

HB0117S02 compared with HB0117S01

~~{deleted text}~~ shows text that was in HB0117S01 but was deleted in HB0117S02.

inserted text shows text that was not in HB0117S01 but was inserted into HB0117S02.

DISCLAIMER: This document is provided to assist you in your comparison of the two bills. Sometimes this automated comparison will NOT be completely accurate. Therefore, you need to read the actual bills. This automatically generated document could contain inaccuracies caused by: limitations of the compare program; bad input data; or other causes.

~~{Representative Mike K. McKell}~~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 ~~{assertion of}~~demand letters asserting patent infringement;
- ▶ allows a person who has been the recipient of a demand letter ~~{for}~~asserting patent infringement to file an action;
- ▶ allows the court to require the filing of a bond to cover costs of the action;

HB0117S02 compared with HB0117S01

- ▶ 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

78B-6-1905, Utah Code Annotated 1953

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

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

Part 19. Distribution of Bad Faith Patent Infringement Letters Act

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

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

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

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

78B-6-1902. Definitions.

As used in this part:

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

(b) "Demand letter" does not include a complaint filed in a United States District Court

HB0117S02 compared with HB0117S01

asserting patent infringement or discovery responses or other papers filed in an action.

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

~~—— (a) who} or entity residing in, incorporated in, or organized under the laws of this state that has received a demand letter ~~{or against whom an assertion or allegation of patent infringement has been made:~~~~

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

~~—— (c) whose customers have received}~~ and the customers, distributors and agents of the person or entity.

(3) "Sponsor" means the party or parties responsible for distribution of a demand letter ~~{asserting that the person's product, service, or technology has infringed a patent}.~~

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

78B-6-1903. ~~{Bad}~~ **Prohibition against distribution of demand letters containing bad faith assertions of patent infringement.**

(1) A ~~{person}~~ sponsor may not ~~{make}~~ distribute a demand letter to a target that includes a bad faith assertion of patent infringement.

(2) A ~~{court may consider the following factors as evidence that a person has made}~~ demand letter includes a bad faith assertion of patent infringement when:

(a) ~~{The}~~ the demand letter does not contain all of the following information:

(i) the patent ~~{number}~~ numbers of the patent or patents being asserted;

(ii) the name and address of the current patent owner ~~{and assignee, if any; and~~

~~—— (iii) 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.~~

~~—— (b) 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 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.~~

~~—— (c) The demand letter lacks the information described}~~ or owners and any other person or entity having the right to enforce or license the patent;

(iii) the name and address of all persons and entities holding a controlling interest in the persons and entities identified in Subsection (2)(a) ~~{, the target requests the information, and~~

HB0117S02 compared with HB0117S01

~~the person fails to provide the information within a reasonable period of time:~~

~~— (d) The } (ii) of this section:~~

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

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

~~(iv) identification of each judicial or administrative proceeding pending as of the date of the demand letter {demands payment of a license fee or response within an unreasonably short period of time depending on the number and complexity of the claims:~~

~~— (e) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license:~~

~~— (f) The claim or } where the validity of the asserted patent or patents is under challenge;~~

or

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

(i) an assertion of patent infringement {is meritless, and the person knew, or should have known, that the claim or assertion is meritless:

~~— (g) The } based on a patent or a claim of a patent that has been previously held invalid or unenforceable in a final judicial or administrative decision from which no appeal is possible;~~

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

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

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

(v) an assertion that the amount of compensation demanded will increase if the target retains counsel to defend against the assertions in the demand letter {is deceptive:

~~— (h) The person } or {its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement, and:~~

HB0117S02 compared with HB0117S01

~~(i) those threats or lawsuits lacked the information described in Subsection (2)(a); or~~
~~(ii) the person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless;~~ if the target does not pay the sponsor within a period of 60 days or less.

(3) A court may consider the following factors as evidence to mitigate a conclusion that a ~~person~~ sponsor has ~~not made~~ distributed a demand letter containing a bad faith assertion of patent infringement:

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

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

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

(d) ~~The person makes~~ the sponsor has made a substantial investment in the ~~use~~ practice of the patent or in the production or sale of a product or item covered by the patent ~~;~~ ; and

(e) ~~The person~~ the sponsor is:

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

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

~~(f) The person has:~~

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

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

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

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

(1) A target ~~of conduct involving assertions of~~ who has received a demand letter asserting patent infringement in bad faith, or a person aggrieved by a violation of this part, may bring an action in district court. The court may award the following remedies to a target who

HB0117S02 compared with HB0117S01

prevails in an action brought pursuant to this part:

- (a) equitable relief;
- (b) actual damages;
- (c) costs and fees, including reasonable attorney fees; and
- (d) punitive damages in an amount ~~equal to~~ to be established by the court, of not

more than the greater of \$50,000 or three times the total of damages, costs, and fees,
whichever is greater.

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

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

and

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

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

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

(5) The attorney general shall report annually to the Executive Appropriations Committee regarding the number of investigations and actions brought under this ~~fact~~ part.

The report shall include:

- (a) the number of investigations commenced;
- (b) the number of actions brought under the provisions of this ~~fact~~ part;
- (c) the current status of actions brought under Subsection (5)(b); and
- (d) final resolution of actions brought under the ~~fact~~ part, including any recovery

under Subsection ~~78B-6-1904~~(2).

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

78B-6-1905. Bond.

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

HB0117S02 compared with HB0117S01

reasonable likelihood that a ~~person~~ sponsor has made a bad faith assertion of patent infringement in a demand letter in violation of this part, the court shall require the ~~person~~ sponsor to post a bond in an amount equal to a good faith estimate of the target's costs to litigate the claim under this part and amounts reasonably likely to be recovered under Subsection 78B-6-1904(~~2~~1)(b) and (c), conditioned upon payment of any amounts finally determined to be due to the target.

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

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