

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 54th Legislature (2014)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 2837

By: McCall and Turner of the
House

and

Jolley of the Senate

10 COMMITTEE SUBSTITUTE

11 An Act relating to patent infringement; stating
12 legislative intent; defining terms; prohibiting bad-
13 faith patent infringement claims; listing factors
14 court may consider as evidence of bad faith; listing
15 factors court may consider as evidence of valid
16 claim; requiring bond; permitting hearing if
17 requested by either party; setting limit for bond
18 amount; allowing court to waive bond requirement;
19 granting Attorney General certain powers and duties;
20 providing for cause of action; specifying
21 jurisdiction; listing available remedies; construing
22 provisions of act; excepting certain actions;
23 providing for codification; providing for
24 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 1. Oklahoma is building an entrepreneurial and knowledge-based
2 economy. Attracting and nurturing small and medium-sized
3 information technology ("IT") and other knowledge-based companies is
4 an important part of this effort and will be beneficial to
5 Oklahoma's future;

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

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

18 4. Patent litigation can be technical, complex, and expensive.
19 The expense of patent litigation, which may cost hundreds of
20 thousands of dollars or more, can be a significant burden on small
21 and medium-sized companies. Oklahoma wishes to help its businesses
22 avoid these costs by encouraging the most efficient resolution of
23 patent infringement claims without conflicting with federal law;
24

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

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

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

23 B. Through this narrowly focused act, the House of
24 Representatives seeks to facilitate the efficient and prompt

1 resolution of patent infringement claims, protect Oklahoma
2 businesses from abusive and bad-faith assertions of patent
3 infringement, and build Oklahoma's economy, while at the same time
4 respecting federal law and being careful to not interfere with
5 legitimate patent enforcement actions.

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

9 As used in this act:

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

13 2. "Target" means an individual Oklahoma resident, corporation,
14 limited liability company, partnership, joint venture, sole
15 proprietorship or professional corporation:

16 a. that has received a demand letter or against whom an
17 assertion or allegation of patent infringement has
18 been made,

19 b. that has been threatened with litigation or against
20 whom a lawsuit has been filed alleging patent
21 infringement, or

22 c. whose customers have received a demand letter
23 asserting that the person's product, service, or
24 technology has infringed a patent.

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

4 A. A person shall not make a bad-faith assertion of patent
5 infringement.

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

8 1. The demand letter does not contain the following
9 information:

- 10 a. the patent number,
11 b. the name and address of the patent owner or owners and
12 assignee or assignees, if any, and
13 c. factual allegations concerning the specific areas in
14 which the target's products, services, and technology
15 infringe the patent or are covered by the claims in
16 the patent;

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

22 3. The demand letter lacks the information described in
23 paragraph 1 of this subsection, the target requests the information,
24

1 and the person fails to provide the information within a reasonable
2 period of time;

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

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

7 6. The claim or assertion of patent infringement is meritless,
8 and the person knew, or should have known, that the claim or
9 assertion is meritless;

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

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

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

16 b. the person attempted to enforce the claim of patent
17 infringement in litigation and a court found the claim
18 to be meritless; and

19 9. Any other factor the court finds relevant.

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

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

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

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

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

11 5. The person is:

12 a. the inventor or joint inventor of the patent or, in
13 the case of a patent filed by and awarded to an
14 assignee of the original inventor or joint inventor,
15 is the original assignee, or

16 b. an institution of higher education or a technology
17 transfer organization owned or affiliated with an
18 institution of higher education;

19 6. The person has:

20 a. demonstrated good-faith business practices in previous
21 efforts to enforce the patent, or a substantially
22 similar patent, or

23 b. successfully enforced the patent, or a substantially
24 similar patent, through litigation; and

1 7. Any other factor the court finds relevant.

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

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

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

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

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

22 A. The Attorney General shall have the same authority under
23 this act to make rules, conduct civil investigations, bring civil
24 actions, and enter into assurances of discontinuance. In an action

1 brought by the Attorney General under this act, the court may award
2 or impose any relief available under the law.

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

8 1. Equitable relief;

9 2. Damages;

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

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

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

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

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

23 COMMITTEE REPORT BY: COMMITTEE ON JUDICIARY, dated 02/26/2014 - DO
24 PASS, As Amended and Coauthored.