

1 ENGROSSED HOUSE
2 BILL NO. 2837

By: McCall and Turner of the
House

3 and

4 Jolley of the Senate
5
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7 An Act relating to patent infringement; stating
8 legislative intent; defining terms; prohibiting bad-
9 faith patent infringement claims; listing factors
10 court may consider as evidence of bad faith; listing
11 factors court may consider as evidence of valid
12 claim; requiring bond; permitting hearing if
13 requested by either party; setting limit for bond
14 amount; allowing court to waive bond requirement;
15 granting Attorney General certain powers and duties;
16 providing for cause of action; specifying
17 jurisdiction; listing available remedies; construing
18 provisions of act; excepting certain actions;
19 providing for codification; providing for
20 noncodification; and providing an effective date.

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

24 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
an important part of this effort and will be beneficial to
Oklahoma's future;

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

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

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

19 5. In order for Oklahoma companies to be able to respond
20 promptly and efficiently to patent infringement assertions against
21 them, it is necessary that they receive specific information
22 regarding how their product, service, or technology may have
23 infringed the patent at issue. Receiving this information at an
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1 early stage will facilitate the resolution of claims and lessen the
2 burden of potential litigation on Oklahoma companies;

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

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

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

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

4 As used in this act:

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

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

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

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

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

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

23 A. A person shall not make a bad-faith assertion of patent
24 infringement.

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

3 1. The demand letter does not contain the following
4 information:

5 a. the patent number,

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

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

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

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

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

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

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

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

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

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

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

13 9. Any other factor the court finds relevant.

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

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

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

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

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

4 5. The person is:

5 a. the inventor or joint inventor of the patent or, in
6 the case of a patent filed by and awarded to an
7 assignee of the original inventor or joint inventor,
8 is the original assignee, or

9 b. an institution of higher education or a technology
10 transfer organization owned or affiliated with an
11 institution of higher education;

12 6. The person has:

13 a. demonstrated good-faith business practices in previous
14 efforts to enforce the patent, or a substantially
15 similar patent, or

16 b. successfully enforced the patent, or a substantially
17 similar patent, through litigation; and

18 7. Any other factor the court finds relevant.

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

22 A. Upon motion by a target and a finding by the court that a
23 target has established a reasonable likelihood that a person has
24 made a bad-faith assertion of patent infringement in violation of

1 this act, the court shall require the person to post a bond in an
2 amount equal to a good-faith estimate of the target's costs to
3 litigate the claim and amounts reasonably likely to be recovered,
4 conditioned upon payment of any amounts finally determined to be due
5 to the target.

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

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

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

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

20 B. A target of conduct involving assertions of patent
21 infringement, or a person aggrieved by a violation of this act or by
22 a violation of rules adopted under this act, may bring an action in
23 district court. A court may award the following remedies to a
24 plaintiff who prevails in an action brought pursuant to this act:

1 1. Equitable relief;

2 2. Damages;

3 3. Costs and fees, including reasonable attorney fees; and

4 4. Exemplary damages in an amount equal to Fifty Thousand
5 Dollars (\$50,000.00) or three times the total of damages, costs, and
6 fees, whichever is greater.

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

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

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

1 Passed the House of Representatives the 5th day of March, 2014.

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4 Presiding Officer of the House
5 of Representatives

6 Passed the Senate the ____ day of _____, 2014.

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9 Presiding Officer of the Senate