

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 Assem-
bly, do enact as follows:

1 Section 1. The general business law is amended by adding a new article
2 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.

3 § 376. Definitions. The following terms shall have the following mean-
4 ings:

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

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

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

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

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

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

17 2. (a) An assertion of patent infringement is presumptively made in
18 bad faith when the person making the assertion (i) is not engaging, (ii)
19 has not engaged or attempted to engage, or (iii) does not intend to
20 engage in the bona fide use of the patent in the production, develop-
21 ment, licensing or commercialization of goods or services. A person's
22 efforts to license a patent shall not be considered as negating this
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EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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

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

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

7 (ii) Business activities related to the patent;

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

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

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

14 (vi) Marketing of products utilizing the patent;

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

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

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

25 (x) Any other factor the court deems relevant.

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

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

31 (i) the patent number;

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

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

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

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

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

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

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

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

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

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

3 (i) Any other factor the court finds relevant.

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

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

10 (b) Where the demand letter lacks the information described in para-
11 graph (a) of subdivision three of this section and the target requests
12 the information, the person provides the information within a reasonable
13 period of time;

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

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

18 (e) The person is:

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

22 (ii) an institution of higher education or a technology transfer
23 organization owned or affiliated with an institution of higher educa-
24 tion;

25 (f) The person has:

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

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

30 (g) Any other factor the court finds relevant.

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

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

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

39 (b) Reasonable attorney's fees and costs;

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

42 (d) Any other relief the court deems proper.

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

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

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

15 § 379. Severability. If any clause, sentence, paragraph, section or
16 part of this article shall be adjudged by any court of competent juris-
17 isdiction to be invalid and after exhaustion of all further judicial
18 review, the judgment shall not affect, impair or invalidate the remain-
19 der thereof, but shall be confined in its operation to the clause,
20 sentence, paragraph, section or part of this article directly involved
21 in the controversy in which the judgment shall have been rendered.

22 § 2. This act shall take effect immediately.