

**Introduced by Senator Hill**

February 27, 2015

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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 amended, 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~~ *engage in a pattern or practice of sending* written ~~communication~~ *communications*, 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,~~ *communication* makes a specified ~~statement, false statement or representation in bad faith,~~ *fraudulently* seeks compensation for specified conduct, or ~~fails to include~~ *fraudulently conceals or omits* 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~~

*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. The bill would specify that it*

*does not impair or impede any other rights, causes of action, claims, or defenses available under other law and that the remedies provided for under its provisions are cumulative with any other remedies available under other law.*

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:

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

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

18 3273.6. ~~(a)~~—It is unlawful for a person, in connection with the  
 19 assertion of a United States patent, to engage in a pattern or practice  
 20 of sending written communications that state or represent that the  
 21 recipient is or may be infringing, or has or may have infringed,  
 22 the patent and is liable or owes compensation to another, if any of  
 23 the following conditions are met:

24 ~~(1)~~

25 (a) The sender of the communication makes, in bad faith, any  
 26 of the following statements or ~~representations~~: *representations*,  
 27 *knowing those statements or representations are false*:

28 ~~(A)~~

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

- 1     ~~(B)~~
- 2     (2) That a civil action asserting a claim of infringement of the
- 3     patent has been filed against either the recipient or against other
- 4     persons.
- 5     ~~(C)~~
- 6     (3) That legal action for infringement of the patent will be taken
- 7     against the recipient.
- 8     ~~(D)~~
- 9     (4) That the sender is the exclusive licensee of the patent
- 10    asserted in the communications.
- 11    ~~(E)~~
- 12    (5) That persons other than the recipient purchased a license for
- 13    the patent asserted in the communications.
- 14    ~~(F)~~
- 15    (6) That persons other than the recipient purchased a license,
- 16    and the sender does not disclose that the license is unrelated to the
- 17    alleged infringement or the patent asserted in the communications.
- 18    ~~(G)~~
- 19    (7) That an investigation of the recipient’s alleged infringement
- 20    has occurred.
- 21    ~~(H)~~
- 22    (8) That the sender, or an affiliate of the sender, previously filed
- 23    a civil action asserting a claim of infringement of the patent based
- 24    on the activity that is the subject of the written communication
- 25    when the sender knew that the activity was held, in a final
- 26    determination, not to infringe the patent.
- 27    ~~(2)~~
- 28    (b) The sender of the communication ~~seeks, in bad faith,~~
- 29    *fraudulently seeks* compensation for any of the following:
- 30    ~~(A)~~
- 31    (1) A patent claim that has been determined to be unenforceable
- 32    or invalid against the recipient in a final determination.
- 33    ~~(B)~~
- 34    (2) Activity undertaken by the recipient after expiration of the
- 35    patent asserted in the communication.
- 36    ~~(C)~~
- 37    (3) Activity of the recipient that the sender knew was authorized,
- 38    with respect to the patent claim that are the subject of the
- 39    communication, by a person with the right to license the patent.
- 40    ~~(3)~~

1 (c) The sender of the communication ~~fails, in bad faith, to~~  
 2 ~~include any of the following in the communication: fraudulently~~  
 3 ~~conceals or omits any of the following information from the~~  
 4 ~~communication, when that information is readily available to the~~  
 5 ~~sender at the time the communication is sent:~~

6 ~~(A)~~

7 (1) The identity of the person asserting a right to license the  
 8 patent to, or enforce the patent against, the recipient, including the  
 9 identity of any parent entity and the ultimate parent entity of the  
 10 person, unless that person is a public company and the name of  
 11 the public company is identified.

12 ~~(B)~~

13 (2) Identification of at least one patent issued by the United  
 14 States Patent and Trademark Office alleged to have been infringed.

15 ~~(C)~~

16 (3) Identification, to the extent reasonable under the  
 17 circumstances, of at least one product, service, or other activity of  
 18 the recipient that is alleged to infringe the identified patent.

19 ~~(D)~~

20 (4) A description, to the extent reasonable under the  
 21 circumstances, of how the product, service, or other activity of the  
 22 recipient infringes an identified patent and patent claim.

23 ~~(E)~~

24 (5) A name and contact information for a person the recipient  
 25 may contact about the assertions or claims relating to the patent  
 26 contained in the communications.

27 ~~(b) It shall be an affirmative defense that the sender did not act~~  
 28 ~~in bad faith if the sender demonstrates that the statement,~~  
 29 ~~representation, or omission was a mistake made in good faith.~~  
 30 ~~Evidence that the sender in the usual course of business sends~~  
 31 ~~written communications that do not violate the provisions of this~~  
 32 ~~title shall be sufficient to demonstrate good faith. Good faith may~~  
 33 ~~also be demonstrated by other evidence.~~

34 3273.7. (a) A person who sends a communication in violation  
 35 of Section 3273.6 may be enjoined in a court of competent  
 36 jurisdiction and is liable for a civil penalty not to exceed two  
 37 thousand five hundred dollars (\$2,500) for each violation. The  
 38 penalty collected in an action by the Attorney General or an  
 39 attorney acting on behalf of the state shall be paid to the General  
 40 Fund.

1 (b) ~~Notwithstanding any other law, the~~ *The* Attorney General  
2 or an attorney acting on behalf of the state shall have the sole  
3 authority to enforce this title. ~~This~~ *Nothing in this* title shall ~~not~~  
4 be construed to create a private right of action.

5 (c) *Nothing in this title shall be construed to impair or impede*  
6 *any other rights, causes of action, claims, or defenses available*  
7 *under other law. The remedies provided in this title are cumulative*  
8 *with any other remedies available under other law.*

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