

**SUBSTITUTE FOR
SENATE BILL NO. 289**

A bill to prohibit the bad-faith assertion of patent infringements; to provide remedies for the bad-faith assertion of patent infringements; to provide for the powers and duties of the attorney general; and to authorize the promulgation of rules.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the "bad-
2 faith patent infringement claims act".

3 Sec. 3. As used in this act:

4 (a) "Person" means an individual, partnership, corporation,
5 association, governmental entity, or other legal entity.

6 (b) "Target" means means a person that purchases, rents,
7 leases, or otherwise obtains a product or service in the commercial
8 market that is not for resale in the commercial market and that is,
9 or later becomes, the subject of the patent infringement

1 allegation.

2 Sec. 5. It is an unlawful practice under this act for a
3 person, in connection with the assertion of a United States patent,
4 to send or cause another person to send a written communication,
5 including an electronic communication, that states that the target
6 is infringing or has infringed a patent and bears liability or owes
7 compensation to another person, if 1 or more of the following
8 apply:

9 (a) The communication falsely threatens that administrative or
10 judicial relief will be sought if compensation is not paid or the
11 infringement issue is not otherwise resolved.

12 (b) The communication falsely states that litigation has been
13 filed against the target or an affiliated person.

14 (c) The assertions contained in the communication lack a
15 reasonable basis in fact or law because 1 or more of the following
16 are true:

17 (i) The person asserting the patent does not have the current
18 right, and does not represent a person that has the current right,
19 to license the patent to or enforce the patent against the target
20 or an affiliated person.

21 (ii) The communication seeks compensation for a patent that has
22 been held to be invalid or unenforceable in a final, unappealable
23 or unappealed judicial or administrative decision.

24 (iii) The communication seeks compensation because of activities
25 undertaken after the patent has expired.

26 (d) The communication does not contain all of the following
27 information necessary to inform the target or an affiliated person

1 about the patent assertion:

2 (i) The identity of the person asserting a right to license the
3 patent to or enforce the patent against the target or an affiliated
4 person.

5 (ii) The patent issued by the United States Patent and
6 Trademark Office alleged to have been infringed.

7 (iii) The factual allegations concerning the specific areas in
8 which the products or services obtained by the target or an
9 affiliated person infringed the patent or are covered by the claims
10 in the patent.

11 Sec. 9. (1) The attorney general may do all of the following
12 related to unlawful practice under this act:

13 (a) Conduct a civil investigation as provided in section 9a.

14 (b) Enter into an assurance of discontinuance under section
15 9b.

16 (c) Bring a civil action as provided in section 9c.

17 (d) Promulgate rules under the administrative procedures act
18 of 1969, 1969 PA 306, MCL 24.201 to 24.328.

19 (2) A target or an affiliated person aggrieved by a violation
20 of this act may bring an action in the circuit court. The court may
21 award the following remedies to a plaintiff that prevails in an
22 action brought under this subsection:

23 (a) An injunction prohibiting any further written
24 communication related to the unlawful practice giving rise to the
25 action.

26 (b) Actual damages.

27 (c) Costs and fees, including reasonable attorney fees.

1 (d) Exemplary damages in an amount equal to 3 times the actual
2 damages.

3 (3) On a motion by the plaintiff and a finding by the court
4 that there is a reasonable likelihood that the defendant in an
5 action under subsection (2) violated this act, the court may
6 require the defendant to post a bond in an amount equal to a good-
7 faith estimate of the plaintiff's costs to litigate the claim and
8 an amount reasonably likely to be recovered under subsection (2),
9 conditioned on payment of any amount finally determined to be due
10 to the plaintiff. The court shall not order a bond to be posted
11 under this subsection that exceeds \$250,000.00. A court may waive
12 the bond requirement under this subsection if it finds the
13 defendant has available assets equal to the amount of the proposed
14 bond or for other good cause shown.

