

Regular Session, 2014

HOUSE BILL NO. 564

BY REPRESENTATIVE PONTI

COMMERCE: Makes it an unfair trade practice to engage in bad faith assertions of patent infringement

1 AN ACT

2 To enact R.S. 51:1428, relative to patent infringement and unfair trade practices; to provide
3 for definitions; to prohibit bad faith assertions of patent infringement; and to provide
4 for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 51:1428 is hereby enacted to read as follows:

7 §1428. Unfair or deceptive trade practice or act; bad faith assertions of patent
8 infringement

9 A. In this Section:

10 (1) "Demand letter" means a letter, e-mail, or other communication that does
11 either of the following:

12 (a) Asserts, alleges or claims that the target has engaged in patent
13 infringement.

14 (b) Requests or demands the target to obtain a license to a patent or to
15 otherwise pay compensation in order to avoid litigation.

16 (2) "Target" means a Louisiana person or business that meets either of the
17 following:

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

20 (b) Who has been threatened with litigation for alleged patent infringement.

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

4 B. (1) A person shall not make a bad faith assertion of patent infringement.

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

7 (a) The demand letter received by the target does not contain all of the
8 following information:

9 (i) The patent number, or the patent application number if no patent number
10 has been issued.

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

13 (iii) Factual allegations concerning the specific areas in which the accused
14 products, services, or technology, or the target's manufacture, use, sale, or offer for
15 sale thereof, infringe the patent or are covered by the claims in the patent.

16 (b) The person sends a demand letter to a target without first making a
17 reasonable effort under the circumstances to conduct an analysis comparing the
18 claims in the patent to the accused products, services, or technology, or to identify
19 specific areas in which the products, services or technology are covered by the
20 claims in the patent.

21 (c) The demand letter lacks the information described in Subparagraph (2)(a)
22 of this Subsection, the target requests the information, and the person fails to provide
23 the information within a reasonable period of time.

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

26 (e) The claim or assertion of patent infringement is meritless, and the person
27 knew, or should have known, that the claim or assertion is meritless.

28 (f) The person or its subsidiaries or affiliates have previously filed or
29 threatened to file one or more lawsuits based on the same or similar claim of patent

1 infringement and those threats or lawsuits lacked the information described in
2 Subparagraph (2)(a) of this Subsection.

3 (g) The demand letter or assertion of patent infringement contains material
4 misrepresentations of fact.

5 (h) Any other factor the court finds relevant.

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

8 (a) The demand letter received by a target contains the information described
9 in Subparagraph (2)(a) of this Subsection.

10 (b) Where the demand letter lacks the information described in Subparagraph
11 (2)(a) of this Subsection and the target requests the information, the person provides
12 the information within a reasonable period of time.

13 (c) The person engages in a good faith effort to establish that the target has
14 infringed or may be infringing the patent and to negotiate an appropriate remedy.

15 (d) The person makes a substantial investment in the use of the patent or in
16 the production or sale of a product, service, or technology covered by the patent.

17 (e) The person is:

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

21 (ii) An institution of higher education or a technology transfer organization
22 owned or affiliated with an institution of higher education.

23 (f) The person has:

24 (i) Demonstrated good faith business practices in previous efforts to enforce
25 the patent, or a substantially similar patent.

26 (ii) Successfully enforced the patent, or a substantially similar patent,
27 through litigation.

28 (g) Any other factor the court finds relevant.

1 C. Any violation of this Section shall be an unfair or deceptive trade practice
2 or act declared unlawful by R.S. 51:1401 et seq. and shall subject the violator to any
3 and all penalties, remedies, actions, and relief provided for in this Chapter.

4 D. The remedies and rights provided pursuant to this Section are in addition
5 to and do not preclude any remedy otherwise available under law.

6 E. Any person who is found liable pursuant to the provisions of this Section
7 shall be liable for all costs, expenses and fees related to investigations and
8 proceedings associated with the violation, including attorney fees. An action to
9 recover costs, expenses, fees, and attorney fees shall be ancillary to, and shall be
10 brought and heard in the same court as the civil action brought pursuant to the
11 provisions of this Chapter.

12 Section 2. If any provision of this Act or the application thereof is held invalid, such
13 invalidity shall not affect other provisions or applications of this Act which can be given
14 effect without the invalid provisions or applications, and to this end the provisions of this
15 Act are hereby declared severable.

16 Section 3. This Act shall become effective upon signature by the governor or, if not
17 signed by the governor, upon expiration of the time for bills to become law without signature
18 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
19 vetoed by the governor and subsequently approved by the legislature, this Act shall become
20 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Ponti

HB No. 564

Abstract: Prohibits bad faith assertions of patent infringement and subjects violators to unfair or deceptive trade practice penalties.

Proposed law provides for the following definitions:

"Demand letter" means a letter, e-mail, or other communication that:

- (a) Asserts, alleges or claims that the target has engaged in patent infringement.

(b) Requests or demands the target to obtain a license to a patent or to otherwise pay compensation in order to avoid litigation.

"Target" means a Louisiana person or business:

(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 for alleged patent infringement.

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

Proposed law prohibits a person from making a bad faith assertion of patent infringement.

Proposed law provides that a court may consider any of a list of factors as evidence that a person has made a bad faith assertion of patent infringement.

Proposed law provides that any violation of proposed law shall be an unfair or deceptive trade practice or act declared unlawful by the Unfair Trade Practices and Consumer Protection Law, and shall subject the violator to any and all penalties, remedies, actions, and relief provided for in present law.

Proposed law provides that the remedies and rights provided under proposed law are in addition to and do not preclude any remedy otherwise available under law.

Proposed law provides that any person who is found liable under the provisions of proposed law shall be liable for all costs, expenses and fees related to investigations and proceedings associated with the violation, including attorney fees. An action to recover costs, expenses, fees, and attorney fees shall be ancillary to, and shall be brought and heard in the same court as the civil action brought under the provisions of present law.

If any provision of proposed law or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of proposed law which can be given effect without the invalid provisions or applications, and to this end the provisions of proposed law are declared severable.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 51:1428)