

SENATE BILL REPORT

SB 5059

As Reported by Senate Committee On:
Law & Justice, February 5, 2015

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

Brief Description: Creating the patent troll prevention act.

Sponsors: Senators Frockt, Fain, Pedersen and Chase; by request of Attorney General.

Brief History:

Committee Activity: Law & Justice: 1/20/15, 2/05/15 [DPS].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 5059 be substituted therefor, and the substitute bill do pass.

Signed by Senators Padden, Chair; O'Ban, Vice Chair; Pedersen, Ranking Minority Member; Darneille, Kohl-Welles, Pearson and Roach.

Staff: Tim Ford (786-7423)

Background: Patent Law. Patent law is based in the U.S. Constitution and federal law. Article One, Section 8, Clause 8 of the U.S. Constitution secures for limited times to authors and inventors the exclusive right to their respective writings and discoveries. A patent is an intellectual property right granted by government to an inventor to exclude others from making, using, offering for sale, or selling the invention. Generally the term of a new patent is 20 years from the date on which the application for the patent was filed with the U.S. Patent and Trademark Office. A patent filed with the government is open to public disclosure. A patent right is effective only in the U.S. and its territories, and the right may be legally enforced in court to prevent infringement with the exclusive right. There is no legal requirement for a patented invention to actually be developed. A patent right may be sold, assigned, or licensed.

Washington State Consumer Protection Act (CPA). Washington's CPA declares unlawful "unfair competition and unfair acts or deceptive acts or practices" in the conduct of trade or commerce. A person may bring a lawsuit to recover actual damages sustained from an unfair or deceptive act. A court in its discretion may award an injured person treble damages not to

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exceed \$25,000 including costs of the lawsuit and attorney fees. The Attorney General's Office may enforce CPA to protect consumers from fraud and unfair business practices.

Summary of Bill (Recommended Substitute): The Patent Troll Prevention Act is a new chapter in Title 19 RCW. A person may not make assertions of patent infringement in bad faith. An assertion of patent infringement is when a person sends a demand threatening a target with litigation while asserting that the target infringed a patent or that the target should obtain a license in order to avoid litigation. In a lawsuit, a court may consider certain non-exclusive factors as evidence of a good or bad faith assertion. Bad faith factors include whether a demand does not contain specific information such as a patent number, the name and address of the patent owner, and facts relating to specific areas in how the target is infringing the patent, or failing to provide the preceding information upon request.

A violation is an unfair or deceptive act in trade or commerce under CPA. The Attorney General is authorized to bring an action under CPA in the name of the state, or on behalf of persons residing in the state to enforce the provisions.

An assertion of a patent infringement under federal law regarding biological products are not subject to the act.

EFFECT OF CHANGES MADE BY LAW & JUSTICE COMMITTEE (Recommended Substitute): Removes bad faith factors that were vague. Adds a good faith factor for those using a patent in connection with substantial research, development, production, manufacturing, processing, or delivery of products or materials.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This will help protect small businesses who are the primary target of patent trolls. Bad faith assertions are a problem across the country. Many small businesses pay rather than litigate because litigation is too expensive. This bill would allow the Attorney General's Office enforce the new law and respond to and deter bad faith assertions. Congress attempted but did not pass a law to address patent trolls. Federal law does not preempt this bill and more than a dozen states have already enacted laws like this one. It sets forth non-exclusive factors which allow a court to discern good faith from bad faith patent infringement assertions.

Persons Testifying: PRO: Senator Frockt, prime sponsor; Marc Allen, WA State Assn. of Broadcasters; John Nelson, WA State Attorney General's Office; Nathan Gorton, WA Realtors; Jessica Fortescue, WA Bankers Assn.; Mark Johnson, WA Retail Assn.