Sixty-fourth Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 6, 2015

HOUSE BILL NO. 1163
(Representatives Keiser, Delmore, K. Koppelman)
(Senators Armstrong, Grabinger, Hogue)

AN ACT to create and enact chapter 51-36 of the North Dakota Century Code, relating to bad faith assertions of patent infringement; and to provide a penalty.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Chapter 51-36 of the North Dakota Century Code is created and enacted as follows:

51-36-01. Definitions.

In this chapter, unless the context or subject matter otherwise requires:

1. "Demand letter" means a letter, email, or other communication asserting or claiming the target engaged in patent infringement.

2. "Target" means any person:

   a. That receives a demand letter or against whom an assertion or allegation of patent infringement is made;

   b. That 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.

51-36-02. Bad faith assertion of patent infringement prohibited.

A person may not make a bad faith assertion of patent infringement as prohibited by this chapter.

51-36-03. Factors for bad faith assertion of infringement.

A court may consider any of the following factors as evidence a person 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. Before 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 subsection 1, 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 unenforceable and the person knew, or should have known, the claim is unenforceable.

7. The claim of patent infringement is deceptive.

8. The person, a subsidiary, or an affiliate 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 subsection 1; or

   b. The person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be unenforceable.

9. The person making the assertion of infringement of a patent does not own or have the right to enforce or license the patent.

10. The person sent the same demand or substantially same demand to multiple recipients and made assertions against a variety of products and systems without reflecting product and system differences in a reasonable manner in the demands.

11. The person threatens legal action that cannot legally be taken or that is not intended to be taken.

12. The person represents a complaint has been filed alleging the target has infringed the patent when no complaint has been filed.

13. The claim of patent infringement is based on a patent or a claim of a patent that has expired or previously been held invalid or unenforceable in a final unappealable or unappealed judicial or administrative decision.

14. Any other factor the court finds relevant.

51-36-04. Factors for claim of patent infringement not made in bad faith.

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

1. The demand letter contains all of the information described in subsection 1 of section 51-36-03.

2. If the demand letter lacks the information described in subsection 1 of section 51-36-03 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 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.

51-36-05. Bond.

Upon motion by a target and a finding by the court that the target has established a reasonable likelihood a person has made a bad faith assertion of patent infringement in violation of this chapter, 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 chapter, 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 under 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.

51-36-06. Private right of action.

A target of conduct involving assertions of patent infringement or a person aggrieved by a violation of this chapter may bring an action in a court of proper jurisdiction. A court may award the following remedies to a plaintiff that 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.

51-36-07. Enforcement - Powers - Remedies - Penalty.

The attorney general may enforce this chapter. The attorney general, in enforcing this chapter, has all the powers provided in chapter 51-15 and may seek all the remedies in chapter 51-15. Each act in violation of this chapter constitutes a separate violation of chapter 51-15. The remedies, duties, prohibitions, and penalties of this chapter are not exclusive and are in addition to all other causes of action, remedies, and penalties in chapter 51-15, or otherwise provided by law.

51-36-08. Exceptions.

This chapter does not apply to:

1. Any person that 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; notify another of the infringement of that patent pursuant to the provisions of title 35 of the United States Code; or 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.

2. Any demand letter sent by:

   a. Any corporation traded on a public stock exchange or any entity owned or controlled by such corporation;

   b. An owner of the patent which is using the patent in connection with the substantial research, commercial development, production, manufacturing, processing, or delivery of products or materials;

   c. Any institution of higher education as that term is defined in section 101 of the federal Higher Education Act of 1965 [20 U.S.C. 1001]; or

   d. Any technology transfer organization whose primary purpose is to facilitate the commercialization of technology developed by an institution of higher education.

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Sixty-fourth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1163.

House Vote:	Yeas 90	Nays 0	Absent 4
Senate Vote:	Yeas 47	Nays 0	Absent 0

Chief Clerk of the House

Received by the Governor at 8:25A M. on March 25, 2015.

Approved at 1:22P. M. on March 26, 2015.

Governor

Filed in this office this 26th day of March, 2015,

at 3:04 o'clock P M.

Secretary of State