives a bad faith letter bring legal action against the author of the letter.

²³⁷ Ibid.

²³⁸ Utah State Legislature. "H.B. 117, Patent Infringement Amendments." March 13, 2014. <https://le.utah.gov/~2014/bills/hbillenr/HB0117.htm>

Vermont

Overview

Vermont was the first state in the US to introduce abusive patent practice legislation.²³⁹ Vermont's bill was therefore highly influential on the overall development of patent trolling legislation in the US. On May 22, 2013, Vermont passed the Bad Faith Assertions of Patent Infringements Act making it illegal to make a bad faith assertion of patent infringement.²⁴⁰ By raising the potential costs of a bad faith patent infringement claim, businesses are given a legal tool to defend themselves against false patent infringement claims in order to discourage non-practicing entities from making such claims in the first place.²⁴¹

The legislation was mainly driven by local businesses in the area of software development and e-commerce. Peter Kunin, an IP lawyer, was a central figure of the business coalition supporting the bill.²⁴² Vermont is among the states with the highest patents per capita rate, and so the bill was aimed at protecting particularly young businesses which engage in technology-based activities. The bill was sponsored by Bill Botzow (Democrat) and Michael Marcotte (Republican).²⁴³

Policies

A. Bad Faith Assertions

²³⁹ "Patent Trolling." Office of the Vermont Attorney General, ago.vermont.gov/patent-trolling/.

²⁴⁰ 9 V.S.A. § 4195 - 4199

²⁴¹ DeSisto 2015 (Suffolk University Law Review) p. 123 - 125 (Source. http://suffolklawreview.org/wp-content/uploads/2015/02/DeSisto_Note_PDF.pdf)

²⁴² Ibid.

²⁴³ See Herrick, "Shumlin signs 'patent troll' bill aimed at protecting Vermont businesses against false claims", <https://vtdigger.org/2013/05/22/shumlin-signs-patent-troll-bill-aimed-at-protecting-vermont-businesses-against-false-claims/> (accessed November 20, 2018)

The law gives a wide range of indicators which can be used to determine if a patent infringement claim was made in bad faith. First of all, failure to include sufficient information about the patent in question as well as demanding a payment in an unreasonably short period of time can be interpreted as evidence for bad faith. If the asserting entity failed to conduct a thorough analysis whether their patent is applicable to the alleged instance of infringement, this further speaks in favor of a bad faith assertion. Courts should also consider whether the infringement claim is obviously meritless or has been found so in previous cases. In general, the law gives courts broad discretion to consider other factors they may find relevant in order to identify a bad faith assertion.²⁴⁴

B. Good Faith Assertions

Indicators for good faith assertions are for the most part the absence of bad faith indicators. For example, it may be considered an indicator for good faith if sufficient information about the infringed patent was included or if no immediate payment was demanded. Previous successful enforcement of the patent as well as general good-faith business practices also point to a good faith assertion. Moreover, it should also be considered an indicator of good faith if the demanding party is an institution of higher education or the patent's inventor himself.²⁴⁵

C. Cause of Action

The law allows the state Attorney General to “make rules, conduct civil investigations, bring civil actions, and enter into assurances of discontinuance.”²⁴⁶ Because bad faith patent infringement assertions often involve small businesses, the state Attorney General can act against

²⁴⁴ See Vermont General Assembly, “H299 (Act 44)”, <https://legislature.vermont.gov/bill/status/2014/H.299> (accessed November 12, 2018)

²⁴⁵ See 9 V.S.A. § 4197 c)

²⁴⁶ 9 V.S.A § 4199

patent trolls by initiating civil investigations and civil actions in court. Therefore, the law includes a public cause of action.

