

SENATE/HOUSE FILE _____
BY (PROPOSED ATTORNEY GENERAL
BILL)

A BILL FOR

1 An Act creating a private right of action for bad-faith
2 assertions of patent infringement, and providing remedies
3 and penalties.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 714I.1 Definitions.

2 1. "*Alleged infringer*" means a person who is a resident of
3 this state and for whom any of the following is true:

4 a. An assertion or allegation of patent infringement has
5 been made against the person or the person has received a
6 demand letter.

7 b. A lawsuit has been filed against the person alleging
8 patent infringement or the person has been threatened with
9 litigation.

10 c. The person's customers have received a demand letter
11 asserting that the person's product, service, or technology has
12 infringed upon a patent.

13 2. "*Demand letter*" means a letter, electronic mail, or other
14 communication asserting or claiming that the alleged infringer
15 has engaged in patent infringement.

16 3. "*Person*" means the same as defined in section 714.16.

17 Sec. 2. NEW SECTION. 714I.2 Bad-faith assertion of patent
18 infringement.

19 1. A person shall not make a bad-faith assertion of patent
20 infringement.

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

24 a. The demand letter does not contain all of the following:

25 (1) The patent number.

26 (2) The name and address of the patent owner or owners and
27 of the assignee or assignees of the patent, if any.

28 (3) Factual allegations concerning the specific areas in
29 which the alleged infringer's product, service, or technology
30 infringes upon the patent or is covered by the claims in the
31 patent.

32 b. The demand letter does not include all of the information
33 described in paragraph "a", the alleged infringer requests the
34 information, and the person fails to provide the information
35 within a reasonable period of time.

1 *c.* Prior to sending the demand letter, the person fails to
2 conduct an analysis comparing the claims in the patent to the
3 alleged infringer's product, service, or technology, or such an
4 analysis was done but does not identify specific areas in which
5 the product, service, or technology is covered by the claims
6 in the patent.

7 *d.* The demand letter demands the payment of a license fee or
8 a response within an unreasonably short period of time.

9 *e.* The person offers to license the patent for an amount
10 that is not based on a reasonable estimate of the value of the
11 license.

12 *f.* The claim or assertion of patent infringement is
13 meritless, and the person knew, or should have known, that the
14 claim or assertion is meritless.

15 *g.* The claim or assertion of patent infringement is
16 deceptive.

17 *h.* The person or a subsidiary or affiliate of the person has
18 previously filed or threatened to file a lawsuit based on the
19 same or a similar claim of patent infringement and any of the
20 following is true:

21 (1) The lawsuit or threat does not include all of the
22 information described in paragraph "a".

23 (2) The person attempted to enforce the claim of patent
24 infringement in litigation and a court found the claim to be
25 meritless.

26 *i.* Any other factor the court finds relevant.

27 3. A court may consider any of the following factors as
28 evidence that a person has not made a bad-faith assertion of
29 patent infringement:

30 *a.* The demand letter contains the information described in
31 subsection 2, paragraph "a".

32 *b.* Where the demand letter does not contain all of the
33 information described in subsection 2, paragraph "a", and the
34 alleged infringer requests the information, the person provides
35 the information within a reasonable period of time.

1 *c.* The person engages in a good-faith effort to establish
2 that the alleged infringer has infringed upon the patent and to
3 negotiate an appropriate remedy.

4 *d.* The person makes a substantial investment in the use of
5 the patent or in the production or sale of a product or item
6 covered by the patent.

7 *e.* The person is any of the following:

8 (1) The inventor or joint inventor of the patent or, in the
9 case of a patent filed by and awarded to an assignee of the
10 original inventor or joint inventor, the original assignee.

11 (2) An institution of higher education or a technology
12 transfer organization owned or affiliated with an institution
13 of higher education.

14 *f.* The person has done any of the following:

15 (1) Demonstrated good-faith business practices in previous
16 efforts to enforce the patent, or a substantially similar
17 patent.

