



State of Tennessee

PUBLIC CHAPTER NO. 879

SENATE BILL NO. 1967

By Bell, Bowling, Overbey

Substituted for: House Bill No. 2117

By Lundberg, Haynes, Coley, Dennis, Rich, Fitzhugh, Pitts, Ragan

AN ACT to amend Tennessee Code Annotated, Title 29, relative to remedies and special proceedings.

WHEREAS, it is the intention of the General Assembly to build an entrepreneurial and knowledge-based economy and attracting and nurturing small and medium-sized Internet technology ("IT") and other knowledge-based companies is an important part of this effort and benefits Tennessee's future; and

WHEREAS, patents are essential to encouraging innovation, especially in the IT and knowledge-based fields. The protections afforded by the federal patent system create an incentive to invest in research and innovation, which spurs economic growth. Patent holders have every right to enforce their patents when they are infringed, and patent enforcement litigation is necessary to protect intellectual property; and

WHEREAS, the General Assembly does not wish to interfere with the good faith enforcement of patents or good faith patent litigation. The general assembly also recognizes that Tennessee is preempted from passing any law that conflicts with federal patent law; and

WHEREAS, patent litigation can be technical, complex, and expensive. The expense of patent litigation, which may cost hundreds of thousands of dollars or more, can be a significant burden on small- and medium-sized companies. This state wishes to help its businesses avoid these costs by encouraging the most efficient resolution of patent infringement claims without conflicting with federal law; and

WHEREAS, in order for companies in this state to be able to respond promptly and efficiently to patent infringement assertions against them, it is necessary that they receive specific information regarding how their product, service, or technology may have infringed the patent at issue. Receiving such information at an early stage will facilitate the resolution of claims and lessen the burden of potential litigation on companies in this state; and

WHEREAS, abusive patent litigation, and especially the assertion of bad faith infringement claims, can harm companies in this state. A business that receives a letter asserting such claims faces the threat of expensive and protracted litigation and may feel that it has no choice but to settle and to pay a licensing fee, even if the claim is meritless. This is especially so for small- and medium-sized companies and nonprofits which lack the resources to investigate and defend themselves against infringement claims; and

WHEREAS, not only do bad faith patent infringement claims impose a significant burden on individual Tennessee businesses, they also undermine Tennessee's efforts to attract and nurture small- and medium-sized IT and other knowledge-based companies. Funds used to avoid the threat of bad faith litigation are no longer available to invest, produce new products, expand, or hire new workers, thereby harming Tennessee's economy; and

WHEREAS, through a narrowly focused law, the General Assembly may seek to facilitate the efficient and prompt resolution of patent infringement claims, protect Tennessee businesses from abusive and bad faith assertions of patent infringement, and build Tennessee's economy, while at the same time respecting federal law and taking care not to interfere with legitimate patent enforcement actions; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 29, is amended by adding the following as a new chapter:

29-40-101. In this chapter:

(1) "Affiliated person" means a person under common ownership or control of an intended recipient.

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

(3) "Person" means any natural person, partnership, corporation, company, trust, business entity or association, and any agent, employee, partner, officer, director, member, associate, or trustee thereof.

29-40-102.

(a) It is a violation of this chapter for a person, in connection with the assertion of a United States patent, to send, or cause any person to send, any written or electronic communication that states that the intended recipient or any affiliated person is infringing or has infringed a patent and bears liability or owes compensation to another person, if:

(1) The communication threatens litigation if compensation is not paid or the infringement issue is not otherwise resolved and there is a consistent pattern of such threats having been issued and no litigation having been filed;

(2) The communication falsely states that litigation has been filed against the intended recipient or any affiliated person; or

(3) The assertions contained in the communication lack a reasonable basis in fact or law because:

(A) The person asserting the patent is not a person, or does not represent a person, with the current right to license the patent to, or to enforce the patent against, the intended recipient or any affiliated person;

(B) 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;

(C) The communication seeks compensation on account of activities undertaken after the patent has expired; or

(D) The content of the communication fails to include such information necessary to inform an intended recipient or any affiliated person about the patent assertion by failing to include any one of the following:

(i) The identity of the person asserting a right to license the patent to or enforce the patent against the intended recipient or any affiliated person;

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

(iii) The factual allegations concerning the specific areas in which the intended recipient or affiliated person's products, services, or technology infringed the patent or are covered by the claims in the patent.

(b) Nothing in this section shall be construed to be a violation of this chapter for any person who owns or has the right to license or enforce a patent to:

(1) Advise others of that ownership or right of license or enforcement;

(2) Communicate to others that a patent is available for license or sale;
or

(3) Notify another of the infringement of the patent; or

(4) Seek compensation on account of past or present infringement, or for a license to the patent, provided that the person is not acting in bad faith.

(c) The provisions of this chapter shall not apply to any written or electronic communication sent by:

(1) Any owner of a patent who is using the patent in connection with substantial research, development, production, manufacturing, processing or delivery of products or materials;

(2) Any institution of higher education as that term is defined in section 101 of the Higher Education Act of 1963 (20 U.S.C. § 1001);

(3) Any technology transfer organization whose primary purpose is to facilitate the commercialization of technology developed by an institution of higher education; or

(4) Any person or business entity seeking a claim for relief arising under 35 U.S.C. § 271(e)(2).

29-40-103.

(a) The attorney general and reporter shall have the authority to enforce this chapter and conduct civil investigations and bring civil actions, as provided in § 8-6-109, title 8, chapter 6, part 4, and §§ 47-18-106 and 108.

(b) In an action brought by the attorney general under this chapter, the court may award or impose any relief available under § 29-40-104 or title 47, chapter 18.

(c) In addition to the relief provided for in § 29-40-104, upon a motion by the attorney general and a finding by the court that there is a reasonable likelihood that a person violated § 29-40-102, the court may require the person to post a bond in an amount equal to a good faith estimate of the costs to litigate a claim and amounts reasonably likely to be recovered if an action were to be brought by § 29-40-103. A hearing shall be held if either party requests a hearing.

29-40-104. An intended recipient alleging a violation of this chapter may bring an action in any circuit or chancery court. A court shall award litigation costs and fees, including reasonable attorneys' fees, to a plaintiff who prevails in an action brought pursuant to this section. In addition, the court may award the following remedies to a plaintiff who prevails in an action brought pursuant to this chapter:

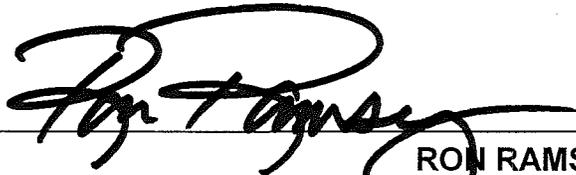
(1) Actual damages; and

(2) Punitive damages in an amount equal to three (3) times the actual damages.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

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PASSED: April 14, 2014

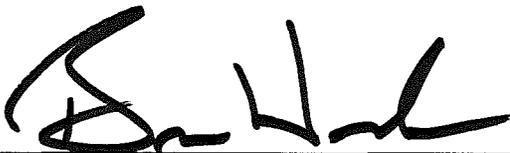


RON RAMSEY
SPEAKER OF THE SENATE



BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 18th day of May 2014



BILL HASLAM, GOVERNOR