If the court finds a reasonable likelihood of a bad faith assertion, they can order the demanding company to post a bond of the estimated cost of litigating the claim and the amount likely to be recovered in a lawsuit (maximum \$250,000). If the victim of a bad faith infringement wins in court, the demanding company has to pay equitable relief, damages, cost and fees as well as an exemplary fine which is either \$50,000 or three times the sum of damages, costs, and fees, whatever is higher.²⁴⁷

The possibility of federal preemption is recognized in the legislation.²⁴⁸ However, many scholars believe that there is no basis for preemption as long as the patent infringement claims are objectively baseless, following exceptions establishing state action against bad faith patent infringement claims.²⁴⁹ Because bad faith assertions can be identified without evaluating the merit of particular patents, the state law does not interfere with the exclusive federal jurisdiction about patent enforcement. However, if demand letters do not provide sufficient evidence for bad faith assertions, the evaluation of patents' validity may be necessary and thereby provide the basis for federal preemption.²⁵⁰

²⁴⁷ See 9 V.S.A. § 4198 - 4199

²⁴⁸ See 9 V.S.A § 4195 (3)

²⁴⁹ See T. Christian Landreth (2014) , Recent Development, The Fight Against “Patent Trolls:” Will State Law Come to the Rescue?, 15 N.C. J.L. & TECH. ON. 100, 120-21

²⁵⁰ See Ryan Davis (2013), Vt.’s Historic Fight on ‘Patent Trolls’ May Fall Flat, LAW 360, (Source: <https://perma.cc/MC6L-2CFM>)

Virginia

Overview

In 2014, Virginia Attorney General Herring and the Virginia State Legislature worked together to address patent trolling by implementing a patent troll law,²⁵¹ and establishing a Patent Troll Unit within the Office of the AG.²⁵² This task force provides public information regarding patent trolls,²⁵³ and operates an online form to report patent trolls.²⁵⁴

Policies

A. Bad Faith Assertions

A bad faith assertion is made if any, or all, of the following conditions are met: the demand letter does not contain basic information about the patent asserted (e.g., patent number, patent owner's name or address), the patent owner fails to conduct a reasonable analysis of whether the alleged infringer's products actually infringe the patent in question before sending a demand letter, or the demand letter does not identify the specific areas in which the patent claims cover the alleged infringer's products, services, or technology. Further indications of a bad faith assertion occur when the patent owner offers to license the patent at a price not based on a reasonable estimation of the value of such a license, the demand letter contains a deceptive assertion of patent infringement, or the patent owner threatens legal action that that cannot legally be taken or that is not intended to be taken.²⁵⁵

²⁵¹ "Code of Virginia Code - Chapter 18.1. Bad Faith Assertions of Patent Infringement." n.d. Accessed October 18, 2018. <https://law.lis.virginia.gov/vacodefull/title59.1/chapter18.1/>.

²⁵² "Attorney General of Virginia." n.d. Accessed October 18, 2018. <https://www.oag.state.va.us/index.php/patents/patent-trolling>.

²⁵³ "Attorney General of Virginia." n.d. Accessed October 18, 2018. <https://www.oag.state.va.us/citizen-resources/patent-troll-unit>.

²⁵⁴ "Attorney General of Virginia." n.d. Accessed October 18, 2018. <https://www.oag.state.va.us/index.php/patents/report-a-patent-troll>.

²⁵⁵ Ibid.

B. Good Faith Assertions

A good faith assertion is defined by a number of criteria. First of all, an assertion is made in good faith if the patent owner conducts a reasonable investigation and determines that the alleged infringer actually infringes the patent in question before sending a demand letter or if the patent owner makes a substantial investment in the development, production, or sale of a product covered by the patent. Finally, history will be taken into consideration; an assertion is made in good faith if the patent owner has in the past successfully enforced the patent (or a substantially similar patent). Exceptions to bad faith assertion are made for institutions of higher education.

C. Cause of Action

The law has both private and public rights of action. The OAG may “investigate potential violations, to enter into agreements requiring patent trolls to end their abusive practices, and to bring suit against patent trolls to obtain a court order preventing future abusive conduct and to collect civil penalties.” Individual citizens may also bring private causes of action.²⁵⁶

²⁵⁶ Ibid.

