

By: Smithee

H.B. No. 3176

A BILL TO BE ENTITLED

1 AN ACT

2 relating to claims of patent infringement; providing civil
3 penalties; imposing fees.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. The heading to Title 99, Business & Commerce
6 Code, is amended to read as follows:

7 TITLE 99. MISCELLANEOUS [~~COMMERCIAL~~] PROVISIONS

8 SECTION 2. Title 99, Business & Commerce Code, is amended by
9 adding Chapter 2005 to read as follows:

10 CHAPTER 2005. CLAIMS OF PATENT INFRINGEMENT

11 SUBCHAPTER A. GENERAL PROVISIONS

12 Sec. 2005.001. DEFINITIONS. In this chapter:

13 (1) "Affiliate" means an entity that, directly or
14 indirectly, owns or controls, is owned or controlled by, or is under
15 common ownership or control with a registrant under Section
16 2005.101.

17 (2) "Control" means to exercise substantial influence
18 over the policies and actions of another.

19 (3) "Demand letter" means a letter, e-mail, or other
20 written communication, including a series of written
21 communications, that is sent to a target, a target's attorney or
22 other representative, or a target's customers and that claims that
23 the target has engaged in patent infringement.

24 (4) "Target" means a Texas resident:

1 (A) who has received a demand letter or against
2 whom an allegation of patent infringement has been made;

3 (B) who has been threatened with litigation or
4 against whom a lawsuit has been filed alleging patent infringement;

5 (C) whose attorney or other representative has
6 received a demand letter claiming that the person's product,
7 service, or technology has infringed a patent; or

8 (D) whose customers have received a demand letter
9 claiming that the person's product, service, or technology has
10 infringed a patent.

11 (5) "Texas resident" means a person who resides in
12 this state or is doing business in this state.

13 SUBCHAPTER B. BAD FAITH CLAIMS OF PATENT INFRINGEMENT

14 Sec. 2005.051. BAD FAITH CLAIMS OF PATENT INFRINGEMENT
15 PROHIBITED. (a) A person may not send a demand letter making, in
16 bad faith, a claim of patent infringement against a Texas resident,
17 and in connection with the claim:

18 (1) file a lawsuit alleging patent infringement;

19 (2) threaten to file a lawsuit if the alleged patent
20 infringement is not resolved; or

21 (3) make a demand for compensation or damages or
22 payment of a license fee based on the alleged patent infringement.

23 (b) For purposes of Subsection (a), a person makes a claim
24 of patent infringement in bad faith if:

25 (1) the claim is objectively baseless, meaning that no
26 reasonable litigant could reasonably expect success on the merits;

27 and

1 (2) the person making the claim knows or should have
2 known that the claim is objectively baseless.

3 (c) A claim of patent infringement is presumed to have been
4 made in good faith if the claim:

5 (1) is made by a person who holds a certificate of
6 authority issued under Section 2005.151; or

7 (2) is a claim for relief arising under 35 U.S.C.
8 Section 271(e)(2) or 42 U.S.C. Section 262.

9 (d) This section does not apply to a communication between
10 parties to the same federal lawsuit.

11 Sec. 2005.052. ENFORCEMENT BY ATTORNEY GENERAL; INJUNCTION
12 AND CIVIL PENALTY. (a) If the attorney general believes that a
13 person has violated Section 2005.051, the attorney general may
14 bring an action on behalf of the state to enjoin the person from any
15 conduct constituting a continuing violation of that section with
16 respect to a demand letter already sent or future conduct that would
17 violate that section.

18 (b) In addition to seeking an injunction under Subsection
19 (a), the attorney general may request and the court may order any
20 other relief that may be in the public interest, including:

21 (1) the imposition of a civil penalty in an amount not
22 to exceed \$50,000 for each violation of Section 2005.051, except as
23 provided by Subsection (c);

24 (2) an order requiring reimbursement to this state for
25 the reasonable value of investigating and prosecuting a violation
26 of Section 2005.051; and

27 (3) an order requiring reimbursement of a target for

1 legal, professional, and technical expenses related to evaluating
2 or preparing to defend against the claim.

3 (c) If the trier of fact finds that the person described by
4 Subsection (a) falsely claimed to a target or a target's attorney or
5 other representative that the person received a certificate of
6 authority under Section 2005.151, the court may increase the amount
7 of the civil penalty to an amount not to exceed \$150,000 for each
8 violation of Section 2005.051.

9 (d) If the amount of money recovered after final judgment is
10 insufficient to satisfy the civil penalty, the state's
11 investigation and prosecution costs, and the target's or targets'
12 evaluation and preparation costs, the money must be paid toward
13 each on a pro rata basis.

