

Regular Session, 2014

SENATE BILL NO. 255

BY SENATOR MARTINY

COMMERCIAL REGULATIONS. Provides relative to Unfair Trade Practices and Consumer Protection Law. (gov sig)

1 AN ACT

2 To enact R.S. 51:1428, provides relative to Unfair Trade Practices and Consumer Protection
3 Law; to provide relative to patent infringement; to provide for definitions; to provide
4 for unfair and deceptive trade practices; to provide for damages; to provide for
5 procedures, terms, and conditions; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

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

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

10 **A. As used in this Section, the following words and phrases shall have the**
11 **following meanings:**

12 **(1) "Demand letter" means a letter, email, or other communication that**
13 **does either of the following:**

14 **(a) Asserts, alleges, or claims that the end-user has engaged in patent**
15 **infringement.**

16 **(b) Requests or demands the end-user to obtain a license to a patent or**
17 **to otherwise pay compensation in order to avoid litigation.**

1 **(2) "End-user" means a consumer, whether an individual, business, or**
2 **financial institution, who purchases, rents, leases, or otherwise obtains a**
3 **product, service, or technology in the commercial market that is not for resale**
4 **and is, or later becomes, the subject of a patent infringement assertion.**

5 **B.(1) No person shall make a bad faith assertion of patent infringement**
6 **against an end-user.**

7 **(2) A court may consider any of the following factors as evidence that a**
8 **person has made a bad faith assertion of patent infringement against an end-**
9 **user:**

10 **(a) The demand letter received by the end-user does not contain all of the**
11 **following information:**

12 **(i) The patent number or the patent application number, if no patent**
13 **number has been issued.**

14 **(ii) The name and address of the patent owner or owners and assignee**
15 **or assignees, if any.**

16 **(iii) The factual allegations concerning the specific areas in which the**
17 **products, services, or technology obtained by the end-user, or their use thereof,**
18 **infringe the patent or are covered by the claims in the patent.**

19 **(b) The person sends a demand letter to an end-user without first making**
20 **a reasonable effort to conduct an analysis comparing the claims in the patent**
21 **to the products, services, or technology obtained by the end-user, or to identify**
22 **specific areas in which the products, services, or technology are covered by the**
23 **claims in the patent.**

24 **(c) When the demand letter lacks the information described in**
25 **Subparagraph (2)(a) of this Subsection and the end-user requests information**
26 **from the person, the person fails to provide the requested information within**
27 **a reasonable period of time.**

28 **(d) The demand letter requires payment of a license fee or response from**
29 **an end-user within an unreasonably short period of time.**

1 (e) The claim or assertion of patent infringement against an end-user is
2 without merit, and the person knew or should have known, that the claim or
3 assertion is without merit.

4 (f) The person or its subsidiaries or affiliates have previously filed or
5 threatened to file one or more lawsuits against an end-user based on the same
6 or similar claim of patent infringement and those lawsuits or threats lacked the
7 information described in Subparagraph (2)(a) of this Subsection.

8 (g) The demand letter or assertion of patent infringement contains any
9 material misrepresentation of fact.

10 (3) A court may consider any of the following factors as evidence that an
11 assertion of patent infringement against an end-user was not made in bad faith:

12 (a) The demand letter received by an end-user contains the information
13 described in Subparagraph (2)(a) of this Subsection.

14 (b) When the demand letter lacks the information described in
15 Subparagraph (2)(a) of this Subsection and the end-user requests the
16 information, the person provides the information within a reasonable period of
17 time.

18 (c) The person engages in a good faith effort to establish that the end-
19 user has infringed or may be infringing the patent and to negotiate an
20 appropriate remedy.

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

24 (e) The person is either of the following:

25 (i) The inventor or joint inventor of the patent or, in the case of a patent
26 filed by and awarded to an assignee of the original inventor or joint inventor,
27 the original assignee.

28 (ii) An institution of higher education or a technology transfer
29 organization owned by or affiliated with an institution of higher education.

1 **(f) The person has demonstrated good faith business practices in**
2 **previous efforts to enforce the patent, or a substantially similar patent or has**
3 **successfully enforced the patent, or a substantially similar patent, through**
4 **litigation.**

5 **(g) Any other factor the court finds relevant.**

6 **C.(1) The attorney general has the sole authority to investigate and**
7 **pursue any violation of this Section as an unfair or deceptive trade practice or**
8 **act pursuant to R.S. 51:1401 et seq.**

9 **(2) Any person who is found liable under the provisions of this Section**
10 **shall be liable to the attorney general for all costs, expenses, and fees related to**
11 **investigations and proceedings associated with the violation, including attorney**
12 **fees. An action to recover costs, expenses, fees, and attorney fees shall be**
13 **ancillary to, and shall be filed and heard in the same court as a civil action filed**
14 **under the provisions of this Section.**

