

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

COMMITTEE SUBSTITUTE

FOR

HOUSE BILL NO. 2837

By: McCall

COMMITTEE SUBSTITUTE

An Act relating to patent infringement; stating legislative intent; defining terms; prohibiting bad-faith patent infringement claims; listing factors court may consider as evidence of bad faith; listing factors court may consider as evidence of valid claim; requiring bond; permitting hearing if requested by either party; setting limit for bond amount; allowing court to waive bond requirement; granting Attorney General certain powers and duties; providing for cause of action; specifying jurisdiction; listing available remedies; construing provisions of act; excepting certain actions; providing for codification; providing for noncodification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

A. The House of Representatives finds that:

1. Oklahoma is building an entrepreneurial and knowledge-based economy. Attracting and nurturing small and medium-sized information technology ("IT") and other knowledge-based companies is

1 an important part of this effort and will be beneficial to  
2 Oklahoma's future;

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

10 3. The House of Representatives does not wish to interfere with  
11 the good-faith enforcement of patents or good-faith patent  
12 litigation. The House of Representatives also recognizes that  
13 Oklahoma is preempted from passing any law that conflicts with  
14 federal patent law;

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

21 5. In order for Oklahoma companies to be able to respond  
22 promptly and efficiently to patent infringement assertions against  
23 them, it is necessary that they receive specific information  
24 regarding how their product, service, or technology may have

1 infringed the patent at issue. Receiving this information at an  
2 early stage will facilitate the resolution of claims and lessen the  
3 burden of potential litigation on Oklahoma companies;

4 6. Abusive patent litigation, and especially the assertion of  
5 bad-faith infringement claims, can harm Oklahoma companies. A  
6 business that receives a letter asserting such claims faces the  
7 threat of expensive and protracted litigation and may feel that it  
8 has no choice but to settle and to pay a licensing fee, even if the  
9 claim is meritless. This is especially so for small and medium-  
10 sized companies and nonprofits that lack the resources to  
11 investigate and defend themselves against infringement claims; and

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

19 B. Through this narrowly focused act, the House of  
20 Representatives seeks to facilitate the efficient and prompt  
21 resolution of patent infringement claims, protect Oklahoma  
22 businesses from abusive and bad-faith assertions of patent  
23 infringement, and build Oklahoma's economy, while at the same time  
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1 respecting federal law and being careful to not interfere with  
2 legitimate patent enforcement actions.

3 SECTION 2. NEW LAW A new section of law to be codified  
4 in the Oklahoma Statutes as Section 120 of Title 23, unless there is  
5 created a duplication in numbering, reads as follows:

6 As used in this act:

7 1. "Demand letter" means a letter, e-mail or other  
8 communication asserting or claiming that the target has engaged in  
9 patent infringement; and

10 2. "Target" means an individual Oklahoma resident, corporation,  
11 limited liability company, partnership, joint venture, sole  
12 proprietorship or professional corporation:

13 a. that has received a demand letter or against whom an  
14 assertion or allegation of patent infringement has  
15 been made,

16 b. that has been threatened with litigation or against  
17 whom a lawsuit has been filed alleging patent  
18 infringement, or

19 c. whose customers have received a demand letter  
20 asserting that the person's product, service, or  
21 technology has infringed a patent.

22 SECTION 3. NEW LAW A new section of law to be codified  
23 in the Oklahoma Statutes as Section 121 of Title 23, unless there is  
24 created a duplication in numbering, reads as follows:

1       A. A person shall not make a bad-faith assertion of patent  
2 infringement.

3       B. A court may consider the following factors as evidence that  
4 a person has made a bad-faith assertion of patent infringement:

5       1. The demand letter does not contain the following  
6 information:

7           a. the patent number,

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

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

14       2. Prior to sending the demand letter, the person fails to  
15 conduct an analysis comparing the claims in the patent to the  
16 target's products, services, and technology, or such an analysis was  
17 done but does not identify specific areas in which the products,  
18 services, and technology are covered by the claims in the patent;

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

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

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

3        6. The claim or assertion of patent infringement is meritless,  
4 and the person knew, or should have known, that the claim or  
5 assertion is meritless;

6        7. The claim or assertion of patent infringement is deceptive;

7        8. The person or its subsidiaries or affiliates have previously  
8 filed or threatened to file one or more lawsuits based on the same  
9 or similar claim of patent infringement and:

10            a. those threats or lawsuits lacked the information  
11                described in paragraph 1 of this subsection, or

12            b. the person attempted to enforce the claim of patent  
13                infringement in litigation and a court found the claim  
14                to be meritless; and

15        9. Any other factor the court finds relevant.

