

1 SB121
2 157933-4
3 By Senator Orr
4 RFD: Fiscal Responsibility and Accountability
5 First Read: 14-JAN-14

1 SB121

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4 ENROLLED, An Act,

5 Relating to patents; to prohibit a person from
6 asserting a claim of patent infringement in bad faith; to
7 authorize the Attorney General to investigate claims, issue
8 subpoenas, and file enforcement actions; to provide for the
9 venue of enforcement suits; to authorize targets of patent
10 infringement assertions in bad faith to file suit in circuit
11 court for damages; to provide for exemplary damages; to
12 provide factors for consideration by the court when
13 determining whether a patent infringement assertion was made
14 in bad faith; to provide limitations on actions; to provide
15 criminal penalties for violations; and in connection therewith
16 would have as its purpose or effect the requirement of a new
17 or increased expenditure of local funds within the meaning of
18 Amendment 621 of the Constitution of Alabama of 1901, now
19 appearing as Section 111.05 of the Official Recompilation of
20 the Constitution of Alabama of 1901, as amended.

21 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

6 a. Has received a demand letter alleging that a
7 patent infringement has been made.

8 b. Has been threatened with litigation alleging
9 patent infringement.

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

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

15 (b) The Attorney General may investigate claims of
16 patent infringement alleged to have been made in bad faith and
17 may do both of the following:

18 (1) Issue subpoenas to any person to appear and
19 produce relevant papers, documents, and physical evidence, and
20 administer an oath or affirmation to any person, in aid of any
21 investigation or inquiry into possible violations of this act.
22 Subpoenas shall be served in accordance with the appropriate
23 Alabama Rules of Civil Procedure. Upon failure of a person
24 without lawful excuse to obey a subpoena, the Attorney General
25 may apply to a court of competent jurisdiction for an order

1 compelling compliance. After an action is commenced, discovery
2 may proceed in accordance with the Alabama Rules of Civil
3 Procedure.

4 (2) Initiate a civil action in the name of the
5 state, as necessary, to seek injunctive and any other relief
6 available under this act or other law.

7 (c) Venue for actions under this section shall be
8 proper in the circuit court of the county in which the
9 defendant resides, is doing business, or has his or her
10 principal place of business, or the county in which the
11 unlawful act or practice was or is being committed.

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

1 (e) 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.

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

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

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

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

10 (f) A court may consider any of the following
11 factors as evidence that a person has not made a bad faith
12 assertion of patent infringement:

13 (1) The demand letter contains the information
14 described in subdivision (e)(1).

15 (2) If the demand letter lacks the information
16 described in subdivision (e)(1) and the target requests the
17 information, the person provides the information within a
18 reasonable period of time.

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

22 (4) The person makes a substantial investment in the
23 use of the patent or in the production or sale of a product or
24 item covered by the patent.

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

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

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

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

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

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

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

15 Section 3. An action under Section 2 shall be
16 commenced no later than five years after the violation
17 occurred.

18 Section 4. Provided that the assertion of patent
19 infringement is not made in bad faith, nothing in this act
20 shall be construed to deem it a violation of this act for any
21 person who owns or has the right to license or enforce a
22 patent to advise others of that ownership or right of license
23 or enforcement; to communicate to others that the patent is
24 available for license or sale; to notify another of the
25 infringement of that patent pursuant to 35 U.S.C. § 287; or to

1 seek compensation on account of a past or present
2 infringement, or for a license to the patent, when it is
3 reasonable to believe that the person from whom compensation
4 is sought may owe such compensation or may need or want such a
5 license to practice the patent.

6 Section 5. Any person who continuously and willfully
7 violates Section 2 shall be guilty of a Class A misdemeanor.

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

13 (b) This act shall be interpreted consistently with
14 any federal law or regulations governing patents or patent
15 infringement.

16 Section 7. A demand letter or civil action that
17 includes a claim for relief arising under 35 U.S.C. §
18 271(e) (2) is not subject to the requirements of this act.

19 Section 8. Although this bill would have as its
20 purpose or effect the requirement of a new or increased
21 expenditure of local funds, the bill is excluded from further
22 requirements and application under Amendment 621, now
23 appearing as Section 111.05 of the Official Recompilation of
24 the Constitution of Alabama of 1901, as amended, because the

1 bill defines a new crime or amends the definition of an
2 existing crime.

3 Section 9. This act shall become effective on the
4 first day of the third month following its passage and
5 approval by the Governor, or its otherwise becoming law.

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President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB121

Senate 30-JAN-14

I hereby certify that the within Act originated in and passed the Senate.

Patrick Harris
Secretary

House of Representatives
Amended and passed 13-MAR-14

Senate concurred in House amendment 18-MAR-14

By: Senator Orr