

1 SB121  
2 154293-2  
3 By Senator Orr  
4 RFD: Fiscal Responsibility and Accountability  
5 First Read: 14-JAN-14

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4 ENGROSSED

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7 A BILL  
8 TO BE ENTITLED  
9 AN ACT

10  
11 Relating to patents; to prohibit a person from  
12 asserting a claim of patent infringement in bad faith; to  
13 authorize the Attorney General to investigate claims and file  
14 enforcement actions; to authorize targets of patent  
15 infringement assertions in bad faith to file suit in circuit  
16 court for damages; to provide for exemplary damages; to  
17 provide factors for consideration by the court when  
18 determining whether a patent infringement assertion was made  
19 in bad faith; and to require certain persons to post bonds.  
20 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21 Section 1. The following terms shall have the  
22 following meanings:

23 (1) DEMAND LETTER. A letter, e-mail, or other  
24 communication asserting or claiming that the target has  
25 engaged in patent infringement.

26 (2) TARGET. A person located in this state that  
27 satisfies any of the following:

1           a. Has received a demand letter alleging that a  
2 patent infringement has been made.

3           b. Has been threatened with litigation alleging  
4 patent infringement.

5           c. The customers of which have received a demand  
6 letter asserting that the person's product, service, or  
7 technology has infringed a patent.

8           Section 2. (a) A person may not assert a claim of  
9 patent infringement in bad faith.

10           (b) The Attorney General may investigate claims of  
11 patent infringement alleged to have been made in bad faith and  
12 may initiate civil action in the name of the state, as  
13 necessary, to seek injunctive and any other relief available  
14 under this act or other law.

15           (c) A target or a person aggrieved by a violation of  
16 subsection (a) may bring an action in circuit court for a  
17 determination of whether the patent infringement assertion was  
18 made in bad faith. The circuit court may award the following  
19 remedies to a plaintiff who prevails in an action brought  
20 pursuant to this subsection:

21           (1) Equitable relief.

22           (2) Damages.

23           (3) Court costs and attorney's fees.

24           (4) Exemplary damages in an amount equal to fifty  
25 thousand dollars (\$50,000) or three times the total of  
26 damages, costs, and fees, whichever is greater.

1 (d) A court may consider any of the following  
2 factors as evidence that a person has made an assertion of  
3 patent infringement in bad faith:

4 (1) The demand letter does not contain all of the  
5 following information:

6 a. The patent number.

7 b. The name and address of the patent owner or  
8 owners and assignee or assignees, if any.

9 c. Factual allegations concerning the specific areas  
10 in which the target's products, services, and technology  
11 infringe the patent or are covered by the claims in the  
12 patent.

13 (2) Prior to sending the demand letter, the person  
14 failed to conduct an analysis comparing the claims in the  
15 patent to the target's products, services, and technology, or  
16 an analysis was performed, but did not identify specific areas  
17 in which the products, services, and technology are covered by  
18 the claims in the patent.

19 (3) The demand letter lacks the information  
20 described in subdivision (1), the target requests the  
21 information, and the person fails to provide the information  
22 within a reasonable period of time.

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

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

1           (6) The demand letter alleging patent infringement  
2 is meritless, and the person knew, or should have known, that  
3 the claim or assertion is meritless.

4           (7) The demand letter alleging patent infringement  
5 is deceptive.

6           (8) Any other factor the court finds relevant.

7           (e) A court may consider any of the following  
8 factors as evidence that a person has not made a bad faith  
9 assertion of patent infringement:

10           (1) The demand letter contains the information  
11 described in subdivision (d)(1).

12           (2) If the demand letter lacks the information  
13 described in subdivision (d)(1) and the target requests the  
14 information, the person provides the information within a  
15 reasonable period of time.

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

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

22           (5) The person is either of the following:

23           a. The inventor or joint inventor of the patent, or  
24 in the case of a patent filed by and awarded to an assignee of  
25 the original inventor or joint inventor, is the original  
26 assignee.

1           b. An institution of higher education or a  
2 technology transfer organization owned or affiliated with an  
3 institution of higher education.

4           (6) The person has done either of the following:

5           a. Demonstrated good faith business practices in  
6 previous efforts to enforce the patent, or a substantially  
7 similar patent.

8           b. Successfully enforced the patent, or a  
9 substantially similar patent, through litigation.

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

11          Section 3. (a) This act shall not be construed to  
12 limit rights and remedies available to the State of Alabama or  
13 to any person under any other law and shall not alter or  
14 restrict the Attorney General's authority under law with  
15 regard to conduct involving assertions of patent infringement.

16          (b) This act shall be interpreted consistently with  
17 any federal law or regulations governing patents or patent  
18 infringement.

19          Section 4. This act shall become effective on the  
20 first day of the third month following its passage and  
21 approval by the Governor, or its otherwise becoming law.

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Senate

Read for the first time and referred to the Senate  
committee on Fiscal Responsibility and Account-  
ability..... 14-JAN-14

Read for the second time and placed on the calen-  
dar 2 amendments..... 22-JAN-14

Read for the third time and passed as amended .... 30-JAN-14

Yeas 20  
Nays 1

Patrick Harris  
Secretary