BAD-FAITH PATENT INFRINGEMENT CLAIMS ACT

Act 550 of 2016

AN ACT to prohibit the bad-faith assertion of patent infringement; 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.

History: 2016, Act 550, Eff. Oct. 1, 2017

The People of the State of Michigan enact:

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446.161 Short title.

Sec. 1.

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

History: 2016, Act 550, Eff. Oct. 1, 2017

446.163 Definitions.

Sec. 3.

As used in this act:

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

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

History: 2016, Act 550, Eff. Oct. 1, 2017

446.165 Unlawful practice.

Sec. 5.

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

(a) The communication falsely states that an action seeking administrative or judicial relief has been filed against the target or an affiliated person.

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

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

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

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

(c) The communication does not contain all of the following information necessary to inform the target or an affiliated person about the patent assertion:

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

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

(iii) The factual allegations concerning the specific areas in which the products or services obtained by the target or an affiliated person infringed the patent.

History: 2016, Act 550, Eff. Oct. 1, 2017

446.169 Powers of attorney general relating to unlawful practice; action by target or affiliated person aggrieved by violation; remedies to plaintiff; bond.

Sec. 9.

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

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

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

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

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

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

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

(b) Actual damages.

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

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

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

History: 2016, Act 550, Eff. Oct. 1, 2017

446.169a Ex parte application and hearing; subpoena; confidentiality of documents, things, or other information obtained by attorney general; disclosure of confidential information as misdemeanor; conduct subject to civil fine; enforcement; violation of final order as civil contempt.

Sec. 9a.

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

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require an individual who has knowledge of the documents and things or the matters contained in the documents and things to attend and give testimony under oath or acknowledgment with respect to the documents and things.

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

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

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

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

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

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

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

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

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

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

(a) To other law enforcement officials.

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

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

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

(8) An individual on whom a subpoena is served under this section shall comply with the terms of the subpoena unless otherwise provided by the order of the circuit court.

(9) An individual who does any of the following is subject to a civil fine of not more than $10,000.00.

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

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

(c) Knowingly conceals relevant information.

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

History: 2016, Act 550, Eff. Oct. 1, 2017

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446.169b Assurance of discontinuance.

Sec. 9b.

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

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

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

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

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

History: 2016, Act 550, Eff. Oct. 1, 2017

446.169c Temporary or permanent injunction; action by attorney general; notice; award of investigation and enforcement costs; civil fine; violation of terms of injunction or judgment; enjoining person from doing business in state.

Sec. 9c.

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

(2) Unless notice is waived by the court on good cause shown not less than 10 days before the commencement of an action under this section, the attorney general shall notify the person against whom the attorney general intends to bring an action of the intended action and give the person an opportunity to cease and desist from the alleged unlawful practice or to confer with the attorney general in person, by counsel, or by other representative as to the proposed action before the proposed filing date. The notice may be given to the person by first-class mail, postage prepaid, to his or her usual place of business or, if the person does not have a usual place of business, to his or her last known address, or, if the person is a corporation, only to a resident agent who is designated to receive service of process or to an officer of the corporation.

(3) In an action brought under this section, the court may award investigation and enforcement costs.

(4) In an action brought under this section, the court may assess the defendant a civil fine of not more than $50,000.00.

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

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

History: 2016, Act 550, Eff. Oct. 1, 2017

446.171 Scope of act.

Sec. 11.

(1) Subject to section 5, this act does not make it an unlawful practice for a person that owns or has the right to license or enforce a patent to do any of the following:

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

(b) Communicate to others that the patent is available for license or sale.

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

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

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

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

(a) An owner or licensee of a patent that is using the patented invention in connection with research, development, production, manufacturing, processing, or delivery of products or materials.

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

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

(d) A person seeking a claim for relief arising under 21 USC 355, 35 USC 271(e)(2), or 42 USC 262.

History: 2016, Act 550, Eff. Oct. 1, 2017

446.173 Effective date.

Sec. 13.

This act takes effect October 1, 2017.

History: 2016, Act 550, Eff. Oct. 1, 2017

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