**A** **BILL**

TO AMEND CHAPTER 5, TITLE 39 OF THE 1976 CODE, RELATING TO UNLAWFUL TRADE PRACTICES, TO PROVIDE THAT BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT ARE UNLAWFUL TRADE PRACTICES, TO PROVIDE FOR THE FACTORS THAT A COURT MAY CONSIDER WHEN MAKING A BAD FAITH DETERMINATION, TO PROVIDE THAT A CLAIM FOR RELIEF UNDER 35 U.S.C. § 271(E)(2) OR 42 U.S.C. § 262 SHALL NOT BE SUBJECT TO THE PROVISIONS OF THIS ARTICLE, TO PROVIDE FOR CONSIDERATION BY THE COURT, TO PROVIDE THAT ENFORCEMENT ACTIONS MAY BE BROUGHT BY THE ATTORNEY GENERAL AND THE RECIPIENT OF A BAD FAITH ASSERTION OF PATENT INFRINGEMENT, TO PROVIDE FOR PENALTIES FOR VIOLATIONS OF THE ARTICLE, TO PROVIDE THAT THIS ARTICLE DOES NOT LIMIT THE ATTORNEY GENERAL’S AUTHORITY TO PURSUE OTHER ALLEGATIONS OF UNLAWFUL TRADE PRACTICES, AND TO DEFINE NECESSARY TERMS.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Chapter 5, Title 39 of the 1976 Code is amended by adding:

“Article 7

Bad Faith Assertions of Patent Infringement

Section 39‑5‑710. (A) For the purposes of this section:

(1) ‘Demand letter’ means a letter, email, or other communication asserting or claiming that the recipient has engaged in patent infringement.

(2) ‘Recipient’ means a person or entity in this state:

(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 or against whom a lawsuit has been filed alleging patent infringement; or

(c) whose customers have received a demand letter asserting that the person’s product, service, or technology has infringed a patent.

Section 39‑5‑720. It is an unlawful trade practice for a person or entity to make a bad faith assertion of patent infringement.

Section 39‑5‑730. 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 or owners and assignee or assignees, if any; and

(c) factual allegations concerning the specific areas in which the recipient’s products, services, and technology infringe the patent or are covered by the claims in the patent;

(2) prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the recipient’s products, services, and technology, or that an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent;

(3) the demand letter lacks the information described in item (1), the recipient 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 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 or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless;

(7) the claim or assertion of patent infringement is deceptive;

(8) 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:

(a) those threats or lawsuits lacked the information described in item (1); or

(b) the person, or its subsidiaries or affiliates, attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless; and

(9) any other factor the court finds relevant.

Section 39‑5‑750. 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 the information described in Section 39‑5‑730(1);

(2) where the demand letter lacks the information described in Section 39‑5‑730(1) of this section, and the recipient 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 recipient 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; and

(7) any other factor the court finds relevant.

Section 39‑5‑760. Upon motion by a recipient and a finding by the court that a recipient has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this article, the court shall require the person to post a bond in an amount equal to a good faith estimate of the recipient’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 recipient. A hearing shall be held if either party so requests. A bond ordered pursuant to this section shall not exceed $250,000.00. The court may waive the bond requirement if it finds the person has available assets equal to the amount of the proposed bond or for other good cause shown.

Section 39‑5‑770. The Attorney General shall have the authority to investigate, prosecute or otherwise act to enforce this article. In an action brought by the Attorney General under this article the court may award or impose any relief it deems appropriate.

Section 39‑5‑780. (A) A recipient, or a person aggrieved by a violation of this chapter may bring an action for relief. A court may award the following remedies to a recipient who prevails in an action brought pursuant to this subsection:

(1) equitable relief;

(2) actual damages;

(3) costs and fees, including reasonable attorney’s fees; and

(4) punitive damages in an amount equal to $50,000.00 or three times the total of damages, costs, and fees, whichever is greater.

(B) A recipient that suffers a loss as the result of a violation of this chapter, or any other person aggrieved by a violation of this chapter, shall be entitled to initiate an action to recover actual damages. If the trier of fact finds that the violation was wilful, it may increase damages to an amount not exceeding three times the actual damages sustained or $50,000.00, whichever is greater. In addition to any damages awarded, the recipient or other person also may be awarded reasonable attorney’s fees and court costs.

Section 39‑5‑790. This chapter shall not be construed to limit rights and remedies available to the State or to any person under any other law and shall not alter or restrict the Attorney General’s authority with regard to conduct involving assertions of patent infringement.”

SECTION 2. This act takes effect upon approval by the Governor.

‑‑‑‑XX‑‑‑‑