18 (2) Successfully enforced the patent, or a substantially
19 similar patent, through litigation.

20 *g.* Any other factor the court finds relevant.

21 Sec. 3. NEW SECTION. 714I.3 **Bond requirement.**

22 Upon motion by an alleged infringer and a finding by the
23 court that the alleged infringer has established a reasonable
24 likelihood that a person has made a bad-faith assertion of
25 patent infringement in violation of this chapter, the court
26 shall require the person to post a bond in an amount equal
27 to a good-faith estimate of the alleged infringer's costs
28 to litigate the claim and amounts reasonably likely to be
29 recovered under section 714I.4, conditioned upon payment of any
30 amounts finally determined to be due to the alleged infringer.
31 A hearing regarding the posting of such bond shall be held if
32 either party so requests. A bond ordered pursuant to this
33 section shall not exceed two hundred fifty thousand dollars.
34 The court may waive the bond requirement if it finds the person
35 has available assets equal to the amount of the proposed bond

1 or for other good cause shown.

2 Sec. 4. NEW SECTION. 714I.4 **Enforcement and remedies.**

3 1. A violation of this chapter is an unlawful practice
4 pursuant to section 714.16, and all the remedies under section
5 714.16 are available for such an action. This chapter shall
6 not be construed to limit rights and remedies available to the
7 state or to any person under any other law and shall not be
8 construed to in any way limit the authority of the attorney
9 general under section 714.16 with regard to conduct involving
10 assertions of patent infringement.

11 2. A person who is the target of conduct involving an
12 assertion of patent infringement, or a person aggrieved by a
13 violation of this chapter, may bring an action in district
14 court. A court may award any of the following remedies to a
15 plaintiff who prevails in an action brought pursuant to this
16 subsection:

17 a. Equitable relief.

18 b. Damages.

19 c. Costs and fees, including reasonable attorney fees.

20 d. Exemplary damages in an amount equal to fifty thousand
21 dollars or three times the total amount of damages, costs, and
22 fees, whichever is greater.

23 EXPLANATION

24 The inclusion of this explanation does not constitute agreement with
25 the explanation's substance by the members of the general assembly.

26 This bill creates a private right of action for bad-faith
27 assertions of patent infringement. The bill prohibits a person
28 from making a bad-faith assertion of patent infringement, and
29 provides lists of factors that a court may consider as evidence
30 that a person's assertion of patent infringement was either
31 made or not made in bad faith. The bill further provides
32 that a violation of the Code chapter is an unlawful practice
33 under Code section 714.16, and that the attorney general's
34 rights and remedies under Code section 714.16 are not in any
35 way limited by the creation of the private right of action.

1 Under Code section 714.16, with regard to unlawful practices,
2 the attorney general has the authority to issue subpoenas,
3 hold hearings, adopt administrative rules, and file lawsuits
4 to obtain temporary and permanent injunctive relief, consumer
5 reimbursement, costs and attorney fees, and civil penalties up
6 to \$40,000 per violation.

7 A person against whom an allegation of patent infringement
8 has been made, who has received a demand letter asserting that
9 the person has engaged in patent infringement, against whom
10 a lawsuit alleging patent infringement has been filed or who
11 has been threatened by such a lawsuit, or whose customers have
12 received a demand letter asserting that the person has engaged
13 in patent infringement, may bring an action in district court
14 alleging that the assertion was made in bad faith. During the
15 proceeding, the court may order the person who alleged patent
16 infringement to post a bond upon a finding by the court that
17 there is a reasonable likelihood that the patent infringement
18 claim was made in bad faith. If the court finds that the
19 assertion of patent infringement was made in bad faith, the
20 court may award equitable relief, damages, costs and fees,
21 including reasonable attorney fees, or exemplary damages.
22 Exemplary damages are the greater of \$50,000 or three times the
23 total of damages, costs, and fees.