14 Sec. 2005.053. COMPLAINTS. (a) A target or a target's
15 attorney or other representative who receives a demand letter from
16 a person located anywhere in the United States and who believes that
17 the person violated Section 2005.051 in connection with the letter
18 may file a written complaint with the attorney general.

19 (b) A target whose customers receive a demand letter from a
20 person located anywhere in the United States may also file a
21 complaint with the attorney general if the target believes that the
22 sender of the demand letter violated Section 2005.051 in connection
23 with the letter.

24 (c) A complaint filed with the attorney general under this
25 section must include a copy of the demand letter.

26 Sec. 2005.054. NO PRIVATE CAUSE OF ACTION. This subchapter
27 does not create a private cause of action for a violation of Section

1 2005.051.

2 Sec. 2005.055. CONSTRUCTION OF SUBCHAPTER; EFFECT ON
3 ATTORNEY GENERAL AUTHORITY. This subchapter may not be construed
4 to limit rights and remedies available to the state or to any person
5 under any other law and may not alter or restrict the attorney
6 general's authority under law with regard to conduct involving
7 assertions of patent infringement.

8 SUBCHAPTER C. REGISTRATION AND DISCLOSURE REQUIREMENTS; DATABASES

9 Sec. 2005.101. REGISTRATION AND DISCLOSURE REQUIREMENT FOR
10 CERTAIN PATENT INFRINGEMENT CLAIMS; DATABASE. (a) A person who
11 sends 10 or more demand letters per calendar year from anywhere in
12 the United States and who has an ownership interest in a patent
13 associated with the demand letters or a person on whose behalf the
14 letters are sent from anywhere in the United States and who has an
15 ownership interest in a patent associated with the demand letters
16 shall, not later than the 30th day after the date the 10th demand
17 letter is sent:

18 (1) register with the secretary of state;

19 (2) provide the information required under Subsection
20 (b); and

21 (3) pay a registration fee in the amount established
22 under Section 2005.104.

23 (b) The secretary of state shall establish and maintain a
24 database of persons required to register under Subsection (a). The
25 database must include:

26 (1) a summary of information from each demand letter
27 sent to a Texas resident by or on behalf of the registrant during

1 the two-year period preceding the date the 10th demand letter was
2 sent, including the name of the sender, the date of the letter, the
3 person to whom the letter was sent, the patent number associated
4 with the letter, and any other information the secretary of state
5 considers relevant;

6 (2) in the case of a registrant who is a business
7 entity:

8 (A) the names and addresses of the registrant's
9 top five executive officers, if applicable;

10 (B) the name and address of each individual who
11 has an ownership interest in the registrant of more than five
12 percent; and

13 (C) the name and address of each affiliate of the
14 registrant; and

15 (3) the name and address of each person who has made an
16 investment in or a loan to the registrant in an amount of \$1 million
17 or more during the 12-month period preceding the date the 10th
18 demand letter was sent by or on behalf of the registrant.

19 (c) This section does not apply to:

20 (1) a demand letter sent by or on behalf of a person
21 who holds a certificate of authority issued under Section 2005.151;
22 or

23 (2) a demand letter that includes a claim for relief
24 arising under 35 U.S.C. Section 271(e)(2) or 42 U.S.C. Section 262.

25 Sec. 2005.102. DEMAND LETTER DATABASE; NOTIFICATION. (a) A
26 target or a target's attorney or other representative who receives
27 a demand letter sent from anywhere in the United States may notify

1 the secretary of state of the person's receipt of the demand letter
2 and provide the secretary of state with a copy of the letter and, if
3 not contained in the letter:

4 (1) the target's name and address;

5 (2) the name and address of the person who claims to
6 own or claims to have a right to license the patent that the letter
7 claims the target has infringed; and

8 (3) the patent number of each patent that the person
9 sending the demand letter claims the target has infringed.

10 (b) The secretary of state shall establish and maintain a
11 database of demand letters and other information about which the
12 secretary of state has received notification under Subsection (a).
13 The database must include:

14 (1) the names and addresses of the persons described
15 by Subsection (a)(2) and targets against whom an allegation of
16 patent infringement has been made; and

17 (2) the patent number of each patent that the targets
18 have allegedly infringed.

19 (c) The secretary of state shall notify the sender of a
20 demand letter of the registration requirements of Section 2005.101
21 if the secretary of state has reason to believe the sender or other
22 person on whose behalf the letter was sent is required to but has
23 failed to register under that section. The secretary of state must
24 send the notification at least 30 days before the date the attorney
25 general brings an action under Section 2005.105.

