STATE OF NEW YORK

10707

IN ASSEMBLY

September 18, 2024

Introduced by COMMITTEE ON RULES -- (at request of M. of A. Vanel) -- read once and referred to the Committee on Judiciary

AN ACT to amend the general business law, in relation to prohibiting bad faith assertions of patent infringement

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The general business law is amended by adding a new article 24-E to read as follows:

ARTICLE 24-E

BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT

Section 376. Definitions.
377. Bad faith assertions of patent infringement prohibited.
378. Penalties.
379. Severability.

§ 376. Definitions. The following terms shall have the following meanings:

1. "Demand" or "assertion" shall mean a letter, e-mail, or other communication asserting or claiming that the target has engaged in patent infringement.

2. "Target" shall mean a New York resident:

(a) Who has received a demand letter or against whom an assertion or allegation of patent infringement has been made;

(b) Who has been threatened with litigation or against whom a lawsuit has been filed alleging patent infringement; or

(c) Whose customers have received a demand letter asserting that the person's product, service, or technology has infringed on a patent.

§ 377. Bad faith assertions of patent infringement prohibited. 1. A person shall not make a bad faith assertion of patent infringement.

2. (a) An assertion of patent infringement is presumptively made in bad faith when the person making the assertion (i) is not engaging, (ii) has not engaged or attempted to engage, or (iii) does not intend to engage in the bona fide use of the patent in the production, development, licensing or commercialization of goods or services. A person's efforts to license a patent shall not be considered as negating this

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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presumption where such licensing efforts were solely or substantially made through assertions of patent infringement.

(b) In making this assessment, the court shall consider the following factors:

(i) The person's internal and external private and business-related communications;

(ii) Business activities related to the patent;

(iii) Financial records and investments tied to the development or utilization of the patent;

(iv) Any licensing agreements or partnerships involving the patent other than those obtained through assertions of patent infringement;

(v) Documentation of research and development efforts associated with the patent;

(vi) Marketing of products utilizing the patent;

(vii) The length of time the patent has been owned by the person, in relation to the industry standard time typically required to engage in business activities and marketing;

(viii) Whether any such activities related to the production, development, licensing or commercialization of the goods and services related to the patent were made in good faith or made with the purpose of circumventing claims under this section;

(ix) The person's history of legal actions or assertions of patent infringement related to any patent whether currently or previously owned, including the outcomes of such claims; and

(x) Any other factor the court deems relevant.

3. Where the presumption provided for in subdivision two of this section does not apply, a court may consider the following factors as evidence that a person has made a bad faith assertion of patent infringement:

(a) The demand letter does not contain the following information:

(i) the patent number;

(ii) the name and address of the patent owner or owners and assignee or assignees, if any; and

(iii) factual allegations concerning the specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent;

(b) Prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the target's products, services, and technology, or such an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent;

(c) The demand letter lacks the information described in paragraph (a) of this subdivision, the target requests the information, and the person fails to provide the information within a reasonable period of time;

(d) The demand letter demands payment of a license fee or response within an unreasonably short period of time;

(e) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license;

(f) The claim or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless;

(g) The claim or assertion of patent infringement is deceptive;

(h) The person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement, and (i) those threats or lawsuits lacked the information described in paragraph (a) of this subdivision, or (ii)

the person attempted to enforce the claim of patent infringement in litigation, and a court found the claim to be meritless; and

(i) Any other factor the court finds relevant.

4. With respect to a court's assessment under subdivisions two and three of this section, a court may consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement:

(a) The demand letter contains the information described in paragraph (a) of subdivision three of this section;

(b) Where the demand letter lacks the information described in paragraph (a) of subdivision three of this section and the target requests the information, the person provides the information within a reasonable period of time;

(c) The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy;

(d) The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent;

(e) The person is:

(i) the inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, is the original assignee; or

(ii) an institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education;

(f) The person has:

(i) demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent; or

(ii) successfully enforced the patent, or a substantially similar patent, through litigation; and

(g) Any other factor the court finds relevant.

5. Nothing in this section shall be construed as limiting, expanding or altering any parties' rights with respect to a patent infringement claim brought in a court of competent jurisdiction.

§ 378. Penalties. 1. A person who is the recipient of a bad faith assertion of patent infringement may bring a civil action in a court of competent jurisdiction and, upon a finding that the person violated the provisions of this article, the court shall award the defendant:

(a) Equitable relief, as the court deems proper;

(b) Reasonable attorney's fees and costs;

(c) Exemplary damages in an amount of fifty thousand dollars or three times the total of damages, costs, and fees, whichever is greater; and

(d) Any other relief the court deems proper.

2. A court, in its discretion, may award to any party or attorney in any action brought under this section costs in the form of reimbursement for actual expenses reasonably incurred and reasonable attorney's fees, resulting from frivolous conduct as defined in section 130-1.1 of title twenty-two of the New York codes, rules and regulations, as amended from time to time.

3. Wherever the attorney general shall find that a person has engaged in a persistent course of conduct in violation of this article, an application may be made by the attorney general in the name of the people of the state of New York to a court of justice having jurisdiction to issue an injunction, and upon notice to the defendant of not less than five days, to enjoin and restrain the continuance of such violations; and if it shall appear to the satisfaction of the court or justice, that the defendant has, in fact, violated this section an

injunction may be issued by such court or justice enjoining and restraining any further violation, without requiring proof that any person has, in fact, been injured or damaged thereby. In any such proceeding, the court may make allowances to the attorney general as provided in paragraph six of subdivision (a) of section eighty-three hundred three of the civil practice law and rules, and direct restitution. Whenever the court shall determine that a violation of this section has occurred, the court may impose a civil penalty of not more than fifty thousand dollars per bad faith assertion of patent infringement or three times the total of damages, costs, and fees, whichever is greater. In connection with any such proposed application, the attorney general is authorized to take proof and make a determination of the relevant facts and to issue subpoenas in accordance with the civil practice law and rules.

§ 379. Severability. If any clause, sentence, paragraph, section or part of this article shall be adjudged by any court of competent jurisdiction to be invalid and after exhaustion of all further judicial review, the judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section or part of this article directly involved in the controversy in which the judgment shall have been rendered.

§ 2. This act shall take effect immediately.