COMMITTEE REPORT

March 20, 2014

**H. 4371**

Introduced by Rep. Finlay

S. Printed 3/20/14--H.

Read the first time January 14, 2014.

**THE COMMITTEE ON JUDICIARY**

To whom was referred a Bill (H. 4371) to amend the Code of Laws of South Carolina, 1976, by adding Section 15‑75‑70 so as to provide that no person in this State, in regard to patent, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. Chapter 75, Title 15 of the 1976 Code is amended by adding:

“Section 15‑75‑70. (A) No person in this State, in regard to patent ownership and potential patent infringement, may intentionally interfere with the existing contractual relations of another person or intentionally interfere with the prospective contractual relations of another person. A person aggrieved by another person’s intentional interference with his existing contractual relations or with his prospective contractual relations has a cause of action in both instances against that person and is entitled to compensatory damages and injunctive relief, and additionally punitive damages as provided by law.

(B) To successfully maintain a cause of action for intentional interference with existing contractual relations, it must be established that:

(1) a contract existed that was subject to interference;

(2) the act of interference was wilful and intentional;

(3) the act itself was the person’s disingenuous claim of ownership of intellectual property;

(4) the intentional act was the proximate cause of the injured party’s damage; and

(5) actual damage or loss occurred.

(C) To successfully maintain a cause of action for intentional interference with prospective contractual relations, which is a separate cause of action from that specified in subsection (B), it must be established that:

(1) a valid expectancy of a business relationship existed;

(2) the person committing the act of interference intentionally prevented a business relationship from occurring with the purpose of harming the injured party; and

(3) the act itself was the person’s disingenuous claim of ownership of intellectual property.”

SECTION 2. Article 1, Chapter 5, Title 39 of the 1976 Code is amended by adding:

“Section 39‑5‑190. (A) For purposes of this section:

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

(2) ‘Target’ means a South Carolina person or entity:

(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.

(B) It is an unlawful trade practice for a person or entity to make a bad faith assertion of patent infringement. This offense is a violation of Section 39‑5‑20.

(C) 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 target’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 target’s products, services, and technology, or the 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 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 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 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.

(D) 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 subsection (C)(1);

(2) where the demand letter lacks the information described in subsection (C)(1) 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; and

(7) any other factor the court finds relevant.

(E) Upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this section, the court shall require the person to post a bond in an amount equal to amounts reasonably likely to be recovered pursuant to Section 39‑5‑140, conditioned upon payment of any amounts finally determined to be due to the target. A hearing shall be held if either party so requests. A bond ordered pursuant to this section shall not exceed two hundred fifty thousand dollars. 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.

(F)(1) The Attorney General has the same authority to act on a violation of this section as is provided in this chapter.

(2) This section 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.

(G) A target of conduct involving assertions of patent infringement, or a person aggrieved by a violation of this chapter may bring an action for relief. A court may award remedies to a target who prevails in an action brought pursuant to this chapter.

(H) A demand letter or assertion of patent infringement that includes a claim for relief arising under 35 U.S.C. Section 271(e)(2) or 42 U.S.C. Section 262 shall not be subject to the provisions of this chapter.”

SECTION 3. This act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

F. GREGORY DELLENEY, JR. for Committee.

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 15‑75‑70 SO AS TO PROVIDE THAT NO PERSON IN THIS STATE, IN REGARD TO PATENT OWNERSHIP AND POTENTIAL PATENT INFRINGEMENT, MAY INTENTIONALLY INTERFERE WITH THE EXISTING CONTRACTUAL RELATIONS OF ANOTHER PERSON OR INTENTIONALLY INTERFERE WITH THE PROSPECTIVE CONTRACTUAL RELATIONS OF ANOTHER PERSON, TO PROVIDE THAT A PERSON AGGRIEVED BY ANOTHER PERSON’S INTENTIONAL INTERFERENCE WITH HIS EXISTING CONTRACTUAL RELATIONS OR WITH HIS PROSPECTIVE CONTRACTUAL RELATIONS HAS A CAUSE OF ACTION IN BOTH INSTANCES AGAINST THAT PERSON, AND TO PROVIDE FOR THE ELEMENTS OF EACH CAUSE OF ACTION AND THE DAMAGES WHICH MAY ENSUE.

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

SECTION 1. Chapter 75, Title 15 of the 1976 Code is amended by adding:

“Section 15‑75‑70. (A) No person in this State, in regard to patent ownership and potential patent infringement, may intentionally interfere with the existing contractual relations of another person or intentionally interfere with the prospective contractual relations of another person. A person aggrieved by another person’s intentional interference with his existing contractual relations or with his prospective contractual relations has a cause of action in both instances against that person and is entitled to compensatory damages and injunctive relief, and additionally punitive damages where fraud, malice, or gross negligence is present.

(B) To successfully maintain a cause of action for intentional interference with existing contractual relations, it must be established that:

(1) a contract existed that was subject to interference;

(2) the act of interference was wilful and intentional;

(3) the act itself was the person’s disingenuous claim of ownership of intellectual property;

(4) the intentional act was the proximate cause of the injured party’s damage; and

(5) actual damage or loss occurred.

(C) To successfully maintain a cause of action for intentional interference with prospective contractual relations, which is a separate cause of action from that specified in subsection (B), it must be established that:

(1) a valid expectancy of a business relationship existed;

(2) the person committing the act of interference intentionally prevented a business relationship from occurring with the purpose of harming the injured party; and

(3) the act itself was the person’s disingenuous claim of ownership of intellectual property.”

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

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