

AN ACT

ENTITLED, An Act to provide for a civil remedy for a bad faith assertion of patent infringement.

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

Section 1. Terms used in this Act mean:

- (1) "Demand letter," any letter, e-mail, or other communication asserting or claiming that the target has engaged in patent infringement;
- (2) "Target," any person:
  - (a) Who receives a demand letter or against whom an assertion or allegation of patent infringement is made;
  - (b) Who is threatened with litigation or against whom a lawsuit is filed alleging patent infringement; or
  - (c) Whose customer receives a demand letter asserting that the person's product, service, or technology infringes a patent.

Section 2. No person may make a bad faith assertion of patent infringement as prohibited by the provisions of this Act.

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

- (1) The demand letter does not contain the following information:
  - (a) The patent number;
  - (b) The name and address of the patent owner and assignee, if any; or
  - (c) Factual allegations concerning the specific areas in which the target's product, service, or technology infringe the patent or are covered by the claim in the patent;
- (2) Prior to sending the demand letter, the person fails to conduct an analysis comparing the claim in the patent to the target's product, service, or technology, or such an analysis was

done but does not identify the specific area in which the product, service, or technology is covered by the claim in the patent;

- (3) The demand letter lacks the information described in subdivision (1) of this section, the target requests the information, and the person fails to provide the information within a reasonable period of time;
- (4) The demand letter demands payment of a license fee or a response within an unreasonably short period of time;
- (5) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license;
- (6) The claim of patent infringement is meritless and the person knew, or should have known, that the claim is meritless;
- (7) The claim of patent infringement is deceptive;
- (8) The person, a subsidiary, or an affiliate has previously filed or threatened to file a lawsuit based on the same or a similar claim of patent infringement and:
  - (a) The threat or lawsuit lacked the information described in subdivision (1) of this section; or
  - (b) The person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless;
- (9) Any other factor the court finds relevant.

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

- (1) The demand letter contains all of the information described in subdivision (1) of section 3 of this Act;
- (2) If the demand letter lacks the information described in subdivision (1) of section 3 of this

Act and the target requests the information, the person provides the information within a reasonable period of time;

- (3) The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy;
- (4) The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent;
- (5) The person is:
  - (a) The inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, is the original assignee; or
  - (b) An institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education;
- (6) The person has:
  - (a) Demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent; or
  - (b) Successfully enforced the patent, or a substantially similar patent, through litigation;
- (7) Any other factor the court finds relevant.

Section 5. Upon motion by a target and a finding by the court that the target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this Act, the court shall require the person to post a bond in an amount equal to a good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be recovered under this Act, conditioned upon payment of any amounts finally determined to be due to the target. The court shall hold a hearing to determine the amount of the bond on the request of either party. A bond

ordered pursuant to this section may not exceed two hundred fifty thousand dollars. The court may waive the bond requirement if the court finds the person has available assets equal to the amount of the proposed bond or for other good cause shown.

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

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

- (1) Equitable relief;
- (2) Damages;
- (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.

An Act to provide for a civil remedy for a bad faith assertion of patent infringement.

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I certify that the attached Act  
originated in the

SENATE as Bill No. 143

\_\_\_\_\_  
Secretary of the Senate

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\_\_\_\_\_  
President of the Senate

Attest:

\_\_\_\_\_  
Secretary of the Senate

\_\_\_\_\_  
Speaker of the House

Attest:

\_\_\_\_\_  
Chief Clerk

Senate Bill No. 143

File No. \_\_\_\_\_

Chapter No. \_\_\_\_\_

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Received at this Executive Office  
this \_\_\_\_\_ day of \_\_\_\_\_ ,

20\_\_\_\_ at \_\_\_\_\_ M.

By \_\_\_\_\_  
for the Governor

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The attached Act is hereby  
approved this \_\_\_\_\_ day of  
\_\_\_\_\_, A.D., 20\_\_\_\_

\_\_\_\_\_  
Governor

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STATE OF SOUTH DAKOTA,  
ss.

Office of the Secretary of State

Filed \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_ M.

\_\_\_\_\_  
Secretary of State

By \_\_\_\_\_  
Asst. Secretary of State