16        C. A court may consider the following factors as evidence that  
17 a person has not made a bad-faith assertion of patent infringement:

18            1. The demand letter contains the information described in  
19 paragraph 1 of subsection B of this section;

20            2. Where the demand letter lacks the information described in  
21 paragraph 1 of subsection B of this section and the target requests  
22 the information, the person provides the information within a  
23 reasonable period of time;

1       3. The person engages in a good-faith effort to establish that  
2 the target has infringed the patent and to negotiate an appropriate  
3 remedy;

4       4. The person makes a substantial investment in the use of the  
5 patent or in the production or sale of a product or item covered by  
6 the patent;

7       5. The person is:

8           a. the inventor or joint inventor of the patent or, in  
9 the case of a patent filed by and awarded to an  
10 assignee of the original inventor or joint inventor,  
11 is the original assignee, or

12          b. an institution of higher education or a technology  
13 transfer organization owned or affiliated with an  
14 institution of higher education;

15       6. The person has:

16           a. demonstrated good-faith business practices in previous  
17 efforts to enforce the patent, or a substantially  
18 similar patent, or

19          b. successfully enforced the patent, or a substantially  
20 similar patent, through litigation; and

21       7. Any other factor the court finds relevant.

22       SECTION 4.       NEW LAW       A new section of law to be codified  
23 in the Oklahoma Statutes as Section 122 of Title 23, unless there is  
24 created a duplication in numbering, reads as follows:

1       A. Upon motion by a target and a finding by the court that a  
2 target has established a reasonable likelihood that a person has  
3 made a bad-faith assertion of patent infringement in violation of  
4 this act, the court shall require the person to post a bond in an  
5 amount equal to a good-faith estimate of the target's costs to  
6 litigate the claim and amounts reasonably likely to be recovered,  
7 conditioned upon payment of any amounts finally determined to be due  
8 to the target.

9       B. A hearing shall be held if either party so requests.

10       C. A bond ordered pursuant to this section shall not exceed Two  
11 Hundred Fifty Thousand Dollars (\$250,000.00). The court may waive  
12 the bond requirement if it finds the person has available assets  
13 equal to the amount of the proposed bond or for other good cause  
14 shown.

15       SECTION 5.       NEW LAW       A new section of law to be codified  
16 in the Oklahoma Statutes as Section 123 of Title 23, unless there is  
17 created a duplication in numbering, reads as follows:

18       A. The Attorney General shall have the same authority under  
19 this act to make rules, conduct civil investigations, bring civil  
20 actions, and enter into assurances of discontinuance. In an action  
21 brought by the Attorney General under this act, the court may award  
22 or impose any relief available under the law.

23       B. A target of conduct involving assertions of patent  
24 infringement, or a person aggrieved by a violation of this act or by



1 a violation of rules adopted under this act, may bring an action in  
2 district court. A court may award the following remedies to a  
3 plaintiff who prevails in an action brought pursuant to this act:

- 4 1. Equitable relief;
- 5 2. Damages;
- 6 3. Costs and fees, including reasonable attorney fees; and
- 7 4. Exemplary damages in an amount equal to Fifty Thousand  
8 Dollars (\$50,000.00) or three times the total of damages, costs, and  
9 fees, whichever is greater.

10 C. This act shall not be construed to limit rights and remedies  
11 available to the State of Oklahoma or to any person under any other  
12 law and shall not alter or restrict the Attorney General's authority  
13 under this act with regard to conduct involving assertions of patent  
14 infringement.

15 D. A demand letter or civil action that includes a claim for  
16 relief arising under 35 U.S.C., Section 271(e)(2) shall not be  
17 subject to the requirements of this act.

18 SECTION 6. This act shall become effective November 1, 2014.  
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