

SENATE BILL No. 38

By 2014 Special Committee on Judiciary

1-20

1 AN ACT concerning patent infringement; relating to bad faith assertions of
2 patent infringement.

3
4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. (a) As used in this section:

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

8 (2) "Person" means an individual, corporation, limited liability
9 company, general partnership, limited partnership, firm, company,
10 voluntary association and other association or business entity existing
11 under or authorized by the state of Kansas, or the laws of any other state,
12 territory or foreign country.

13 (3) "Target" means a Kansas person:

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

16 (B) who has been threatened with litigation or against whom a
17 lawsuit has been filed alleging patent infringement; or

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

20 (b) (1) A person shall not make a bad faith assertion of patent
21 infringement.

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

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

25 (i) The patent number;

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

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

30 (B) Prior to sending the demand letter, the person fails to conduct an
31 analysis comparing the claims in the patent to the target's products,
32 services and technology, or such an analysis was done but does not
33 identify specific areas in which the products, services and technology are
34 covered by the claims in the patent.

35 (C) The demand letter lacks the information described in subsection
36 (b)(2)(A), the target requests the information and the person fails to

1 provide the information within a reasonable period of time.

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

4 (E) The person offers to license the patent for an amount that is not
5 based on a reasonable estimate of the value of the license.

6 (F) The claim or assertion of patent infringement is meritless and the
7 person knew or should have known that the claim or assertion is meritless.

8 (G) The claim or assertion of patent infringement is deceptive.

9 (H) The person or its subsidiaries or affiliates have previously filed or
10 threatened to file one or more lawsuits based on the same or similar claim
11 of patent infringement and:

12 (i) Those threats or lawsuits lacked the information described in
13 subsection (b)(2)(A); or

14 (ii) the person attempted to enforce the claim of patent infringement
15 in litigation and a court found the claim to be meritless.

16 (I) Any other factor the court finds relevant.

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

19 (1) The demand letter contains the information described in
20 subsection (b)(2)(A).

21 (2) Where the demand letter lack the information described in
22 subsection (b)(2)(A) and the target requests the information, the person
23 provides the information within a reasonable period of time.

24 (3) The person engages in a good faith effort to establish that the
25 target has infringed the patent and to negotiate an appropriate remedy.

26 (4) The person makes a substantial investment in the use of the patent
27 or in the production or sale of a product or item covered by the patent.

28 (5) The person is:

29 (A) The inventor or joint inventor of the patent or, in the case of a
30 patent filed by and awarded to an assignee of the original inventor or joint
31 inventor, is the original assignee; or

32 (B) an institution of higher education or a technology transfer
33 organization owned or affiliated with an institution of higher education.

34 (6) The person has:

35 (A) Demonstrated good faith business practices in previous efforts to
36 enforce the patent, or a substantially similar patent; or

37 (B) successfully enforced the patent, or a substantially similar patent,
38 through litigation.

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

40 (d) Upon motion by a target and a finding by the court that a target
41 has established a reasonable likelihood that a person has made a bad faith
42 assertion of patent infringement in violation of this section, the court shall
43 require the person to post a bond in an amount equal to a good faith

1 estimate of the target's costs to litigate the claim and amounts reasonably
2 likely to be recovered under this section conditioned upon payment of any
3 amounts finally determined to be due to the target. A hearing shall be held
4 if either party so requests. A bond ordered pursuant to this section shall not
5 exceed \$250,000. The court may waive the bond requirement if it finds the
6 person has available assets equal to the amount of the proposed bond or for
7 other good cause shown.

8 (e) The attorney general shall have the same authority under this
9 section to adopt rules and regulations, conduct civil investigations, bring
10 civil actions and enter into consent judgments as provided under chapter
11 50 of the Kansas Statutes Annotated, and amendments thereto. In an action
12 brought by the attorney general under this section, the court may award or
13 impose any relief available under chapter 50 of the Kansas Statutes
14 Annotated, and amendments thereto.

15 (f) A target of conduct involving assertions of patent infringement, or
16 a person aggrieved by a violation of this section or by a violation of rules
17 and regulations adopted under this section may bring an action in district
18 court. A court may award the following remedies to a plaintiff who
19 prevails in an action brought pursuant to this section:

- 20 (1) Equitable relief;
- 21 (2) damages;
- 22 (3) costs and fees, including reasonable attorney fees; and
- 23 (4) exemplary or punitive damages in an amount equal to \$50,000 or
24 three times the total of damages, costs and fees, whichever is greater.

25 (g) Nothing in this section shall be construed to limit rights and
26 remedies available to the state of Kansas or to any person under any other
27 law and shall not alter or restrict the attorney general's authority under
28 chapter 50 of the Kansas Statutes Annotated, and amendments thereto,
29 with regard to conduct involving assertions of patent infringement.

30 (h) Nothing in this section shall apply to a demand letter or assertion
31 of patent infringement that includes a claim for relief arising under 35
32 U.S.C. § 271(e)(2) or 42 U.S.C. § 262.

33 Sec. 2. This act shall take effect and be in force from and after its
34 publication in the statute book.