15 Sec. 9a. (1) On the ex parte application of the attorney
16 general to the circuit court in the county where the defendant is
17 established or conducts business or, if the defendant is not
18 established in this state, in Ingham County, the circuit court, if
19 it finds probable cause to believe a person has engaged, is
20 engaging, or is about to engage in an unlawful practice under this
21 act, may, after an ex parte hearing, issue a subpoena compelling an
22 individual to appear before the attorney general and answer under
23 oath questions relating to an alleged violation of this act. An
24 individual served with a subpoena may be accompanied by counsel
25 when he or she appears before the attorney general. The subpoena
26 may compel the individual to produce the books, records, papers,
27 documents, or things relating to the alleged violation of this act.

1 During the examination of documents and things under the subpoena,
2 the court may require an individual who has knowledge of the
3 documents and things or the matters contained in the documents and
4 things to attend and give testimony under oath or acknowledgment
5 with respect to the documents and things.

6 (2) A subpoena issued under this section must include notice
7 of the time, place, and cause for the taking of testimony, the
8 examination, or the attendance and must allow not less than 10 days
9 before the date of the taking of testimony or examination, unless
10 for good cause shown the court shortens that time.

11 (3) A subpoena issued under this section must be served in the
12 manner provided and subject to the provisions that apply to service
13 of process on a defendant in a civil action commenced in the
14 circuit court.

15 (4) A subpoena issued under this section must include all of
16 the following:

17 (a) The time and place for the taking of testimony or the
18 examination and the name and address of the individual to be
19 examined. If the name is not known, the subpoena must give a
20 general description sufficient to identify the individual or the
21 particular class or group to which the individual belongs.

22 (b) A reference to this section and the general subject matter
23 under investigation.

24 (c) A description of any documents or things to be produced
25 with reasonable specificity so as to indicate fairly what is
26 demanded.

27 (d) A return date within which any documents or things must be

1 produced.

2 (e) Identification of the members of the attorney general's
3 staff to whom any documents and things must be made available for
4 inspection and copying.

5 (5) At any time before the date specified in a subpoena issued
6 under this section, on motion for good cause shown, the court may
7 extend the reporting date or modify or set aside the subpoena.

8 (6) Documents, things, or other information obtained by the
9 attorney general under an investigation under this section are
10 confidential records of the office of the attorney general and are
11 exempt from disclosure under section 13 of the freedom of
12 information act, 1976 PA 442, MCL 15.243. The attorney general
13 shall not make the documents, things, or other information
14 available for public inspection or copying or divulge them to any
15 person except as provided in this section. The attorney general may
16 disclose documents, things, or other information as follows:

17 (a) To other law enforcement officials.

18 (b) In connection with an enforcement action brought under
19 this act.

20 (c) On order of the court, to a party in a private action
21 brought under this act.

22 (7) An individual who discloses information designated
23 confidential by this section, except as permitted by subsection (6)
24 or under court order, is guilty of a misdemeanor and may be
25 imprisoned for not more than 1 year or fined not more than
26 \$2,500.00, or both.

27 (8) An individual on whom a subpoena is served under this

1 section shall comply with the terms of the subpoena unless
2 otherwise provided by the order of the circuit court.

3 (9) An individual who does any of the following is subject to
4 a civil fine of not more than \$5,000.00:

5 (a) Knowingly without good cause fails to appear after being
6 served with a subpoena.

7 (b) Knowingly avoids, evades, or prevents compliance, in whole
8 or in part, with an investigation, including by removing from any
9 place, concealing, destroying, mutilating, altering, or falsifying
10 any documents or things in the possession, custody, or control of a
11 person subject to the subpoena.

12 (c) Knowingly conceals relevant information.

13 (10) The attorney general may file a petition in the circuit
14 court of the county in which the individual subpoenaed is
15 established or conducts business or, if the individual is not
16 established in this state, in the circuit court of Ingham County
17 for an order to enforce compliance with a subpoena or this section.
18 A person that violates a final order entered under this section is
19 subject to punishment for civil contempt.

