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PATENT INFRINGEMENT AMENDMENTS

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Mike K. McKell

Senate Sponsor: _____

LONG TITLE

General Description:

This bill creates a cause of action for patent infringement.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ prohibits bad faith assertion of patent infringement;
- ▶ allows a person who has been the recipient of a demand letter for 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



28 78B-6-1904, Utah Code Annotated 1953

29 78B-6-1905, Utah Code Annotated 1953



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

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

33 **Part 19. Patent Infringement Act**

34 **78B-6-1901. Title -- Purpose.**

35 (1) This part is known as the "Patent Infringement Act."

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

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

42 **78B-6-1902. Definitions.**

43 As used in this part:

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

46 (2) "Target" means a person in this state:

47 (a) who has received a demand letter or against whom an assertion or allegation of
48 patent infringement has been made;

49 (b) who has been threatened with litigation or against whom a lawsuit has been filed
50 alleging patent infringement; or

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

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

54 **78B-6-1903. Bad faith assertions of patent infringement.**

55 (1) A person may not make a bad faith assertion of patent infringement.

56 (2) A court may consider the following factors as evidence that a person has made a
57 bad faith assertion of patent infringement:

58 (a) The demand letter does not contain the following information:

- 59 (i) the patent number;
60 (ii) the name and address of the patent owner and assignee, if any; and
61 (iii) factual allegations concerning the specific areas in which the target's products,
62 services, and technology infringe the patent or are covered by the claims in the patent.
63 (b) Prior to sending the demand letter, the person fails to conduct an analysis
64 comparing the claims in the patent to the target's products, services, and technology, or an
65 analysis was done but does not identify specific areas in which the products, services, and
66 technology are covered by the claims in the patent.
67 (c) The demand letter lacks the information described in Subsection (2)(a), the target
68 requests the information, and the person fails to provide the information within a reasonable
69 period of time.
70 (d) The demand letter demands payment of a license fee or response within an
71 unreasonably short period of time.
72 (e) The person offers to license the patent for an amount that is not based on a
73 reasonable estimate of the value of the license.
74 (f) The claim or assertion of patent infringement is meritless, and the person knew, or
75 should have known, that the claim or assertion is meritless.
76 (g) The claim or assertion of patent infringement is deceptive.
77 (h) The person or its subsidiaries or affiliates have previously filed or threatened to file
78 one or more lawsuits based on the same or similar claim of patent infringement, and:
79 (i) those threats or lawsuits lacked the information described in Subsection (2)(a); or
80 (ii) the person attempted to enforce the claim of patent infringement in litigation and a
81 court found the claim to be meritless.
82 (i) The court may also consider any other factor the court finds relevant.
83 (3) A court may consider the following factors as evidence that a person has not made
84 a bad faith assertion of patent infringement:
85 (a) The demand letter contains the information described in Subsection (2)(a).
86 (b) Where the demand letter lacks the information described in Subsection (2)(a) and
87 the target requests the information, the person provides the information within a reasonable
88 period of time.
89 (c) The person engages in a good faith effort to establish that the target has infringed

90 the patent and to negotiate an appropriate remedy.

91 (d) The person makes a substantial investment in the use of the patent or in the
92 production or sale of a product or item covered by the patent.

93 (e) The person is:

94 (i) the inventor or joint inventor of the patent or, in the case of a patent filed by and
95 awarded to an assignee of the original inventor or joint inventor, is the original assignee; or

96 (ii) an institution of higher education or a technology transfer organization owned or
97 affiliated with an institution of higher education.

98 (f) The person has:

99 (i) demonstrated good faith business practices in previous efforts to enforce the patent,
100 or a substantially similar patent; or

101 (ii) successfully enforced the patent, or a substantially similar patent, through litigation.

102 (g) The court may also consider any other factor the court finds relevant.

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

104 **78B-6-1904. Action -- Enforcement -- Remedies -- Damages.**

105 (1) A target of conduct involving assertions of patent infringement, or a person
106 aggrieved by a violation of this part, may bring an action in district court. The court may award
107 the following remedies to a target who prevails in an action brought pursuant to this part:

108 (a) equitable relief;

109 (b) damages;

110 (c) costs and fees, including reasonable attorney fees; and

111 (d) punitive damages in an amount equal to \$50,000 or three times the total of
112 damages, costs, and fees, whichever is greater.

113 (2) The attorney general may conduct civil investigations and bring civil actions
114 pursuant to this part. In an action brought by the attorney general under this part, the court may
115 award or impose any relief it considers prudent.

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

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

119 **78B-6-1905. Bond.**

120 (1) Upon motion by a target and a finding by the court that a target has established a

121 reasonable likelihood that a person has made a bad faith assertion of patent infringement in
122 violation of this part, the court shall require the person to post a bond in an amount equal to a
123 good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be
124 recovered under Subsection [78B-6-1904\(2\)](#), conditioned upon payment of any amounts finally
125 determined to be due to the target.

126 (2) A hearing shall be held if either party requests one.

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

Legislative Review Note
as of 2-6-14 12:08 PM

Office of Legislative Research and General Counsel