

Senator John L. Valentine proposes the following substitute bill:

PATENT INFRINGEMENT AMENDMENTS

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Mike K. McKell

Senate Sponsor: John L. Valentine

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:



- 26 [78B-6-1901](#), Utah Code Annotated 1953
- 27 [78B-6-1902](#), Utah Code Annotated 1953
- 28 [78B-6-1903](#), Utah Code Annotated 1953
- 29 [78B-6-1904](#), Utah Code Annotated 1953
- 30 [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. Distribution of Bad Faith Patent Infringement Letters Act**

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

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

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

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

43 **78B-6-1902. Definitions.**

44 As used in this part:

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

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

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

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

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

54 **78B-6-1903. Prohibition against distribution of demand letters containing bad**
55 **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 demand letter includes a bad faith assertion of patent infringement when:
- 60 (a) the demand letter does not contain all of the following information:
- 61 (i) the patent numbers of the patent or patents being asserted;
- 62 (ii) the name and address of the current patent owner or owners and any other person or
63 entity having the right to enforce or license the patent;
- 64 (iii) the name and address of all persons and entities holding a controlling interest in
65 the persons and entities identified in Subsection (2)(a)(ii) of this section;
- 66 (iv) the identification of at least one claim of each asserted patent that is allegedly
67 infringed; and
- 68 (v) for each claim identified in Subsection (2)(a)(iv), a description of one or more
69 allegedly infringing products, including the make, model number, and other specific identifying
70 indicia of allegedly infringing products, services or methods made, used, offered for sale, sold,
71 imported or performed by the target, provided in sufficient detail to allow the target to assess
72 the merits of the assertion of patent infringement; and
- 73 (iv) identification of each judicial or administrative proceeding pending as of the date
74 of the demand letter where the validity of the asserted patent or patents is under challenge; or
- 75 (b) the demand letter contains any of the following:
- 76 (i) an assertion of patent infringement based on a patent or a claim of a patent that has
77 been previously held invalid or unenforceable in a final judicial or administrative decision from
78 which no appeal is possible;
- 79 (ii) an assertion that a complaint has been filed alleging that the target has infringed the
80 patent when no complaint has, in fact, been filed;
- 81 (iii) an assertion of infringement based on acts occurring after the asserted patent or
82 claim at issue has expired or been held invalid or unenforceable;
- 83 (iv) an assertion of infringement of a patent that the sponsor does not own or have the
84 right to enforce or license; or
- 85 (v) an assertion that the amount of compensation demanded will increase if the target
86 retains counsel to defend against the assertions in the demand letter or if the target does not pay
87 the sponsor within a period of 60 days or less.

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

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

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

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

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

99 (e) the sponsor is:

100 (i) the inventor or joint inventor of the patent or the original assignee of the inventor or
101 joint inventor; or

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

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

105 **78B-6-1904. Action -- Enforcement -- Remedies -- Damages.**

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

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

110 (a) equitable relief;

111 (b) actual damages;

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

113 (d) punitive damages in an amount to be established by the court, of not more than the
114 greater of \$50,000 or three times the total of damages, costs, and fees.

115 (2) The Attorney General may conduct civil investigations and bring civil actions
116 pursuant to this part. In an action brought by the Attorney General under this part, the court
117 may award or impose any relief it considers prudent, including, but not limited to the
118 following:

119 (a) equitable relief;
120 (b) statutory damages of not less than \$750 per demand letter distributed in bad faith;

121 and

122 (c) costs and fees, including reasonable attorney fees, to the Attorney General.

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

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

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

130 (a) the number of investigations commenced;

131 (b) the number of actions brought under the provisions of this part;

132 (c) the current status of actions brought under Subsection (5)(b); and

133 (d) final resolution of actions brought under the part, including any recovery under
134 Subsection (2).

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

136 **78B-6-1905. Bond.**

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

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

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