

AN ACT relating to intellectual property.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

(1) *As used in this section:*

(a) *"Demand letter" means a letter, e-mail, or other communication asserting or claiming that the target has engaged in patent infringement; and*

(b) *"Target" means a Kentucky person:*

1. *Who has received a demand letter or against whom an assertion or allegation of patent infringement has been made;*

2. *Who has been threatened with litigation or against whom a lawsuit has been filed alleging patent infringement; or*

3. *Whose customers have received a demand letter asserting that the person's product, service, or technology has infringed a patent.*

(2) (a) *Making or threatening to make a bad-faith assertion of patent infringement shall be deemed an unfair, false, misleading, or deceptive act or practice in the conduct of trade or commerce in violation of KRS 367.170.*

(b) *All of the remedies, powers, and duties delegated to the Attorney General by KRS 367.190 to 367.300, and the penalties provided in KRS 367.990, pertaining to acts and practices declared unlawful by KRS 367.170, shall be applied to acts and practices declared unlawful by this section. Amounts recovered by the Attorney General under this paragraph shall be used to compensate the victim for any losses sustained by the unlawful claim of patent infringement, of the remainder, twenty-five percent (25%) shall be retained by the Attorney General for use in future litigation under this section and seventy-five percent (75%) shall be remitted to the general fund.*

(c) *In addition to any remedies available to a target under this chapter or other*

law, a target, if successful in proving a bad-faith assertion of patent infringement, shall be entitled to:

1. Equitable relief;
2. Damages;
3. The reasonable cost of litigation, including attorney's fees; and
4. Exemplary damages in an amount equal to fifty thousand dollars (\$50,000), or three (3) times the total of the person's damages, costs, and fees, whichever is greater.

(d) Nothing in this section shall be construed to:

1. Limit the rights and remedies otherwise available under the law to a person who is a victim of a bad-faith assertion of patent infringement;  
or
2. Restrict the exercise of powers or the performance of the duties of the Attorney General, which he or she is authorized to exercise or perform by law.

(3) 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 a good-faith estimate of the target's cost to litigate the claim and amounts likely to be recovered under subsection (2) of this section, 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 subsection shall not exceed two hundred fifty thousand dollars (\$250,000). 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.

(4) (a) In litigation under this section, 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 such 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 paragraph (a)1. of this subsection, 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 (1) or more lawsuits based on the same or

similar claim of patent infringement, and:

a. Those threats or lawsuits lacked the information described in paragraph (a)1. of this subsection; or

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

9. The claim or assertion is made by an entity that does not manufacture goods or supply services based upon the patent in question; and

10. Any other factor the court finds relevant.

(b) In litigation under this section, 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 paragraph (a)1. of this subsection;

2. Where the demand letter lacks the information described in paragraph (a)1. of this subsection 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 by 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.

(5) This section shall not apply to a demand letter or other claim for relief that arises under 35 U.S.C. sec. 271(e)(2) or 42 U.S.C. sec. 262.