

Introduced by Senator HillFebruary 27, 2015

An act to add Title 19 (commencing with Section 3273.5) to Part 4 of Division 3 of the Civil Code, relating to civil law.

LEGISLATIVE COUNSEL'S DIGEST

SB 681, as introduced, Hill. Civil law: patents.

Existing federal law provides for the issuance and enforcement of patents, makes a person who actively induces infringement of a patent liable as an infringer, and establishes rights and remedies for infringement of patents.

This bill would make it unlawful to send a written communication stating that the recipient, as defined, is or may be infringing, or has or may have infringed, on a United States patent if the sender of the communication, in bad faith, makes a specified statement, seeks compensation for specified conduct, or fails to include specified information in the communication. The bill would establish an affirmative defense if the sender of the communication demonstrates that the statement, representation, or omission was a mistake made in good faith. The bill would provide that a person who sends a communication in violation of these provisions may be enjoined and is liable for a civil penalty of up to \$2,500 for each violation. The bill would also specify that its provisions are only enforceable by the Attorney General or by an attorney acting on behalf of the state.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Title 19 (commencing with Section 3273.5) is
2 added to Part 4 of Division 3 of the Civil Code, to read:

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TITLE 19. PATENT DEMANDS

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6 3273.5. For the purposes of this title, the following definitions
7 shall apply:

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9 (a) “Final determination” means, with respect to the invalidity
10 or unenforceability of a patent, that the invalidity or
11 unenforceability has been determined by a court of the United
12 States or the United States Patent and Trademark Office in a final
13 decision that is unappealable or for which any opportunity for
14 appeal is no longer available.

14

15 (b) “Recipient” means a person who purchases, rents, leases,
16 or otherwise obtains a product or service in the commercial market
17 that is not for resale in the commercial market and that is, or later
18 becomes, the subject of a patent infringement allegation.

18

19 3273.6. (a) It is unlawful for a person, in connection with the
20 assertion of a United States patent, to engage in a pattern or practice
21 of sending written communications that state or represent that the
22 recipient is or may be infringing, or has or may have infringed,
23 the patent and is liable or owes compensation to another, if any of
24 the following conditions are met:

24

25 (1) The sender of the communication makes, in bad faith, any
26 of the following statements or representations:

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27 (A) That the sender has the right to license or enforce the patent
28 at the time the communications are sent, if the sender is not a
29 person with that right.

29

30 (B) That a civil action asserting a claim of infringement of the
31 patent has been filed against either the recipient or against other
32 persons.

32

33 (C) That legal action for infringement of the patent will be taken
34 against the recipient.

34

35 (D) That the sender is the exclusive licensee of the patent
36 asserted in the communications.

36

37 (E) That persons other than the recipient purchased a license
for the patent asserted in the communications.

1 (F) That persons other than the recipient purchased a license,
2 and the sender does not disclose that the license is unrelated to the
3 alleged infringement or the patent asserted in the communications.

4 (G) That an investigation of the recipient’s alleged infringement
5 has occurred.

6 (H) That the sender, or an affiliate of the sender, previously
7 filed a civil action asserting a claim of infringement of the patent
8 based on the activity that is the subject of the written
9 communication when the sender knew that the activity was held,
10 in a final determination, not to infringe the patent.

11 (2) The sender of the communication seeks, in bad faith,
12 compensation for any of the following:

13 (A) A patent claim that has been determined to be unenforceable
14 or invalid against the recipient in a final determination.

15 (B) Activity undertaken by the recipient after expiration of the
16 patent asserted in the communication.

17 (C) Activity of the recipient that the sender knew was
18 authorized, with respect to the patent claim that are the subject of
19 the communication, by a person with the right to license the patent.

20 (3) The sender of the communication fails, in bad faith, to
21 include any of the following in the communication:

22 (A) The identity of the person asserting a right to license the
23 patent to, or enforce the patent against, the recipient, including the
24 identity of any parent entity and the ultimate parent entity of the
25 person, unless that person is a public company and the name of
26 the public company is identified.

27 (B) Identification of at least one patent issued by the United
28 States Patent and Trademark Office alleged to have been infringed.

29 (C) Identification, to the extent reasonable under the
30 circumstances, of at least one product, service, or other activity of
31 the recipient that is alleged to infringe the identified patent.

32 (D) A description, to the extent reasonable under the
33 circumstances, of how the product, service, or other activity of the
34 recipient infringes an identified patent and patent claim.

35 (E) A name and contact information for a person the recipient
36 may contact about the assertions or claims relating to the patent
37 contained in the communications.

38 (b) It shall be an affirmative defense that the sender did not act
39 in bad faith if the sender demonstrates that the statement,
40 representation, or omission was a mistake made in good faith.

1 Evidence that the sender in the usual course of business sends
2 written communications that do not violate the provisions of this
3 title shall be sufficient to demonstrate good faith. Good faith may
4 also be demonstrated by other evidence.

5 3273.7. (a) A person who sends a communication in violation
6 of Section 3273.6 may be enjoined in a court of competent
7 jurisdiction and is liable for a civil penalty not to exceed two
8 thousand five hundred dollars (\$2,500) for each violation. The
9 penalty collected in an action by the Attorney General or an
10 attorney acting on behalf of the state shall be paid to the General
11 Fund.

12 (b) Notwithstanding any other law, the Attorney General or an
13 attorney acting on behalf of the state shall have the sole authority
14 to enforce this title. This title shall not be construed to create a
15 private right of action.