

IN THE SENATE

SENATE BILL NO. 1354, As Amended

BY JUDICIARY AND RULES COMMITTEE

AN ACT

1 RELATING TO BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT; AMENDING TITLE 48,
2 IDAHO CODE, BY THE ADDITION OF A NEW CHAPTER 17, TITLE 48, IDAHO CODE,
3 TO PROVIDE LEGISLATIVE FINDINGS AND INTENT, TO PROVIDE DEFINITIONS, TO
4 PROVIDE THAT IT IS UNLAWFUL TO MAKE BAD FAITH ASSERTIONS OF PATENT IN-
5 FRINGEMENT, TO PROVIDE PROVISIONS RELATING TO PERSONAL JURISDICTION,
6 TO GRANT CERTAIN AUTHORITY TO THE ATTORNEY GENERAL AND DISTRICT COURTS,
7 TO PROVIDE A PRIVATE CAUSE OF ACTION, REMEDIES AND DAMAGES AND A LIMITA-
8 TION OF ACTION, TO ESTABLISH PROVISIONS RELATING TO BOND AND TO PROVIDE
9 EXEMPTIONS; AND PROVIDING SEVERABILITY.
10

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

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

15 CHAPTER 17

16 BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT

17 48-1701. LEGISLATIVE FINDINGS AND INTENT. (1) The legislature of the
18 state of Idaho finds that:

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

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

30 (c) The legislature does not wish to interfere with the good faith en-
31 forcement of patents or good faith patent litigation. The legislature
32 also recognizes that Idaho is preempted from passing any law that con-
33 flicts with federal patent law.

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

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

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

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

10 48-1702. DEFINITIONS. As used in this chapter:

11 (1) "Demand letter" means a letter, e-mail or other communication as-
 12serting or claiming that the target has engaged in patent infringement, or
 13that the actions of the target would benefit from the grant of a license to
 14any patent, or any similar assertion.

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

17 (3) "Target" means an Idaho person:

18 (a) Who has received a demand letter or against whom an assertion or al-
 19legation of patent infringement has been made;

20 (b) Who has been threatened with litigation or against whom a lawsuit
 21has been filed alleging patent infringement; or

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

24 48-1703. BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT. (1) It is unlaw-
 25ful for a person to make a bad faith assertion of patent infringement in a de-
 26mand letter, a complaint or any other communication.

27 (2) A court may consider the following factors as evidence that a person
 28has made a bad faith assertion of patent infringement:

29 (a) The person sends a demand letter to a target without first conduct-
 30ing an analysis comparing the claims in the patent to the target's prod-
 31ucts, services or technology.

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

33 (i) The patent number;

34 (ii) The name and address of the patent owner or owners and as-
 35signee or assignees, if any; and

36 (iii) The factual allegations concerning the specific areas in
 37which the target's products, services and technology infringe the
 38patent or are covered by the claims in the patent.

39 (c) The demand letter does not identify specific areas in which the
 40products, services and technology are covered by the claims in the
 41patent.

42 (d) The demand letter demands payment of a license fee or response
 43within an unreasonably short period of time.

44 (e) The person offers to license the patent for an amount that is not
 45reasonably based on the value of a license to the patent.

46 (f) The person asserting a claim or allegation of patent infringement
 47acts in subjective bad faith, or a reasonable actor in the person's po-

1 sition would know or reasonably should know that such assertion is mer-
2 itless.

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

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

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

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

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

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

16 (c) The person has:

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

19 (ii) Successfully enforced the patent, or a substantially similar
20 patent, through litigation.

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

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

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

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

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

40 (a) Equitable relief;

41 (b) Damages;

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

43 (d) Exemplary damages in an amount equal to fifty thousand dollars
44 (\$50,000) or three (3) times the total of damages, costs and fees,
45 whichever is greater.

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

4 (3) No private action may be brought under the provisions of this chap-
5 ter more than three (3) years after the cause of action accrues. A cause of
6 action shall be deemed to have accrued when the party bringing an action un-
7 der the provisions of this chapter knows, or in the exercise of reasonable
8 care should have known, about the violation of the provisions of this chap-
9 ter. Each bad faith assertion of patent infringement constitutes a separate
10 violation under this chapter.

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

21 48-1708. EXEMPTIONS. A demand letter or assertion of patent in-
22 fringement that includes a claim for relief arising under 35 U.S.C. section
23 271(e)(2) shall not be subject to the provisions of this chapter.

24 SECTION 2. SEVERABILITY. The provisions of this act are hereby declared
25 to be severable and if any provision of this act or the application of such
26 provision to any person or circumstance is declared invalid for any reason,
27 such declaration shall not affect the validity of the remaining portions of
28 this act.