

IN THE SENATE

SENATE BILL NO. 1354

BY JUDICIARY AND RULES COMMITTEE

AN ACT

RELATING TO BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT; AMENDING TITLE 48, IDAHO CODE, BY THE ADDITION OF A NEW CHAPTER 17, TITLE 48, IDAHO CODE, TO PROVIDE LEGISLATIVE FINDINGS AND INTENT, TO PROVIDE DEFINITIONS, TO PROVIDE THAT IT IS UNLAWFUL TO MAKE BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT, TO PROVIDE PROVISIONS RELATING TO PERSONAL JURISDICTION, TO GRANT CERTAIN AUTHORITY TO THE ATTORNEY GENERAL AND DISTRICT COURTS, TO PROVIDE A PRIVATE CAUSE OF ACTION, REMEDIES AND DAMAGES AND A LIMITATION OF ACTION AND TO ESTABLISH PROVISIONS RELATING TO BOND; AND PROVIDING SEVERABILITY.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Title 48, Idaho Code, be, and the same is hereby amended by the addition thereto of a NEW CHAPTER, to be known and designated as Chapter 17, Title 48, Idaho Code, and to read as follows:

CHAPTER 17

BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT

48-1701. LEGISLATIVE FINDINGS AND INTENT. (1) The legislature of the state of Idaho finds that:

(a) Idaho is striving to build an entrepreneurial and knowledge-based economy. Attracting and nurturing information technology (IT) and other knowledge-based companies are important parts of this effort and will be beneficial to Idaho's future.

(b) Patents are essential to encouraging innovation, especially in the IT and knowledge-based fields. The protections afforded by the federal patent system create an incentive to invest in research and innovation, which spurs economic growth. Patent holders have every right to enforce their patents when they are valid and infringed, to solicit interest from prospective licensees and to initiate patent enforcement litigation as necessary to protect intellectual property.

(c) The legislature does not wish to interfere with the good faith enforcement of patents or good faith patent litigation. The legislature also recognizes that Idaho is preempted from passing any law that conflicts with federal patent law.

(d) Abusive patent litigation, and especially the assertion of bad faith infringement claims, can harm Idaho companies. A business that receives a letter or other communication asserting such claims faces the threat of expensive and protracted litigation and may feel that it has no choice but to settle and to pay a licensing fee, even if the claim is meritless.

(e) Not only do bad faith patent infringement claims impose a significant burden on individual Idaho businesses, they also undermine Idaho's

efforts to attract and nurture IT and other knowledge-based companies. Funds used to avoid the threat of bad faith litigation are no longer available to invest, produce new products, expand or hire new workers, thereby harming Idaho's economy.

(2) Through this narrowly focused chapter, the legislature seeks to facilitate the efficient and prompt resolution of patent infringement claims, protect Idaho businesses from abusive and bad faith assertions of patent infringement and build Idaho's economy, while at the same time carefully not interfering with legitimate patent enforcement actions.

48-1702. DEFINITIONS. As used in this chapter:

(1) "Demand letter" means a letter, e-mail or other communication asserting or claiming that the target has engaged in patent infringement, or that the actions of the target would benefit from the grant of a license to any patent, or any similar assertion.

(2) "Idaho person" means a person as defined in section 48-602, Idaho Code.

(3) "Target" means an Idaho person:

(a) Who has received a demand letter or against whom an assertion or allegation of patent infringement has been made;

(b) Who has been threatened with litigation or against whom a lawsuit has been filed alleging patent infringement; or

(c) Whose customers have received a demand letter asserting that the person's product, service or technology has infringed a patent.

48-1703. BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT. (1) It is unlawful for a person to make a bad faith assertion of patent infringement.

(2) A court may consider the following factors as evidence that a person has made a bad faith assertion of patent infringement:

(a) The person sends a demand letter to a target without first conducting an analysis comparing the claims in the patent to the target's products, services or technology.

(b) The demand letter does not contain the following information:

(i) The patent number;

(ii) The name and address of the patent owner or owners and assignee or assignees, if any; and

(iii) The factual allegations concerning the specific areas in which the target's products, services and technology infringe the patent or are covered by the claims in the patent.

(c) The demand letter does not identify specific areas in which the products, services and technology are covered by the claims in the patent.

