

State of South Dakota

EIGHTY-NINTH SESSION LEGISLATIVE ASSEMBLY, 2014

904V0213

HOUSE ENGROSSED NO. **SB 143** - 03/11/2014

Introduced by: Senators Krebs, Frerichs, Lederman, Rampelberg, Rave, Soholt, and White
and Representatives Conzet, Duvall, Erickson, Gosch, Johns, Peterson,
Rounds, and Solum

1 FOR AN ACT ENTITLED, An Act to provide for a civil remedy for a bad faith assertion of
2 patent infringement.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. Terms used in this Act mean:

5 (1) "Demand letter," any letter, e-mail, or other communication asserting or claiming that
6 the target has engaged in patent infringement;

7 (2) "Target," any person:

8 (a) Who receives a demand letter or against whom an assertion or allegation of
9 patent infringement is made;

10 (b) Who is threatened with litigation or against whom a lawsuit is filed alleging
11 patent infringement; or

12 (c) Whose customer receives a demand letter asserting that the person's product,
13 service, or technology infringes a patent.

14 Section 2. No person may make a bad faith assertion of patent infringement as prohibited



1 by the provisions of this Act.

2 Section 3. A court may consider the following factors as evidence that a person has made
3 a bad faith assertion of patent infringement:

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

5 (a) The patent number;

6 (b) The name and address of the patent owner and assignee, if any; or

7 (c) Factual allegations concerning the specific areas in which the target's product,
8 service, or technology infringe the patent or are covered by the claim in the
9 patent;

10 (2) Prior to sending the demand letter, the person fails to conduct an analysis comparing
11 the claim in the patent to the target's product, service, or technology, or such an
12 analysis was done but does not identify the specific area in which the product,
13 service, or technology is covered by the claim in the patent;

14 (3) The demand letter lacks the information described in subdivision (1) of this section,
15 the target requests the information, and the person fails to provide the information
16 within a reasonable period of time;

17 (4) The demand letter demands payment of a license fee or a response within an
18 unreasonably short period of time;

19 (5) The person offers to license the patent for an amount that is not based on a reasonable
20 estimate of the value of the license;

21 (6) The claim of patent infringement is meritless and the person knew, or should have
22 known, that the claim is meritless;

23 (7) The claim of patent infringement is deceptive;

24 (8) The person, a subsidiary, or an affiliate has previously filed or threatened to file a

1 lawsuit based on the same or a similar claim of patent infringement and:

2 (a) The threat or lawsuit lacked the information described in subdivision (1) of
3 this section; or

4 (b) The person attempted to enforce the claim of patent infringement in litigation
5 and a court found the claim to be meritless;

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

7 Section 4. A court may consider the following factors as evidence that a person has not made
8 a bad faith assertion of patent infringement:

9 (1) The demand letter contains all of the information described in subdivision (1) of
10 section 3 of this Act;

11 (2) If the demand letter lacks the information described in subdivision (1) of section 3
12 of this Act and the target requests the information, the person provides the
13 information within a reasonable period of time;

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

16 (4) The person makes a substantial investment in the use of the patent or in the
17 production or sale of a product or item covered by the patent;

18 (5) The person is:

19 (a) The inventor or joint inventor of the patent or, in the case of a patent filed by
20 and awarded to an assignee of the original inventor or joint inventor, is the
21 original assignee; or

22 (b) An institution of higher education or a technology transfer organization owned
23 or affiliated with an institution of higher education;

24 (6) The person has:

- 1 (a) Demonstrated good faith business practices in previous efforts to enforce the
- 2 patent, or a substantially similar patent; or
- 3 (b) Successfully enforced the patent, or a substantially similar patent, through
- 4 litigation;
- 5 (7) Any other factor the court finds relevant.

6 Section 5. Upon motion by a target and a finding by the court that the target has established
7 a reasonable likelihood that a person has made a bad faith assertion of patent infringement in
8 violation of this Act, the court shall require the person to post a bond in an amount equal to a
9 good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be
10 recovered under this Act, conditioned upon payment of any amounts finally determined to be
11 due to the target. The court shall hold a hearing to determine the amount of the bond on the
12 request of either party. A bond ordered pursuant to this section may not exceed two hundred
13 fifty thousand dollars. The court may waive the bond requirement if the court finds the person
14 has available assets equal to the amount of the proposed bond or for other good cause shown.

15 Section 6. The attorney general may bring civil actions, and enter into assurances of
16 discontinuance as provided under chapter 37-24. In an action brought by the attorney general
17 under this Act the court may award or impose any relief available under chapter 37-24.

18 Section 7. A target of conduct involving assertions of patent infringement, or a person
19 aggrieved by a violation of this Act or by a violation of rules promulgated pursuant to this Act,
20 may bring an action in a court of proper jurisdiction. A court may award the following remedies
21 to a plaintiff who prevails in an action brought pursuant to this section:

- 22 (1) Equitable relief;
- 23 (2) Damages;
- 24 (3) Costs and fees, including reasonable attorney fees; and

(4) Exemplary damages in an amount equal to fifty thousand dollars or three times the total of damages, costs, and fees, whichever is greater.

Section 8. It is not a deceptive trade act or practice for any person who owns or has the right to license or enforce a patent to notify another of that ownership or right of license or enforcement, to notify another that the patent is available for license or sale, to notify another of the infringement of that patent pursuant to the provisions of Title 35 of the United States Code, or to seek compensation on account of a past or present infringement, or for a license, if it is reasonable to believe that the person from whom compensation is sought may owe such compensation.

Section 9. This Act does not apply to any demand letter sent by:

- (1) Any corporation traded on a public stock exchange or any entity owned or controlled by such corporation;
- (2) Any owner of the patent who is using the patent in connection with the production, manufacturing, processing, or delivery of products or materials;
- (3) Any institution of higher education as that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001) as of January 1, 2014; or
- (4) Any technology transfer organization whose primary purpose is to facilitate the commercialization of technology developed by an institution of higher education.