

Effective 5/13/2014

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 efforts.

Enacted by Chapter 310, 2014 General Session

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 asserting patent infringement or discovery responses or other papers filed in an action.
- (2) "Target" means a person or entity residing in, incorporated in, or organized under the laws of this state that has received a demand letter and includes the customers, distributors, and agents of the person or entity.
- (3) "Sponsor" means the party or parties responsible for distribution of a demand letter.

Enacted by Chapter 310, 2014 General Session

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

- (1) A sponsor may not 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 in determining whether a sponsor has or has not distributed a demand letter containing a bad faith assertion of patent infringement, but no one factor may be considered conclusive as to whether a demand letter contains a bad faith assertion of patent infringement:
 - (a) the demand letter does not contain all of the following information:
 - (i) the patent numbers of the patent or patents being asserted;
 - (ii) the name and address of the current patent owner 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)(ii) of this section;
 - (iv) the identification of at least one claim of each asserted patent that is allegedly infringed;
 - (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
- (vi) identification of each judicial or administrative proceeding pending as of the date of the demand letter 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 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 or if the target does not pay the sponsor within a period of 60 days or less;
 - (vi) a false or misleading statement; or
 - (vii) 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.
- (3) A court may consider the following factors as evidence to mitigate a conclusion that a sponsor has distributed a demand letter containing a bad faith assertion of patent infringement:
- (a) the demand letter contains the information described in Subsection (2)(a);
 - (b) the demand letter lacks the information described in Subsection (2)(a) and when the target requests the information, the sponsor provides the information within a reasonable period of time;
 - (c) 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 sponsor has made a substantial investment in the practice of the patent or in the production or sale of a product or item covered by the patent; and
 - (e) the sponsor is:
 - (i) the inventor or joint inventor of the patent or the original assignee of the inventor or joint inventor, or an entity owned by or affiliated with 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.

Enacted by Chapter 310, 2014 General Session

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

- (1)
- (a) A target 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 a court with jurisdiction under Title 78A, Judiciary and Judicial Administration.
 - (b) The court may award the following remedies to a target who prevails in an action brought pursuant to this part:
 - (i) equitable relief;
 - (ii) actual damages;
 - (iii) costs and fees, including reasonable attorney fees; and

- (iv) punitive damages in an amount 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.
- (2)
 - (a) The attorney general may conduct civil investigations and bring civil actions pursuant to this part.
 - (b) In an action brought by the attorney general under this part, the court may award or impose any relief the court considers prudent, including the following:
 - (i) equitable relief;
 - (ii) statutory damages of not less than \$750 per demand letter distributed in bad faith; and
 - (iii) costs and fees, including reasonable attorney fees, to the 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 part.
 - (5) The attorney general shall annually provide an electronic report to the Executive Appropriations Committee regarding the number of investigations and actions brought under this part. The report shall include:
 - (a) the number of investigations commenced;
 - (b) the number of actions brought under the provisions of this part;
 - (c) the current status of actions brought under Subsection (5)(b); and
 - (d) final resolution of actions brought under this part, including any recovery under Subsection (2).

Amended by Chapter 401, 2023 General Session

78B-6-1905 Bond.

- (1) Upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a sponsor has made a bad faith assertion of patent infringement in a demand letter in violation of this part, the court shall require the 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 Subsections 78B-6-1904(1)(b)(ii) and (iii), 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 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 sponsor has available assets equal to the amount of the proposed bond or for other good cause shown.

Amended by Chapter 401, 2023 General Session