

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

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8 SYNOPSIS: This bill would prohibit a person from  
9 asserting a claim of patent infringement in bad  
10 faith.

11 This bill would authorize the Attorney  
12 General to investigate bad faith patent  
13 infringement assertions and file enforcement  
14 actions if necessary.

15 This bill would authorize a target of a bad  
16 faith patent infringement assertion to initiate a  
17 civil action in circuit court for specified  
18 damages, including court costs, attorney's fees,  
19 and exemplary damages.

20 This bill would prescribe certain factors  
21 for the court to consider when making a  
22 determination of whether a person is asserting a  
23 claim of patent infringement in bad faith.

24 This bill would also require a person  
25 alleged to have asserted a bad faith patent  
26 infringement claim to post a bond under certain

1                   circumstances in cases initiated by a target of the  
2                   bad faith patent infringement assertions.

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4                   A BILL  
5                   TO BE ENTITLED  
6                   AN ACT

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

18                  Section 1. The following terms shall have the  
19                  following meanings:

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

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

25                  a. Has received a demand letter or against whom an  
26                  assertion or allegation of patent infringement has been made.

1           b. Has been threatened with litigation or against  
2 which a lawsuit has been filed alleging patent infringement.

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

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

8           (b) The Attorney General may investigate claims of  
9 patent infringement alleged to have been made in bad faith and  
10 may initiate civil actions, as necessary, to seek any relief  
11 available under this act or other law.

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

18           (1) Equitable relief.

19           (2) Damages.

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

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

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

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

3           a. The patent number.

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

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

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

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

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

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

25           (6) The claim or assertion of patent infringement is  
26 meritless, and the person knew, or should have known, that the  
27 claim or assertion is meritless.

1           (7) The claim or assertion of patent infringement is  
2 deceptive.

3           (8) The person or its subsidiaries or affiliates  
4 have previously filed or threatened to file one or more  
5 lawsuits based on the same or similar claim of patent  
6 infringement and either of the following occurs:

7           a. The threats or lawsuits lacked the information  
8 described in subdivision (1).

9           b. The person attempted to enforce the claim of  
10 patent infringement in litigation and a court found the claim  
11 to be meritless.

12           (9) Any other factor the court finds relevant.

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

16           (1) The demand letter contains the information  
17 described in subdivision (d)(1).

18           (2) If the demand letter lacks the information  
19 described in subdivision (d)(1) and the target requests the  
20 information, the person provides the information within a  
21 reasonable period of time.

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

25           (4) The person makes a substantial investment in the  
26 use of the patent or in the production or sale of a product or  
27 item covered by the patent.

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

2 a. The inventor or joint inventor of the patent, or  
3 in the case of a patent filed by and awarded to an assignee of  
4 the original inventor or joint inventor, is the original  
5 assignee.

6 b. An institution of higher education or a  
7 technology transfer organization owned or affiliated with an  
8 institution of higher education.

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

10 a. Demonstrated good faith business practices in  
11 previous efforts to enforce the patent, or a substantially  
12 similar patent.

13 b. Successfully enforced the patent, or a  
14 substantially similar patent, through litigation.

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

16 Section 3. Upon motion by a target and a finding by  
17 the court that a target has established a reasonable  
18 likelihood that a person has made a bad faith assertion of  
19 patent infringement in violation of this act, the court shall  
20 require the person to post a bond in an amount equal to a good  
21 faith estimate of the target's costs to litigate the claim and  
22 amounts reasonably likely to be recovered under subsection (c)  
23 of Section 2, conditioned upon payment of any amounts finally  
24 determined to be due to the target. A hearing on the bond  
25 shall be held at the request of any party. A bond ordered  
26 pursuant to this section shall not exceed two hundred fifty  
27 thousand dollars (\$250,000). The court may waive the bond

1 requirement if it finds the person has available assets equal  
2 to the amount of the proposed bond or for other good cause  
3 shown.

4 Section 4. (a) This act shall not be construed to  
5 limit rights and remedies available to the State of Alabama or  
6 to any person under any other law and shall not alter or  
7 restrict the Attorney General's authority under law with  
8 regard to conduct involving assertions of patent infringement.

9 (b) This act shall be interpreted consistently with  
10 any federal law or regulations governing patents or patent  
11 infringement.

12 Section 5. This act shall become effective on the  
13 first day of the third month following its passage and  
14 approval by the Governor, or its otherwise becoming law.