



# Ohio Legislative Service Commission

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## Bill Analysis

Aida S. Montano

### **H.B. 573**

130th General Assembly  
(As Introduced)

**Reps.** Roegner, Huffman, Becker, Terhar, Wachtmann, Hood, Scherer, J. Adams, Romanchuk, McClain

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### **BILL SUMMARY**

- Prohibits any person from making a bad faith assertion of patent infringement, and specifies the circumstances in which a person who owns or has the right to license or enforce a patent does not violate the prohibition.
- Prescribes the factors that a court may consider as evidence that a person has made or has not made a bad faith assertion of patent infringement.
- Authorizes a person aggrieved by a bad faith assertion of patent infringement to bring a tort action and specifies the type of damages that a court may award in such an action.
- Permits the Attorney General to investigate an alleged bad faith assertion of patent infringement upon the Attorney General's own inquiries or as a result of complaints.
- Authorizes the Attorney General to bring a civil action in connection with a bad faith assertion of patent infringement if the Attorney General believes the action would be in the public interest.

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## CONTENT AND OPERATION

### Bad faith assertion of patent infringement

#### Prohibition

The bill prohibits any person from making a bad faith assertion of patent infringement.<sup>1</sup> It is not a violation of this prohibition for a person who owns or has the right to license or enforce a patent to do any of the following:<sup>2</sup>

- Notify a person of that ownership or right of license or enforcement;
- Notify a person that the patent is available for license or sale;
- Notify a person of the infringement of that patent pursuant to the provisions of the federal Patent Law;
- Seek compensation from a person on account of a past or present infringement of that patent, or for a license, when it is reasonable to believe that the person from whom compensation is sought may owe such compensation.

#### Exceptions

The bill states that it does not apply to a "demand letter" or to a civil action that includes a claim for relief for an act of infringement under the federal Patent Law regarding certain drugs, veterinary biological products, or biological products.<sup>3</sup> A "demand letter" is a letter, e-mail, or other communication asserting or claiming that the target has engaged in patent infringement. The "target" of an infringement claim means any of the following:

- A person who has received a demand letter or against whom an assertion or allegation of patent infringement has been made;
- A person who has been threatened with a tort action or against whom tort action has been filed alleging patent infringement;

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<sup>1</sup> R.C. 2307.67(A).

<sup>2</sup> R.C. 2307.67(D).

<sup>3</sup> R.C. 2307.67(E) and reference to 35 U.S.C. 271(e)(2).

- A person whose customers have received a demand letter asserting that the person's product, service, or technology has infringed a patent.<sup>4</sup>

### **Evidence of a bad faith assertion of patent infringement**

The bill permits a court to consider the following factors as evidence that a person has made a bad faith assertion of patent infringement:<sup>5</sup>

(1) A demand letter does not contain all of the following information: the patent number; the name and address of the patent owner or owners and assignee and assignees, if any; and 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.

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

(3) A demand letter does not contain all of the required information, the target requests the information, and the person fails to provide the information within a reasonable period of time.

(4) A demand letter demands payment of a license fee or response within an unreasonably short period of time.

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

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

(7) The claim or assertion of patent infringement is deceptive.

(8) The person or the person's subsidiaries or affiliates have previously filed or threatened to file one or more tort actions based on the same or similar claims of patent infringement and either the tort action or threat to file a tort action lacked the required information or the person attempted to enforce the claim of patent infringement in a tort action and the court found the claim to be meritless.

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<sup>4</sup> R.C. 2307.66.

<sup>5</sup> R.C. 2307.67(B).

(9) Any other factor that the court finds relevant.

### **Evidence that a person has not made a bad faith assertion of patent infringement**

The bill permits a court to consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement:<sup>6</sup>

(1) A demand letter contains the required information.

(2) If a demand letter does not contain such information and the target requests the information, the person provides the information within a reasonable period of time.

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

(4) The person makes or has made a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent.

(5) The person is any of the following: 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 an institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education.<sup>7</sup>

(6) The person has either demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent or successfully enforced the patent or a substantially similar patent through a tort action.

(7) Any other factor that the court finds relevant.

### **Tort action as relief from bad faith assertion of patent infringement**

The bill permits a target or other person aggrieved by a bad faith assertion of patent infringement to bring a tort action in the court of common pleas of the county of the target's residence or primary place of business. Upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of that prohibition,

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<sup>6</sup> R.C. 2307.67(C).

<sup>7</sup> As used in this provision, "institution of higher education" has the same meaning as in the law governing the right of publicity in an individual's persona. R.C. 2741.01.



the court must require the person to post a bond in an amount equal to a good faith estimate of the target's costs to litigate the tort action and amounts reasonably likely to be recovered as described below, conditioned upon payment of any amounts finally determined to be due to the target. The court cannot order a bond in excess of \$250,000. The court must hold a hearing on the bond if the person or target requests a hearing. The court may waive the bond requirement if the court finds that the person has available assets equal to the amount of the proposed bond or for other good cause shown. The above remedy does not limit or affect a target's right to bring a tort action related to patent infringements under any other provision of state or federal law.<sup>8</sup>

### **Recovery**

The bill authorizes a court to award all of the following to a plaintiff who prevails in the tort action: (1) equitable relief, (2) compensatory damages, (3) costs and fees of litigation, including reasonable attorney's fees, and (4) exemplary damages in an amount equal to \$50,000 or three times the total of damages, costs, and fees, whichever is greater. If the target makes a claim for both compensatory damages and for punitive or exemplary damages, the trial of the action must be bifurcated under the procedure in continuing law.<sup>9</sup>

### **Attorney General's investigation and civil action**

The bill provides that if the Attorney General (AG), by the AG's own inquiries or as a result of complaints, has reasonable cause to believe that a person has made a bad faith assertion of patent infringement, the AG may investigate, and for this purpose may administer oaths, subpoena witnesses, adduce evidence, and require the production of relevant matter. If the relevant matter is located outside the state, the AG may designate representatives, including officials of the state in which the matter is located, to inspect the matter on the AG's behalf.<sup>10</sup>

The AG may institute a civil action, in accordance with the AG's statutory authority to bring an action, information, or other proceeding on behalf of the state or in which the state is interested, seeking injunctive and other equitable relief in connection with a bad faith assertion of patent infringement if the AG believes that the action would be in the public interest. The AG may bring an action to obtain a temporary restraining order, preliminary injunction, or permanent injunction to restrain and prevent a person from taking actions and making assertions or allegations that

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<sup>8</sup> R.C. 2307.68(A), (B), and (D).

<sup>9</sup> R.C. 2307.68(C) and by reference to R.C. 2315.21, not in the bill.

<sup>10</sup> R.C. 2307.69(A).

constitute a bad faith assertion of patent infringement. The court may issue such a temporary restraining order, preliminary injunction, or permanent injunction.<sup>11</sup>

The bill states that it does not limit or affect other rights, duties, privileges, and powers conferred by law upon the courts and the Attorney General.<sup>12</sup>

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## HISTORY

ACTION	DATE
Introduced	05-27-14

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<sup>11</sup> R.C. 2307.69(B).

<sup>12</sup> R.C. 2307.69(C).