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

(e) The person offers to license the patent for an amount that is not reasonably based on the value of a license to the patent.

(f) The person asserting a claim or allegation of patent infringement acts in subjective bad faith, or a reasonable actor in the person's position would know or reasonably should know that such assertion is meritless.

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

2 (h) The person or its subsidiaries or affiliates have previously filed
3 or threatened to file one (1) or more lawsuits alleging patent infringe-
4 ment based on the same or similar claim, the person attempted to enforce
5 the claim of patent infringement in litigation and a court found the
6 claim to be meritless.

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

8 (3) A court may consider the following factors as evidence that a person
9 has not made a bad faith assertion of patent infringement:

10 (a) The person engages in a good faith effort to establish that the tar-
11 get has infringed the patent and to negotiate an appropriate remedy.

12 (b) The person makes a substantial investment in the use of the patent
13 or in the production or sale of a product or item covered by the patent.

14 (c) The person has:

15 (i) Demonstrated good faith in previous efforts to enforce the
16 patent, or a substantially similar patent; or

17 (ii) Successfully enforced the patent, or a substantially similar
18 patent, through litigation.

19 (d) Any other factor the court finds relevant.

20 (4) Any violation of the provisions of this chapter is an unlawful, un-
21 fair and deceptive act or practice in trade or commerce for the purpose of ap-
22 plying the Idaho consumer protection act, chapter 6, title 48, Idaho Code.

23 48-1704. PERSONAL JURISDICTION. Any person outside this state sending
24 a demand letter to an Idaho person shall be deemed to be transacting business
25 within this state within the meaning of section 5-514(a), Idaho Code, and
26 shall thereby be subject to the jurisdiction of the courts of this state.

27 48-1705. AUTHORITY OF THE ATTORNEY GENERAL AND DISTRICT COURTS. The
28 attorney general and the district court shall have the same authority in en-
29 forcing and carrying out the provisions of this chapter as is granted the at-
30 torney general and district courts under the Idaho consumer protection act,
31 chapter 6, title 48, Idaho Code.

32 48-1706. PRIVATE CAUSE OF ACTION, REMEDIES AND DAMAGES -- LIMITATION
33 OF ACTION. (1) A target of conduct involving assertions of patent infringe-
34 ment, or a person aggrieved by a violation of this chapter or by a violation
35 of rules promulgated under chapter 6, title 48, Idaho Code, may bring an ac-
36 tion in district court. A court may award the following remedies to a plain-
37 tiff who prevails in an action brought pursuant to this subsection:

38 (a) Equitable relief;

39 (b) Damages;

40 (c) Costs and fees, including reasonable attorney's fees; and

41 (d) Exemplary damages in an amount equal to fifty thousand dollars
42 (\$50,000) or three (3) times the total of damages, costs and fees,
43 whichever is greater.

44 (2) The remedies provided for in this chapter are not exclusive and
45 shall be in addition to any other procedures or remedies for any violation or
46 conduct provided for in any other statute.

1 (3) No private action may be brought under the provisions of this chap-
2 ter more than three (3) years after the cause of action accrues. A cause of
3 action shall be deemed to have accrued when the party bringing an action un-
4 der the provisions of this chapter knows, or in the exercise of reasonable
5 care should have known, about the violation of the provisions of this chap-
6 ter.

7 48-1707. BOND. Upon motion by a target and a finding by the court that
8 a target has established a reasonable likelihood that a person has made a
9 bad faith assertion of patent infringement in violation of this chapter, the
10 court shall require the person to post a bond in an amount equal to a good
11 faith estimate of the target's costs to litigate the claim and amounts rea-
12 sonably likely to be recovered under this chapter, conditioned upon payment
13 of any amounts finally determined to be due to the target. A hearing shall be
14 held if either party so requests. The court may waive the bond requirement if
15 it finds the person has available assets equal to the amount of the proposed
16 bond or for other good cause shown.

17 SECTION 2. SEVERABILITY. The provisions of this act are hereby declared
18 to be severable and if any provision of this act or the application of such
19 provision to any person or circumstance is declared invalid for any reason,
20 such declaration shall not affect the validity of the remaining portions of
21 this act.