

**PATENT INFRINGEMENT AMENDMENTS**

2014 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Mike K. McKell**

Senate Sponsor: John L. Valentine

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**LONG TITLE**

**General Description:**

This bill creates a cause of action for the distribution of bad faith demand letters asserting patent infringement.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ prohibits the distribution of bad faith demand letters asserting patent infringement;
- ▶ allows a person who has been the recipient of a demand letter asserting patent infringement to file an action;
- ▶ allows the court to require the filing of a bond to cover costs of the action;
- ▶ provides remedies; and
- ▶ sets limits on punitive damages.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

ENACTS:

**78B-6-1901**, Utah Code Annotated 1953

**78B-6-1902**, Utah Code Annotated 1953

**78B-6-1903**, Utah Code Annotated 1953

**78B-6-1904**, Utah Code Annotated 1953

30 78B-6-1905, Utah Code Annotated 1953



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32 *Be it enacted by the Legislature of the state of Utah:*

33 Section 1. Section **78B-6-1901** is enacted to read:

34 **Part 19. Distribution of Bad Faith Patent Infringement Letters Act**

35 **78B-6-1901. Title -- Purpose.**

36 (1) This part is known as the "Distribution of Bad Faith Patent Infringement Letters  
37 Act."

38 (2) The Legislature acknowledges that it is preempted from passing any law that  
39 conflicts with federal patent law. However, this part seeks to protect Utah businesses from the  
40 use of demand letters containing abusive and bad faith assertions of patent infringement, and  
41 build Utah's economy, while at the same time respecting federal law and not interfering with  
42 legitimate patent enforcement efforts.

43 Section 2. Section **78B-6-1902** is enacted to read:

44 **78B-6-1902. Definitions.**

45 As used in this part:

46 (1) (a) "Demand letter" means a letter, email, or other written communication directed  
47 to a target and asserting or claiming that the target has engaged in patent infringement.

48 (b) "Demand letter" does not include a complaint filed in a United States District Court  
49 asserting patent infringement or discovery responses or other papers filed in an action.

50 (2) "Target" means a person or entity residing in, incorporated in, or organized under  
51 the laws of this state that has received a demand letter and includes the customers, distributors,  
52 and agents of the person or entity.

53 (3) "Sponsor" means the party or parties responsible for distribution of a demand letter.

54 Section 3. Section **78B-6-1903** is enacted to read:

55 **78B-6-1903. Prohibition against distribution of demand letters containing bad**  
56 **faith assertions of patent infringement.**

57 (1) A sponsor may not distribute a demand letter to a target that includes a bad faith

58 assertion of patent infringement.

59 (2) A court may consider the following factors as evidence in determining whether a  
60 sponsor has or has not distributed a demand letter containing a bad faith assertion of patent  
61 infringement, but no one factor may be considered conclusive as to whether a demand letter  
62 contains a bad faith assertion of patent infringement:

63 (a) the demand letter does not contain all of the following information:

64 (i) the patent numbers of the patent or patents being asserted;

65 (ii) the name and address of the current patent owner or owners and any other person or  
66 entity having the right to enforce or license the patent;

67 (iii) the name and address of all persons and entities holding a controlling interest in  
68 the persons and entities identified in Subsection (2)(a)(ii) of this section;

69 (iv) the identification of at least one claim of each asserted patent that is allegedly  
70 infringed;

71 (v) for each claim identified in Subsection (2)(a)(iv), a description of one or more  
72 allegedly infringing products, including the make, model number, and other specific identifying  
73 indicia of allegedly infringing products, services, or methods made, used, offered for sale, sold,  
74 imported or performed by the target, provided in sufficient detail to allow the target to assess  
75 the merits of the assertion of patent infringement; and

76 (vi) identification of each judicial or administrative proceeding pending as of the date  
77 of the demand letter where the validity of the asserted patent or patents is under challenge; or

78 (b) the demand letter contains any of the following:

79 (i) an assertion of patent infringement based on a patent or a claim of a patent that has  
80 been previously held invalid or unenforceable in a final judicial or administrative decision from  
81 which no appeal is possible;

82 (ii) an assertion that a complaint has been filed alleging that the target has infringed the  
83 patent when no complaint has, in fact, been filed;

84 (iii) an assertion of infringement based on acts occurring after the asserted patent or  
85 claim at issue has expired or been held invalid or unenforceable;

86 (iv) an assertion of infringement of a patent that the sponsor does not own or have the  
87 right to enforce or license; or

88 (v) an assertion that the amount of compensation demanded will increase if the target  
89 retains counsel to defend against the assertions in the demand letter or if the target does not pay  
90 the sponsor within a period of 60 days or less;

91 (vi) a false or misleading statement; or

92 (vii) the demand letter demands payment of a license fee or response within an  
93 unreasonably short period of time depending on the number and complexity of the claims.

