House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 69

HOUSE BILL 2386

AN ACT

AMENDING TITLE 44, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 2; RELATING TO PATENT CLAIMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 44, chapter 10, Arizona Revised Statutes, is amended by adding article 2, to read:

ARTICLE 2. PATENT TROLL PREVENTION ACT

44-1421. Definitions

IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "ASSERTION OF PATENT INFRINGEMENT" MEANS ANY OF THE FOLLOWING:

(a) SENDING OR DELIVERING A DEMAND TO A TARGET.

(b) THREATENING A TARGET WITH LITIGATION AND ASSERTING OR ALLEGING THAT THE TARGET HAS ENGAGED IN PATENT INFRINGEMENT.

(c) SENDING OR DELIVERING A DEMAND TO THE CUSTOMERS OF A TARGET.

(d) MAKING ASSERTIONS OR ALLEGATIONS, OTHER THAN THOSE MADE IN LITIGATION AGAINST A TARGET, THAT A TARGET HAS ENGAGED IN PATENT INFRINGEMENT OR THAT A TARGET SHOULD OBTAIN A LICENSE TO A PATENT IN ORDER TO AVOID LITIGATION.

2. "CLAIM" MEANS THE SCOPE OF THE PATENT OWNER'S EXCLUSIVE RIGHTS TO THE USE AND CONTROL OF THE PATENT OWNER'S INVENTION.

3. "DEMAND" MEANS A LETTER, AN E-MAIL OR ANY OTHER COMMUNICATION ASSERTING THAT A PERSON HAS ENGAGED IN PATENT INFRINGEMENT OR SHOULD OBTAIN A LICENSE TO A PATENT BUT DOES NOT INCLUDE A PETITION FILED IN A COURT OF COMPETENT JURISDICTION.

4. "PERSON" MEANS ANY INDIVIDUAL, CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY, GOVERNMENTAL ENTITY, INSTITUTION OF HIGHER EDUCATION OR OTHER LEGAL OR COMMERCIAL ENTITY.

5. "TARGET" MEANS ANY OF THE FOLLOWING:

(a) A PERSON THAT HAS RECEIVED A DEMAND OR AGAINST WHOM AN ASSERTION OF PATENT INFRINGEMENT HAS BEEN MADE AND WHO HAS INFORMATION INDICATING THE ASSERTION WAS MADE IN BAD FAITH PURSUANT TO SECTION 44-1422.

(b) A PERSON THAT HAS BEEN THREATENED WITH LITIGATION OR AGAINST WHOM A LAWSUIT HAS BEEN FILED ALLEGING PATENT INFRINGEMENT AND WHO HAS INFORMATION INDICATING THE ASSERTION OF PATENT INFRINGEMENT WAS MADE IN BAD FAITH PURSUANT TO SECTION 44-1422.

44-1422. Bad faith patent infringement claims; prohibited

A. A PERSON MAY NOT MAKE AN ASSERTION OF PATENT INFRINGEMENT IN BAD FAITH. A COURT MAY CONSIDER THE FOLLOWING NONEXCLUSIVE FACTORS AS EVIDENCE THAT A PERSON HAS MADE AN ASSERTION OF PATENT INFRINGEMENT IN BAD FAITH:

1. THE DEMAND DOES NOT CONTAIN ALL OF THE FOLLOWING:

(a) THE PATENT NUMBER ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE OR FOREIGN AGENCY.

(b) THE NAME AND ADDRESS OF THE PATENT OWNER OR ASSIGNEE, IF ANY.

(c) FACTS RELATING TO THE SPECIFIC AREAS IN WHICH THE TARGET'S PRODUCT, SERVICE OR TECHNOLOGY INFRINGES THE PATENT OR IS COVERED BY THE CLAIMS IN THE PATENT.

(d) AN EXPLANATION OF WHY THE PERSON MAKING THE ASSERTION HAS STANDING, IF THE ASSIGNMENT SYSTEM OF THE UNITED STATES PATENT AND TRADEMARK

OFFICE DOES NOT IDENTIFY THE PERSON ASSERTING THE PATENT INFRINGEMENT AS THE OWNER.

2. THE TARGET REQUESTED THE INFORMATION DESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION AND THE PERSON FAILED TO PROVIDE THE INFORMATION WITHIN A REASONABLE TIME.

3. BEFORE MAKING A DEMAND, THE PERSON DID NOT CONDUCT AN ANALYSIS COMPARING THE CLAIMS IN THE PATENT TO THE TARGET'S PRODUCT, SERVICE OR TECHNOLOGY OR THE ANALYSIS WAS CONDUCTED BUT DOES NOT IDENTIFY SPECIFIC AREAS IN WHICH THE PRODUCT, SERVICE OR TECHNOLOGY IS COVERED BY THE CLAIMS IN THE PATENT.

4. THE DEMAND REQUESTED A RESPONSE OR PAYMENT OF A LICENSING FEE WITHIN AN UNREASONABLY SHORT PERIOD OF TIME.

5. THE PERSON MAKING THE ASSERTION OF PATENT INFRINGEMENT KNEW OR SHOULD HAVE KNOWN THAT THE ASSERTION IS WITHOUT MERIT.

6. THE ASSERTION OF PATENT INFRINGEMENT CONTAINS FALSE, MISLEADING OR DECEPTIVE INFORMATION.

7. THE PERSON OR A SUBSIDIARY OR AN AFFILIATE OF THE PERSON HAS PREVIOUSLY FILED OR THREATENED TO FILE ONE OR MORE LAWSUITS BASED ON THE SAME OR SUBSTANTIALLY EQUIVALENT ASSERTION OF PATENT INFRINGEMENT AND A COURT FOUND THE PERSON'S ASSERTION OF PATENT INFRINGEMENT TO BE WITHOUT MERIT.