Washington

Overview

Washington has taken worked to stop patent trolls with SB 5059, which was introduced in 2015. SB 5059 was passed and states an individual could not file a patent complaint in “bad faith” and defines what constitutes bad faith.²⁵⁷ SB 5059 identifies economic gain as the main reason for its creation, specifically that patent trolls hurt small/medium sized businesses and inhibit the growth of the information and technology sector in Washington.²⁵⁸ SB 5059 was sponsored by four representatives, three Democrats and one Republican, and signed into law.²⁵⁹

Policies

A. Bad Faith Assertions

SB 5059 has a non-exclusive list of what constitutes bad faith. It is considered evidence of bad faith if: the demand letter does not include the patent number, name and current address of the patent holder, and the specific infringement that is occurring; an analysis was not conducted beforehand; the action threatened cannot legally be taken; the complaint includes false, misleading, or deceptive information; a previously filed complaint had been deemed frivolous or acted on in bath faith. Furthermore, the court is given the freedom to include any other factor they might consider relevant.²¹⁹

B. Good Faith Assertions

²⁵⁷ Griffin, Jonathan. "2015 PATENT TROLLING LEGISLATION." National Conference of State Legislatures. June 15, 2016. <http://www.ncsl.org/research/financial-services-and-commerce/2015-patent-trolling-legislation.aspx>.

²⁵⁸ Washington State 64th Legislature. *CERTIFICATION OF ENROLLMENT SUBSTITUTE SENATE BILL 5059*. Olympia: 2015.

<http://lawfilesexternal.wa.gov/biennium/2015-16/Pdf/Bills/Senate%20Passed%20Legislature/5059-S.PL.pdf>

²⁵⁹ "SB 5059 - 2015-16." Bill Summary RSS. <http://apps2.leg.wa.gov/billsummary?BillNumber=5059&Year=2015>.

SB 5059 identifies as potential evidence for a claim made in good faith if: the patent holder provided the complaint recipient with any mission information identified previously within a reasonable period of time; reasonable analysis and attempts to negotiate occurred beforehand; the person filing the complaint has demonstrated reasonable business practices when dealing with patents or successfully defended a patent in the past; and if the complaint was filed by the original owner, assigned, or someone deeply involved with using the technology protected by the patent. Again, the court is able to include anything else they deem relevant.²⁶⁰

²⁶⁰ Ibid.

West Virginia

Overview

West Virginia has not experienced any high-profile cases of patent trolling and no bills attempting to contend with the practice have been introduced in Charleston. As of 2019, West Virginia was one of four states that had neither passed patent trolling legislation nor had its attorney general sign a letter urging the federal government to pass patent control legislation. The other three were California, Ohio, and Delaware.²⁶¹ Thus, there are no laws or guidelines from the AG on what distinguishes bad-faith assertions from good-faith assertions made against West Virginian businesses and individuals.

²⁶¹ “States Really Want Help with Patent Trolls.” Patent Progress, May 12, 2014. <https://www.patentprogress.org/2014/05/12/states-really-want-help-patent-trolls/>.

Wisconsin

Overview

Wisconsin has had a unique history of patent trolling. One high-profile, ongoing case may be based on spurious allegations of patent infringement. In February 2014, the Wisconsin Alumni Research Foundation (WARF) filed suit against Apple, claiming that processors utilized in various iPhone and iPad models were originally developed by researchers at the University of Wisconsin. In response to these events and trends, in 2014 Governor Scott Walker (R) signed Wisconsin 2013 Act 339, which keys in on one aspect of how patent trolls go about their business: “patent notifications.” The original bill was bipartisan, introduced by Senators Paul Farrow (R), Luther Olsen (R), and Robert Jauch (D).²⁶² As defined by the law, a patent notification is “a letter, e-mail, or other written communication attempting in any manner to enforce or assert rights in connection with a patent or pending patent.”²⁶³ The law centers around notifications because it is the threat of immense legal fees, rather than the merit of the allegations, that is often the deciding factor when target companies pay trolls.