20 Sec. 9b. (1) If the attorney general has authority to
21 institute an action under section 9c, the attorney general may
22 accept an assurance of discontinuance of a practice that is alleged
23 to be unlawful under section 5 from the person that is alleged to
24 have engaged, be engaging, or be about to engage in the practice.
25 An assurance under this section does not constitute an admission of
26 guilt and is not admissible in any other proceeding. The assurance
27 may include a stipulation for 1 or more of the following:

1 (a) The voluntary payment by the person of the costs of
2 investigation.

3 (b) An amount to be held in escrow pending the outcome of an
4 action.

5 (c) An amount for restitution to an aggrieved person.

6 (2) An assurance of discontinuance under this section must be
7 in writing and may be filed with the circuit court of Ingham
8 County. The clerk of the court shall maintain a record of filings
9 under this section. Unless rescinded by the parties or voided by a
10 court for good cause, the assurance may be enforced in the circuit
11 court by the parties to the assurance. The assurance may be
12 modified by the parties or by a court for good cause.

13 Sec. 9c. (1) If the attorney general has probable cause to
14 believe that a person has engaged, is engaging, or is about to
15 engage in an unlawful practice as described in section 5 and gives
16 notice as provided in this section, the attorney general may bring
17 an action to restrain the person by temporary or permanent
18 injunction from engaging in the practice. The action may be brought
19 in the circuit court of the county where the person is established
20 or conducts business or, if the person is not established in this
21 state, in the circuit court for Ingham County.

22 (2) Unless notice is waived by the court on good cause shown
23 not less than 10 days before the commencement of an action under
24 this section, the attorney general shall notify the person against
25 whom the attorney general intends to bring an action of the
26 intended action and give the person an opportunity to cease and
27 desist from the alleged unlawful practice or to confer with the

1 attorney general in person, by counsel, or by other representative
2 as to the proposed action before the proposed filing date. The
3 notice may be given to the person by first-class mail, postage
4 prepaid, to his or her usual place of business or, if the person
5 does not have a usual place of business, to his or her last known
6 address, or, if the person is a corporation, only to a resident
7 agent who is designated to receive service of process or to an
8 officer of the corporation.

9 (3) In an action brought under this section, the court may
10 award actual costs to the prevailing party.

11 (4) For the persistent and knowing violation of section 5, the
12 court in an action brought under this section may assess the
13 defendant a civil fine of not more than \$25,000.00.

14 (5) A person that knowingly violates the terms of an
15 injunction or judgment issued under this section is subject to a
16 civil fine of not more than \$5,000.00 for each violation.

17 (6) On the petition of the attorney general, the circuit court
18 may enjoin a person from doing business in this state if the person
19 persistently and knowingly evades or prevents compliance with an
20 injunction issued under this act.

21 Sec. 11. (1) Subject to section 5, and if the activities are
22 not carried out in bad faith, this act does not make it an unlawful
23 practice for a person that owns or has the right to license or
24 enforce a patent to do any of the following:

25 (a) Advise others of that ownership or right of license or
26 enforcement.

27 (b) Communicate to others that the patent is available for

1 license or sale.

2 (c) Notify another of the infringement of the patent.

3 (d) Seek compensation because of past or present infringement
4 or for a license to the patent.

5 (2) This act does not limit rights and remedies available to
6 this state or to any person under any other law and does not alter
7 or restrict the attorney general's authority under the Michigan
8 consumer protection act, 1976 PA 331, MCL 445.901 to 445.922, with
9 regard to conduct involving assertions of patent infringement.

10 (3) This act does not apply to a written or electronic
11 communication sent by any of the following:

12 (a) An owner of a patent that is using the patent in
13 connection with substantial research, development, production,
14 manufacturing, processing, or delivery of products or materials.

15 (b) An institution of higher education as that term is defined
16 in section 101 of the higher education act of 1965, 20 USC 1001.

17 (c) A technology transfer organization whose primary purpose
18 is to facilitate the commercialization of technology developed by
19 an institution of higher education, not-for-profit research
20 institute, or health system.

21 (d) A person seeking a claim for relief arising under 35 USC
22 271(e)(2) or 42 USC 262.

23 Sec. 13. This act takes effect July 1, 2016.