15 **D. The remedies and rights provided under this Section are in addition**
16 **to and do not preclude any right or remedy otherwise authorized by law.**

17 **E. Any person outside the state asserting patent infringement by an end-**
18 **user in the state shall be deemed to be transacting business within the state**
19 **within the meaning of R.S.13:3201 and shall thereby be subject to the**
20 **jurisdiction of the courts of this state.**

21 Section 2. This Act shall become effective upon signature by the governor or, if not
22 signed by the governor, upon expiration of the time for bills to become law without signature
23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
24 vetoed by the governor and subsequently approved by the legislature, this Act shall become
25 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Michelle Ducharme.

DIGEST

Martiny (SB 255)

Present law provides relative to the Unfair Trade Practices and Consumer Protection Law.

Proposed law defines the term "demand letter" as a letter, email, or other communication that does either of the following:

- (1) Asserts, alleges, or claims that the end-user has engaged in patent infringement.
- (2) Requests or demands the end-user to obtain a license to a patent or to otherwise pay compensation in order to avoid litigation.

Proposed law defines "end-user" as a consumer, whether an individual, business, or financial institution, who purchases, rents, leases, or otherwise obtains a product, service, or technology in the commercial market that is not for resale and is, or later becomes, the subject of a patent infringement assertion.

Proposed law provides that no person shall make a bad faith assertion of patent infringement against an end-user.

Proposed law provides that a court may consider any of the following factors as evidence that a person has made a bad faith assertion of patent infringement against an end-user:

- (1) The demand letter received by the end-user does not contain all of the following information:
 - (a) The patent number or the patent application number, if no patent number has been issued.
 - (b) The name and address of the patent owner or owners and assignee or assignees, if any.
 - (c) The factual allegations concerning the specific areas in which the accused products, services, or technology obtained by the end-user, or their use thereof, infringe the patent or are covered by the claims in the patent.
- (2) The person sends a demand letter to an end-user without first making a reasonable effort to conduct an analysis comparing the claims in the patent to the products, services, or technology obtained by the end-user, or to identify specific areas in which the products, services, or technology are covered by the claims in the patent.
- (3) When the demand letter lacks certain information and the end-user requests information from the person, the person fails to provide the requested information within a reasonable period of time.
- (4) The demand letter requires payment of a license fee or response from an end-user within an unreasonably short period of time.
- (5) The claim or assertion of patent infringement against an end-user is without merit, and the person knew or should have known, that the claim or assertion is without merit.
- (6) The person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement and those lawsuits or threats lacked certain information.
- (7) The demand letter or assertion of patent infringement contains any material misrepresentation of fact.

Proposed law provides that a court may consider any of the following factors as evidence that an assertion of patent infringement against an end-user was not made in bad faith:

- (1) The demand letter received by an end-user contains certain information.
- (2) When the demand letter lacks certain information and the end-user 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 end-user has infringed or may be infringing 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, service, or technology covered by the patent.
- (5) The person is either of the following:
 - (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, the original assignee.
 - (b) An institution of higher education or a technology transfer organization owned by or affiliated with an institution of higher education.
- (6) The person has demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent or has successfully enforced the patent, or a substantially similar patent, through litigation.
- (7) Any other factor the court finds relevant.

Proposed law provides that the attorney general has the sole authority to investigate and pursue any violation of proposed law as an unfair or deceptive trade practice or act.

Proposed law provides that any person who is found liable shall be liable to the attorney general 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 filed and heard in the same court as a civil action filed under the provisions of proposed law.

Proposed law provides that the remedies and rights provided in law are in addition to and do not preclude any right or remedy otherwise authorized by law.

Proposed law provides that any person outside the state asserting patent infringement by an end-user in the state shall be deemed to be transacting business within the state and shall thereby be subject to the jurisdiction of the courts of this state.

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

(Adds R.S. 51:1428)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Commerce, Consumer Protection, and International Affairs to the original bill

1. Removes the term "target".
2. Defines the term "end-user" as a consumer, whether an individual, business, or financial institution, who purchases, rents, leases, or otherwise obtains a product, service, or technology in the commercial market that is not for resale and is, or later becomes, the subject of a patent infringement assertion.

3. Provides that the attorney general shall have the sole authority to investigate and pursue any violation of proposed law.
4. Provides that any person violating proposed law shall be liable to the attorney general for all costs, expenses, and fees related to investigations and proceedings associated with the violation, including attorney fees.
5. Provides for jurisdiction of state courts when the person asserting patent infringements against an end-user is outside the state.