Policies

A. Bad Faith Assertions

2013 Act 339 attempts to restrict bad faith assertions by stating that “a patent notification may not contain false, misleading, or deceptive information.”²⁶⁴ These notifications must include various pieces of information, including the number and a copy of each patent that is the subject of the notification, the patentee’s, or plaintiff’s, name and address, “an analysis setting forth in

²⁶² “2013 Senate Bill 498.” Accessed October 18, 2018. <https://docs.legis.wisconsin.gov/2013/proposals/sb498>.

²⁶³ “2013 WISCONSIN 2013 ACT 339.” State of Wisconsin, April 24, 2014. <https://docs.legis.wisconsin.gov/2013/related/acts/339.pdf>.

²⁶⁴ Wisconsin Legislature: 137.01, docs.legis.wisconsin.gov/statutes/statutes/100/197/4/ar.

detail the [patentee's] theory of each claim," and any pending or completed lawsuits related to the patent under scrutiny. If the communication lacks one of these mandatory pieces of information, the target, or defendant, can notify the issuer, after which the issuer has 30 days to amend the notification in accordance with the statute.

B. Good Faith Assertions

The act exempts notifications sent by institutions of higher education, technology transfer organization associated with institutions of higher education and health care or research institutions that spend at least \$10 million annually and receive federal funding. It also exempts notifications asserting a right to a patent or pending patent "that is subject to approval by the federal food and drug administration or the federal department of agriculture."²⁶⁵ Thus, the piece of legislation defines good faith assertions based on what type of institution is represented by the issuer of the patent notification. Otherwise, the law applies to all individuals or entities attempting to enforce patents or pending patents against entities doing business in Wisconsin or their customers.²⁶⁶

C. Cause of Action

Either the state Attorney General or the target of a bad faith letter can file suit if the notification is not amended or if it contains false or misleading material. The plaintiff in the countersuit, whether the state or the target, can receive a \$50,000 fine for each violation. If these

²⁶⁵ Ibid.

²⁶⁶ Hill, Essential Patent LLC PO Box 710868 Oak, and Virginia 20171 Phone:793-6445. "Wisconsin Passes Bill Targeting Bad Faith Assertions of Patent Infringement." Essential Patent Blog, March 24, 2014. <https://www.essentialpatentblog.com/2014/03/wisconsin-passes-bill-targeting-bad-faith-assertions-of-patent-infringement/>.

damages are exceeded by three times the total of the damages otherwise awarded by a court and the target's attorney fees, then the target can receive this amount in a countersuit.

Wyoming

Overview

Wyoming currently has one patent troll law in place, SF0065. Introduced by Republican Senator Cale Case, the legislation received unanimous approval and was signed into law by the governor in March 2016 and went into effect in July 2016.²⁶⁷

Policies

A. Bad Faith Policies

Article 2 of the law outlines 13 factors that could constitute bad faith practices. The law requires claims of patent infringement to include specifications such as patent number, name of the owner/assignee, specific factual allegations of the infringement, and comparative analysis of the actual product to the patent in question. The provisions also include making a claim of patent infringement when the actor knows the claim is unenforceable, sending the same or substantially similar demand letter to multiple recipients without addressing differences in the technologies in question, and falsely implying in the demand letter that a claim of patent infringement has already been filed in court.²⁶⁸

The bill refers to the individuals/groups that make bad faith claims as any “person,”²⁶⁹ therefore broadening the scope of who qualifies as a patent troll. There are also exceptions for who can be considered an alleged patent infringer, excluding those using a patent for “substantial research, commercial development, production, manufacturing, processing or delivery of

²⁶⁷ Case, Cale. Senate File No. SF0064 Patent trolling, Pub. L. No. SF0065 (2016).
<https://www.wyoleg.gov/Legislation/2016/SF0065>.