26 Sec. 2005.103. LIMITED ACCESS TO DATABASES;
27 CONFIDENTIALITY. (a) Except as provided by Subsection (b) or (c),

1 information contained in the databases established under Sections
2 2005.101 and 2005.102 is confidential and not subject to disclosure
3 under Chapter 552, Government Code.

4 (b) The secretary of state shall establish a procedure to
5 allow only the following persons to have online access to
6 information contained in the databases established under Sections
7 2005.101 and 2005.102:

8 (1) a target or a target's attorney or other
9 representative who provides a demand letter under Section 2005.102
10 that includes a patent number and evidence of a demand for
11 compensation or damages or payment of a license fee based on the
12 alleged patent infringement; and

13 (2) a person who holds a certificate of authority
14 under Section 2005.151.

15 (c) Information in the databases may be disclosed to a court
16 or to the attorney general to take enforcement action with respect
17 to a violation of Section 2005.051 or 2005.101.

18 Sec. 2005.104. FEES. To cover the costs of administering
19 this subchapter, the secretary of state by rule shall establish:

20 (1) a registration fee to be paid by persons required
21 to register under Section 2005.101; and

22 (2) a database access fee to be charged to a person
23 permitted by Section 2005.103(b) to access the databases
24 established under Sections 2005.101 and 2005.102.

25 Sec. 2005.105. CIVIL PENALTY. (a) Except as provided by
26 Subsection (b), a person who violates Section 2005.101(a) and does
27 not come into compliance with that section on or before the 30th day

1 after the date the secretary of state sends notice of the
2 registration requirements of that section as required by Section
3 2005.102(c) is liable to the state for a civil penalty in an amount
4 not to exceed \$10,000 for each day the violation continues.

5 (b) If the trier of fact finds that the person described by
6 Subsection (a) falsely claimed to a target or a target's attorney or
7 other representative that the person received a certificate of
8 authority under Section 2005.151, the court may increase the amount
9 of the civil penalty to an amount not to exceed \$30,000 for each day
10 the violation of Section 2005.101(a) continues.

11 (c) The attorney general may bring suit to recover the civil
12 penalty imposed under this section. For purposes of the notice
13 requirement under Section 2005.102(c), the attorney general shall
14 notify the secretary of state before bringing a suit under this
15 section and allow time for that notice to be timely made.

16 (d) The attorney general may recover reasonable expenses
17 incurred in recovering the civil penalty, including court costs and
18 reasonable attorney's fees.

19 Sec. 2005.106. RULES. The secretary of state may establish
20 procedures and shall adopt rules to implement this subchapter.

21 SUBCHAPTER D. CERTIFICATE OF AUTHORITY

22 Sec. 2005.151. CERTIFICATE OF AUTHORITY FOR CERTAIN
23 BUSINESSES. (a) A person may apply to the attorney general for a
24 certificate of authority for purposes of establishing a presumption
25 under Section 2005.051(c)(1) or asserting an exemption under
26 Section 2005.101(c)(1).

27 (b) Subject to Subsection (c), the attorney general by rule

1 shall adopt eligibility criteria for the issuance by the attorney
2 general of a certificate of authority under this section.

3 (c) The attorney general shall issue a certificate of
4 authority to an applicant who:

5 (1) owns at least 1,000 patents;

6 (2) generates \$5 billion or more in annual sales; and

7 (3) employs at least 5,000 persons.

8 (d) The attorney general by rule shall establish a procedure
9 by which a person may apply for and receive a certificate of
10 authority under this section.

11 (e) The attorney general may charge an application fee to
12 recover the costs of administering this section.

13 (f) A person denied a certificate of authority under this
14 section may appeal that determination to a district court.

15 SECTION 3. (a) Not later than January 1, 2016, the secretary
16 of state shall establish the databases required by Sections
17 2005.101 and 2005.102, Business & Commerce Code, as added by this
18 Act.

19 (b) Not later than January 1, 2016, the secretary of state
20 shall adopt the rules necessary to implement Subchapter C, Chapter
21 2005, Business & Commerce Code, as added by this Act.

22 (c) Notwithstanding Section 2005.101, Business & Commerce
23 Code, as added by this Act, a person is not required to register
24 under that section before January 1, 2016.

25 SECTION 4. Not later than October 1, 2015, the attorney
26 general shall adopt the rules necessary to implement Section
27 2005.151, Business & Commerce Code, as added by this Act.

1 SECTION 5. This Act takes effect September 1, 2015.