
Judiciary Committee

HB 1092

Title: An act relating to bad faith assertions of patent infringement.

Brief Description: Creating the patent troll prevention act.

Sponsors: Representatives Jinkins, Gregerson, Stanford, Bergquist, Goodman and Rodne; by request of Attorney General.

Brief Summary of Bill

- Creates a new chapter in Title 19 RCW prohibiting a person from making assertions of patent infringement in bad faith.
- Authorizes the attorney general to bring an action to enforce provisions of the Act.

Hearing Date: 1/14/15

Staff: Brent Campbell (786-7152).

Background:

Patent Law.

Article One, Section 8, Clause 8 of the United States Constitution states that Congress shall have Power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Patents grant a limited monopoly that gives the patent holder an exclusive right to make, use, or sell the patented innovation in exchange for disclosure. Patents require five key elements: (1) patentable subject matter; (2) utility; (3) novelty; (4) non-obviousness; and (5) enablement. Patent examiners look at applications to determine if they meet these requirements. Patents that pass this process are presumed valid, but can be found invalid by the courts. Patent holders are not required to work on their innovations in order to retain their patents and may enforce or protect their patents through patent infringement suits in federal courts.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Washington Consumer Protection Act.

Washington's Consumer Protection Act (CPA) declares that "unfair or deceptive acts or practices" occurring in trade are unlawful.

The CPA provides that any person who is injured in his or her business or property through such practices may bring a civil action to recover actual damages sustained and costs of the suit, including reasonable attorney's fees. Treble damages may also be awarded in the courts discretion, provided the damage award does not exceed \$25,000. To prevail in a private action under this act, a plaintiff must establish five elements: (1) an unfair or deceptive act or practice; (2) occurring in trade or practice; (3) a public interest impact; (4) injury to plaintiff in his or her business or property; and (5) a causal link between the unfair or deceptive acts and the injury suffered by plaintiff.

The CPA also authorizes the attorney general to bring an action in the name of the state, or as parens patriae on behalf of persons residing in the state, against any person in order to restrain and prevent unfair and deceptive acts or practices.

Summary of Bill:

A person may not make assertions of patent infringement in bad faith.

An "assertion of patent infringement" means:

- Sending or delivering of a communication asserting that a person has engaged in patent infringement.
- Threatening a person with litigation claiming that a person has engaged in patent infringement.
- Sending a communication asserting that a person has engaged in patent infringement to a customer of a target.
- Otherwise claiming that a target has engaged in patent infringement or that a target should obtain a license to a patent to avoid litigation.

Courts may look to a nonexhaustive list of factors courts to determine if an assertion of patent infringement is made in bad faith. One factor that the court may consider is whether a demand contains specific information, including a patent number, the name and address of the patent owner or owners, and facts relating to the specific areas in which the innovation infringes the patent or is covered by claims of the patent. Another factor is whether the person who sent the assertion of patent infringement failed to provide such information after it is requested.

A court may also consider a nonexhaustive list of factors as evidence that an assertion of patent infringement has been made in good faith. Such factors include whether the person asserting the patent infringement provided specific requested information within a reasonable period of time. Another such factor is whether the person asserting a patent infringement engaged in a reasonable analysis to establish an infringement and attempted to negotiate an appropriate remedy.

Unless done in bad faith, it is not an unfair or deceptive trade practice to:

- Advise others of an ownership or right of license or enforcement.
- Communicate to others that a patent is available for sale.

- Notify another of an infringement of a patent pursuant to federal law.
- Seek compensation on account of past or present infringement when it is reasonable to believe that the person for whom compensation is sought may own such compensation or may need or want such a license.

The attorney general is authorized to bring an action in the name of the state or on behalf of persons residing in the state to enforce these provisions. Practices covered are matters vitally affecting the public interest for purposes of applying the CPA. A violation of this section is also not reasonable in relation to the development and preservation of business and is an unfair or deceptive act in trade or commerce and an unfair method of competition for purposes of applying the CPA.

Demands or assertions of patent infringement that arise under 35 U.S.C. Sec. 271(e)(2), regarding submitting applications for drugs, veterinary biological products, or approval of a biological product, or 42 U.S.C. Sec. 262, regarding the regulation of biological products, are not subject to these provisions.

A new chapter is added to Title 19 RCW.

Appropriation: None.

Fiscal Note: Requested on January 9, 2015.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.