



Georgia General Assembly Passes Anti-Patent Troll Statute

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You're sitting at your desk having your morning coffee and opening your mail. One of the envelopes contains a letter from some company that you have never heard of before. The letter claims that some piece of technology that you are using in your business infringes upon the mysterious company's patents, although not especially specific about exactly how the technology infringes. The letter goes on to suggest possible litigation and huge monetary liability, but offers to allow you to avoid litigation by entering into a license agreement and the payment of a "modest" license fee.

Unfortunately, instances like this have become all too common for businesses - in particular medium and small sized businesses. Typically, such a letter comes from a non-practicing entity (NPE) or, as they have become commonly known, "patent trolls". An NPE is an entity that has been formed solely to own and license patents - in other words, the entity typically does not make, produce, or sell anything. Rather, NPEs are in the business of buying patents and licensing the technology.

The U.S. Congress has not yet taken action regarding such NPE demand letters. However, the Georgia General Assembly has stepped up to reduce the burdens that NPEs have placed on businesses big and small in Georgia. On July 1, 2014, O.C.G.A. § 10-1-770, *et seq.* became effective. Four new code sections add a measure of protection for businesses and individuals in Georgia who receive a demand letter from an NPE.

The new statute places obligations on NPEs when making assertions of patent infringement. The law also provides remedies for those "targets" who receive a demand letter that contains bad faith assertions of patent infringement.

The statute requires that certain specific information must be contained in the demand letter including, importantly, "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." The statute also places obligations on the NPE to conduct an analysis comparing the claims in the patent to the target's products, services, and technology. Failure to fulfill these obligations may constitute bad faith.

The new statute also lists additional factors that a court may consider as evidence of a bad faith assertion of patent infringement, including among others: (1) a failure to respond to information requests from the target within a reasonable period of time; (2) a demand for payment of a license fee or response within an unreasonable period of time; and (3) an offer to license the patent for an amount that is not based on a reasonable estimate of the value of the patent. The statute also provides factors that may be considered as evidence that a bad faith assertion of patent infringement has not been made, such as: (a) the demand letter includes factual allegations concerning how the target infringes the claims in the patent; (b) the demand letter author has conducted an analysis comparing the patent claims to the allegedly infringing product or service (or the analysis is done within a reasonable period of time after the target requests it); (c) the demand letter author has actually made a substantial investment in the use of the patent or in the production or sale of an item covered by the patent; and (d) the demand letter author is an institution of higher education or is a technology transfer organization owned by or affiliated with an institution of higher education.

If a court finds that a target has established a reasonable likelihood that a bad faith assertion of patent infringement has been made, then the court must require the demand letter author to post a bond in an amount equal to the target's estimated expenses of litigation, including an estimate of reasonable attorneys' fees, conditioned upon payment of any amounts finally determined to be due to the target. The bond amount cannot exceed \$250,000.00, and may be waived under certain circumstances.

A violation of the new statute is "an unfair and deceptive act or practice in the conduct of consumer transactions" under Georgia's Fair Business Practices Act and the new statute provides for a private right of action. The relief available to a company that proves a violation of the statute is: restitution to anyone adversely affected by the NPE's actions; punitive damages in an amount of \$50,000.00 or 3 times the combined total of damages, costs, and fees, whichever is greater; expenses of litigation, including reasonable attorneys' fees; and any other relief that a court deems just.

It is clear that the General Assembly has responded to the concerns of Georgia businesses and individuals regarding the substantial uptick in recent years of patent infringement demand letters from NPEs. While the new statute is certainly not perfect, NPEs sending patent infringement demand letters in Georgia will need to take care to investigate their claims prior to sending such a letter, and to clearly articulate their infringement claims in such a letter, or they will face potentially harsh consequences.

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