²⁶⁸ Case, Cale. Senate File No. SF0064 Patent trolling, Pub. L. No. SF0065 (2016).
<https://www.wyoleg.gov/Legislation/2016/SF0065>.

²⁶⁹ Ibid.

products or materials” and institutes of higher education.²⁷⁰ Other than these exceptions, the legislation grants relatively large authority to the courts to determine bad faith practices, noting that there is no set number of factors that must be met, just that the court may consider “any of the following factors” as evidence of bad faith, including “Any other factor the court finds relevant.”²⁷¹

B. Good Faith Policies

Article 2 includes stipulations for good faith policies, although many of the factors are simply the converse of those under the bad faith policies. In addition to those adjustments, the article also includes in good faith practices making a concentrated effort to establish a strong case for infringement, having a strong investment in the patent, successfully enforcing the patent previously, and being the inventor or joint inventor of the patent.²⁷²

C. Cause of Action

The Wyoming law establishes both a private and public cause of action. It allows any “person aggrieved by a bad faith assertion of patent infringement in violation of this article” to bring forward a claim.²⁷³ Furthermore, a court can award any of the following remedies: equitable relief, damages, costs and fees, and exemplary damages. The state Attorney General can enforce the law and investigate violations on behalf of the state.²⁷⁴

²⁷⁰ Ibid.

²⁷¹ Ibid.

²⁷² Ibid.

²⁷³ Ibid.

²⁷⁴ Ibid.

Appendix

1.1 Summary of Inclusion and Exclusion of particular language in state legislation.²⁷⁵

Bolded states indicate states where legislation was successfully passed.

	1) Legislation includes “Any factor the court finds relevant”	2) Legislation includes Exemptions for institutions of higher education, technology transfer organizations, and/or and healthcare Institutions	3) Accountability for Repercussions (in other words, the court is not responsible to pay remedies)	4) Includes clause on the “reasonable period of time” during which the person serving a demand letter must respond
Alabama	yes	yes	unclear	yes
Alaska	-	-	-	-
Arizona	yes	yes	no	yes
Arkansas	-	-	-	-
California				
Colorado	no	yes	no	no
Connecticut				
Delaware	-	-	-	-
Florida	no	yes, higher ed and tech transfer (by association)	no	no
Georgia	yes	yes, higher ed and tech transfer (by association)	yes	yes
Hawaii	-	-	-	-
Idaho	yes	no	yes	yes

²⁷⁵ <https://www.patentprogress.org/patent-progress-legislation-guides/patent-progresss-guide-state-patent-legislation/>

Illinois	no	no	yes	no
Indiana	yes	yes, higher ed and tech transfer (by association)	yes	yes
Iowa	-	yes	-	-
Kansas	no	no	unclear	yes
Kentucky				
Louisiana	yes	yes, higher ed and tech transfer (by association)	-	yes
Maine	no	yes, higher ed and tech transfer (by association)	yes	yes
Maryland	yes	yes	yes	yes
Massachusetts				
Michigan	yes	yes	yes	yes
Minnesota	yes	yes	no	no
Mississippi	yes	yes, <i>state</i> higher ed and tech transfer (by association)	yes	yes
Missouri	yes	yes	no	yes
Montana	yes	yes	yes	yes
Nebraska				
Nevada				
New Hampshire	yes	yes	yes	yes
New Jersey				
New Mexico	yes	yes	no	yes
New York	yes	yes		yes

North Carolina	yes	yes		yes
North Dakota	yes	yes	yes	yes
Ohio				
Oklahoma	yes	yes	no	no
Oregon	no	yes	no	yes
Pennsylvania				
Rhode Island	yes	yes	no	yes
South Carolina	yes	no	no	yes
South Dakota	yes	yes		
Tennessee	yes	yes	no	yes
Texas	yes	no	no	no
Utah	yes	yes		
Vermont	yes	yes	yes	yes
Virginia	yes	yes	yes	yes
Washington	yes	yes		yes
West Virginia				
Wisconsin	yes	yes	no	yes
Wyoming	yes	yes		yes