8. ANY OTHER FACTOR THAT THE COURT DETERMINES TO BE RELEVANT.

B. A COURT MAY CONSIDER THE FOLLOWING FACTORS AS EVIDENCE THAT A PERSON HAS MADE AN ASSERTION OF PATENT INFRINGEMENT IN GOOD FAITH:

1. IF THE DEMAND DOES NOT CONTAIN THE INFORMATION PRESCRIBED IN SUBSECTION A, PARAGRAPH 2 OF THIS SECTION, THE PERSON PROVIDES THE INFORMATION TO THE TARGET WITHIN A REASONABLE PERIOD OF TIME AFTER THE TARGET REQUESTS THE INFORMATION.

2. THE PERSON HAS DONE ALL OF THE FOLLOWING:

(a) ENGAGED IN A REASONABLE ANALYSIS TO ESTABLISH A REASONABLE, GOOD FAITH BASIS FOR BELIEVING THE TARGET HAS INFRINGED THE PATENT.

(b) ATTEMPTED TO NEGOTIATE AN APPROPRIATE REMEDY IN A REASONABLE MANNER.

(c) EITHER:

(i) DEMONSTRATED REASONABLE BUSINESS PRACTICES IN PREVIOUS EFFORTS TO ENFORCE THE PATENT.

(ii) SUCCESSFULLY ENFORCED THE PATENT, OR A SUBSTANTIALLY SIMILAR PATENT, THROUGH LITIGATION.

3. THE PERSON HAS MADE A SUBSTANTIAL INVESTMENT IN THE USE OF THE PATENT OR IN THE PRODUCTION OR SALE OF A PRODUCT COVERED BY THE PATENT.

4. THE PERSON IS EITHER OF THE FOLLOWING:

(a) AN INVENTOR OF THE PATENT OR AN ORIGINAL ASSIGNEE.

(b) AN INSTITUTION OF HIGHER EDUCATION OR A TECHNOLOGY TRANSFER ORGANIZATION AFFILIATED WITH AN INSTITUTION OF HIGHER EDUCATION.

5. ANY OTHER FACTOR THAT THE COURT DETERMINES TO BE RELEVANT.

C. UNLESS DONE IN BAD FAITH, THIS SECTION MAY NOT BE CONSTRUED TO DEEM IT AN UNFAIR OR A DECEPTIVE TRADE PRACTICE FOR ANY PERSON WHO OWNS OR HAS THE RIGHT TO LICENSE OR ENFORCE A PATENT TO DO ANY OF THE FOLLOWING:

1. ADVISE OTHERS OF THAT OWNERSHIP OR RIGHT OF LICENSE OR ENFORCEMENT.

2. COMMUNICATE TO OTHERS THAT THE PATENT IS AVAILABLE FOR LICENSE OR SALE.

3. NOTIFY ANOTHER OF THE INFRINGEMENT OF THAT PATENT PURSUANT TO 35 UNITED STATES CODE SECTION 287.

4. SEEK COMPENSATION FOR A PAST OR PRESENT INFRINGEMENT, OR LICENSE TO THE PATENT, IF IT IS REASONABLE TO BELIEVE THAT THE PERSON FROM WHOM COMPENSATION IS SOUGHT MAY OWE THE COMPENSATION OR MAY NEED OR WANT A LICENSE TO PRACTICE THE PATENT.

44-1423. Enforcement

AN ACT OR PRACTICE IN VIOLATION OF THIS ARTICLE IS AN UNLAWFUL PRACTICE UNDER SECTION 44-1522 AND SUBJECT TO ENFORCEMENT THROUGH PRIVATE ACTION AND PROSECUTION BY THE ATTORNEY GENERAL. THE ATTORNEY GENERAL MAY INVESTIGATE AND TAKE APPROPRIATE ACTION AS PRESCRIBED BY ARTICLE 7 OF THIS CHAPTER.

44-1424. Federal patent infringement allegation exception

A CIVIL ACTION THAT INCLUDES A DEMAND OR ASSERTION OF PATENT INFRINGEMENT THAT ARISES UNDER 35 UNITED STATES CODE SECTION 271(e)(2) OR 42 UNITED STATES CODE SECTION 262 IS NOT SUBJECT TO THIS ARTICLE.

Sec. 2. Severability

If a provision of this act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

Sec. 3. Short title

Title 44, chapter 10, article 2, Arizona Revised Statutes, as added by this act, may be cited as the "Patent Troll Prevention Act".

APPROVED BY THE GOVERNOR MARCH 24, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 24, 2016.

Passed the House February 18, 2016

by the following vote: 57 Ayes,

0 Nays, 3 Not Voting

Speaker of the House

☐ Pro Tempore

Chief Clerk of the House

Passed the Senate March 17, 2016

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

22nd day of March, 2016

at 10:06 o'clock A. M.

Secretary to the Governor

Approved this 24th day of

March

at 10:24 o'clock A M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 24 day of March, 2016

at 2:13 o'clock P M.

Secretary of State

H.B. 2386