94 (3) A court may consider the following factors as evidence to mitigate a conclusion  
95 that a sponsor has distributed a demand letter containing a bad faith assertion of patent  
96 infringement:

97 (a) the demand letter contains the information described in Subsection (2)(a);

98 (b) the demand letter lacks the information described in Subsection (2)(a) and when the  
99 target requests the information, the sponsor provides the information within a reasonable  
100 period of time;

101 (c) the sponsor engages in a good faith effort to establish that the target has infringed  
102 the patent and to negotiate an appropriate remedy;

103 (d) the sponsor has made a substantial investment in the practice of the patent or in the  
104 production or sale of a product or item covered by the patent; and

105 (e) the sponsor is:

106 (i) the inventor or joint inventor of the patent or the original assignee of the inventor or  
107 joint inventor, or an entity owned by or affiliated with the original assignee; or

108 (ii) an institution of higher education or a technology transfer organization owned by or  
109 affiliated with an institution of higher education.

110 Section 4. Section **78B-6-1904** is enacted to read:

111 **78B-6-1904. Action -- Enforcement -- Remedies -- Damages.**

112 (1) A target who has received a demand letter asserting patent infringement in bad  
113 faith, or a person aggrieved by a violation of this part, may bring an action in district court.

114 The court may award the following remedies to a target who prevails in an action brought  
115 pursuant to this part:

- 116 (a) equitable relief;  
117 (b) actual damages;  
118 (c) costs and fees, including reasonable attorney fees; and  
119 (d) punitive damages in an amount to be established by the court, of not more than the  
120 greater of \$50,000 or three times the total of damages, costs, and fees.

121 (2) The attorney general may conduct civil investigations and bring civil actions  
122 pursuant to this part. In an action brought by the attorney general under this part, the court may  
123 award or impose any relief it considers prudent, including the following:

- 124 (a) equitable relief;  
125 (b) statutory damages of not less than \$750 per demand letter distributed in bad faith;  
126 and  
127 (c) costs and fees, including reasonable attorney fees, to the attorney general.

128 (3) This part may not be construed to limit other rights and remedies available to the  
129 state or to any person under any other law.

130 (4) A demand letter or assertion of a patent infringement that includes a claim for relief  
131 arising under 35 U.S.C. Sec. 271(e)(2) is not subject to the provisions of this part.

132 (5) The attorney general shall report annually to the Executive Appropriations  
133 Committee regarding the number of investigations and actions brought under this part. The  
134 report shall include:

- 135 (a) the number of investigations commenced;  
136 (b) the number of actions brought under the provisions of this part;  
137 (c) the current status of actions brought under Subsection (5)(b); and  
138 (d) final resolution of actions brought under this part, including any recovery under  
139 Subsection (2).

140 Section 5. Section **78B-6-1905** is enacted to read:

141 **78B-6-1905. Bond.**

142           (1) Upon motion by a target and a finding by the court that a target has established a  
143 reasonable likelihood that a sponsor has made a bad faith assertion of patent infringement in a  
144 demand letter in violation of this part, the court shall require the sponsor to post a bond in an  
145 amount equal to a good faith estimate of the target's costs to litigate the claim under this part  
146 and amounts reasonably likely to be recovered under Subsections [78B-6-1904\(1\)\(b\)](#) and (c),  
147 conditioned upon payment of any amounts finally determined to be due to the target.

148           (2) A hearing on the appropriateness and amount of a bond under this section shall be  
149 held if either party requests it.

150           (3) A bond ordered pursuant to this section may not exceed \$250,000. The court may  
151 waive the bond requirement if it finds the sponsor has available assets equal to the amount of  
152 the proposed bond or for other good cause shown.