

SENATE BILL NO. 39

INTRODUCED BY C. SMITH

BY REQUEST OF THE DEPARTMENT OF JUSTICE

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE LAWS RELATED TO PATENT AND COPYRIGHT TROLLING; PROVIDING FOR THE CIVIL OFFENSE OF BAD FAITH ASSERTION OF A PATENT RIGHT, INCLUDING REMEDIES AND DAMAGES AVAILABLE FOR THE OFFENSE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 4], the following definitions apply:

(1) "Affiliated person" means a person under common ownership or control of an intended recipient.

(2) "Intended recipient" means a person who purchases, rents, leases, or otherwise obtains a product or service in the commercial market that is not for resale in the person's ordinary business and that is or later becomes the subject of a patent infringement allegation.

(3) "Person" means a natural person, partnership, corporation, company, trust, business entity, or association and an agent, employee, partner, officer, director, member, associate, or trustee of a person.

NEW SECTION. **Section 2. Bad faith assertion of patent right.** (1) A person may not, in connection with the assertion of a United States patent, send or cause a person to send a written or electronic communication stating that the intended recipient or an affiliated person is infringing or has infringed a patent and bears liability or owes compensation to another person if:

(a) ~~(i)~~ the communication falsely states that litigation has been filed against the intended recipient or threatens litigation if compensation is not paid or the infringement issue is not otherwise resolved; ~~and~~

~~(ii) there is a consistent pattern of threats of litigation with no litigation actually being filed; or~~

(b) the assertions contained in the communication lack a reasonable basis in fact or law because:

(i) the person asserting the patent is not or does not represent a person with the current right to license the patent to or enforce the patent against the intended recipient or an affiliated person;

1 (ii) the communication seeks compensation for a patent that has been held to be invalid or unenforceable
2 in a final judicial or administrative decision;

3 (iii) the communication seeks compensation on account of activities undertaken after the patent has
4 expired; or

5 (iv) the content of the communication fails to include information necessary to inform an intended recipient
6 or affiliated person about the patent assertion by failing to include one of the following:

7 (A) the identity of the person asserting a right to license the patent to or enforce the patent against the
8 intended recipient or an affiliated person; OR

9 (B) the patent number issued by the United States patent and trademark office for a patent that is alleged
10 to have been infringed; ~~or~~

11 ~~—— (C) the factual allegations concerning the specific areas in which the intended recipient's or affiliated
12 person's technology, products, or services infringed the patent or are covered by the claims in the patent.~~

13 (2) It is not a violation of this section for a person who owns or has the right to license or enforce a patent
14 to:

15 (a) advise others of that ownership or right of license or enforcement;

16 (b) communicate to others that a patent is available for license or sale;

17 (c) notify another of the infringement of the patent; or

18 (d) if the person is not acting in bad faith, seek compensation for past or present infringement or for a
19 license to the patent.

20 (3) [Sections 1 through 4] do not apply to a written or electronic communication sent by:

21 (a) an owner of a patent OR A LICENSEE who is using the patent in connection with substantial research,
22 development, production, manufacturing, processing, or delivery of products or materials;

23 (b) an institution of higher education; or

24 (c) a technology transfer organization whose primary purpose is to facilitate the commercialization of
25 technology developed by an institution of higher education.

26 (4) This section does not apply to a demand letter or civil action that includes a claim for relief arising
27 under 35 U.S.C. 271(e)(2).

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29 **NEW SECTION. Section 3. Remedies for bad faith assertion of patent right.** (1) The attorney
30 general may enforce [sections 1 through 4] and conduct civil investigations and bring civil actions for violations

1 of [sections 1 through 4].

2 (2) In an action brought by the attorney general under [sections 1 through 4], the court may award or
3 impose any relief available under [section 4].

4 (3) An intended recipient or affiliated person may bring a cause of action for a violation of [sections 1
5 through 4] and may seek relief provided for in [section 4].

6 (4) In addition to the relief provided for in [section 4], upon a motion by the attorney general or a party
7 bringing a claim pursuant to subsection (3) and a finding by the court that there is a reasonable likelihood that
8 a person violated [section 2], the court may require the person to post a bond in an amount equal to a good faith
9 estimate of the costs to litigate a claim and amounts reasonably likely to be recovered if an action were to be
10 brought pursuant to this section. A hearing must be held upon request of any party.

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12 **NEW SECTION. Section 4. Damages.** A court may award the following relief to a plaintiff who prevails
13 in an action brought pursuant to [sections 1 through 4]:

- 14 (1) compensatory damages;
- 15 (2) costs and fees, including reasonable attorney fees; and
- 16 (3) punitive damages in an amount equal to \$50,000 or three times the total of compensatory damages
17 and costs and fees, whichever is greater.

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19 **NEW SECTION. Section 5. Codification instruction.** [Sections 1 through 4] are intended to be codified
20 as an integral part of Title 30, chapter 13, and the provisions of Title 30, chapter 13, apply to [sections 1 through
21 4].

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23 **NEW SECTION. Section 6. Effective date.** [This act] is effective on passage and approval.

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