

**PROTECTION AGAINST UNFAIR COMPETITION THROUGH
MISAPPROPRIATED TECHNOLOGY ACT**

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Curtis S. Bramble

House Sponsor: _____

LONG TITLE

General Description:

This bill enacts the Protection Against Unfair Competition through Misappropriation of Technology Act.

Highlighted Provisions:

This bill:

- ▶ defines and authorizes causes of action for manufacturing an article or product using misappropriated technology;
- ▶ requires an owner of technology to provide prior notice and gives someone alleged to be in violation an opportunity to eliminate the violation;
- ▶ provides for damages and other relief; and
- ▶ enacts related provisions.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

13-48-101, Utah Code Annotated 1953

13-48-102, Utah Code Annotated 1953



- 28 **13-48-103**, Utah Code Annotated 1953
- 29 **13-48-104**, Utah Code Annotated 1953
- 30 **13-48-201**, Utah Code Annotated 1953
- 31 **13-48-202**, Utah Code Annotated 1953
- 32 **13-48-203**, Utah Code Annotated 1953
- 33 **13-48-204**, Utah Code Annotated 1953
- 34 **13-48-205**, Utah Code Annotated 1953
- 35 **13-48-206**, Utah Code Annotated 1953
- 36 **13-48-301**, Utah Code Annotated 1953
- 37 **13-48-302**, Utah Code Annotated 1953
- 38 **13-48-401**, Utah Code Annotated 1953
- 39 **13-48-402**, Utah Code Annotated 1953
- 40 **13-48-403**, Utah Code Annotated 1953
- 41 **13-48-404**, Utah Code Annotated 1953
- 42 **13-48-405**, Utah Code Annotated 1953
- 43 **13-48-406**, Utah Code Annotated 1953



44
45 *Be it enacted by the Legislature of the state of Utah:*

46 Section 1. Section **13-48-101** is enacted to read:

47 **CHAPTER 48. PROTECTION AGAINST UNFAIR COMPETITION THROUGH**
 48 **MISAPPROPRIATED TECHNOLOGY ACT**

49 **Part 1. General Provisions**

50 **13-48-101. Title.**

51 This chapter is known as the "Protection Against Unfair Competition through
 52 Misappropriated Technology Act."

53 Section 2. Section **13-48-102** is enacted to read:

54 **13-48-102. Definitions.**

55 As used in this chapter:

56 (1) "Article or product":

57 (a) means any tangible article or product; and

58 (b) does not include:

- 59 (i) a service, including a free or online service;
60 (ii) a product that is:
61 (A) subject to regulation by the United States Food and Drug Administration; and
62 (B) used primarily for medical or medicinal purposes;
63 (iii) a food or beverage; or
64 (iv) a restaurant service.
65 (2) "Liable defendant" means a person against whom judgment is entered in an action
66 under Section 13-48-204 adjudicating the person to be liable under Subsection 13-48-201(1).
67 (3) "Manufacture":
68 (a) means to make, produce, or assemble, in whole or in substantial part; and
69 (b) does not include contracting with or otherwise engaging another person to make,
70 produce, or assemble.
71 (4) "Material competitive injury" means that over a period of at least two months an
72 article or product that is manufactured using misappropriated technology has, as a result of the
73 use of misappropriated technology, at least a 2% lower price than an article or product that is
74 manufactured without using misappropriated technology.
75 (5) "Misappropriated technology":
76 (a) means technology that is acquired, appropriated, or used in violation of applicable
77 law; and
78 (b) does not include technology that is not available for retail purchase on a stand-alone
79 basis at or before the time it is acquired, appropriated, or used.
80 (6) "Retail price" means the price charged at the retail level for the technology at the
81 time that, and in the jurisdiction where, the technology becomes misappropriated technology,
82 multiplied by the number of items of misappropriated technology used in the business
83 operations of the person who is claimed to be liable under Subsection 13-48-201(1).
84 (7) "Technology" means hardware or software.
85 (8) "Technology owner" means the owner or exclusive licensee of the technology that
86 becomes or is claimed to become misappropriated technology, and includes the authorized
87 representative of the owner or exclusive licensee.
88 (9) "Third party":
89 (a) means a person other than a person claimed or determined to be liable under

90 Subsection 13-48-201(1); and

91 (b) includes a person who contracts with or otherwise engages another person to
92 develop, manufacture, market, distribute, or advertise an article or product that is wrongfully
93 manufactured.

94 (10) "Wrongfully manufactured" means manufactured under circumstances that meet
95 the conditions stated under Subsection 13-48-201(1)(a).

96 Section 3. Section **13-48-103** is enacted to read:

97 **13-48-103. Other law.**

98 The rights and remedies provided for in this chapter are in addition to and independent
99 of any rights and remedies available under Chapter 5, Unfair Practices Act.

100 Section 4. Section **13-48-104** is enacted to read:

101 **13-48-104. Severability.**

102 A court's invalidation of a provision of this chapter may not affect the validity of any
103 other provision of this chapter.

104 Section 5. Section **13-48-201** is enacted to read:

105 **Part 2. Manufacturer's Liability for Using Misappropriated Technology**

106 **13-48-201. Liability for manufacturing an article or product using**
107 **misappropriated technology.**

108 (1) Subject to the other provisions of this part, a person who manufactures an article or
109 product is liable as provided in this chapter if:

110 (a) the article or product is:

111 (i) manufactured using misappropriated technology;

112 (ii) sold or offered for sale in the state, either separately or as a component of another
113 article or product; and

114 (iii) in competition with another article or product that is manufactured without using
115 misappropriated technology; and

116 (b) the person:

117 (i) is given notice as provided in Subsection 13-48-203(1);

118 (ii) (A) fails to establish that the technology the person uses to manufacture an article
119 or product is not misappropriated technology; or

120 (B) fails to cease using the misappropriated technology within 90 days, or a longer

121 period that the technology owner authorizes, after receiving notice under Subsection
122 13-48-203(1), subject to Subsection (2).

123 (2) If, after receiving notice under Subsection 13-48-203(1), a person claimed to
124 manufacture an article or product using misappropriated technology commences and proceeds
125 diligently to replace the misappropriated technology with technology that is not
126 misappropriated technology, the period referred to in Subsection (1)(b)(ii)(B) is extended to
127 180 days, or a longer period that the technology owner authorizes.

128 (3) A person is considered to manufacture an article or product using misappropriated
129 technology if the person uses the misappropriated technology in the manufacture, distribution,
130 marketing, or sale of the article or product.

131 Section 6. Section **13-48-202** is enacted to read:

132 **13-48-202. Exceptions to liability.**

133 Section 13-48-201 does not apply and an action under this chapter may not be brought
134 if:

135 (1) the end article or product sold or offered for sale in the state is:

136 (a) a copyrightable end product;

137 (b) merchandise that:

138 (i) is manufactured by, on behalf of, or under a license from a copyright owner; and

139 (ii) displays or embodies a name, character, artwork, or other indicia of or from a work
140 described in Subsection (1)(a);

141 (c) merchandise that:

142 (i) is manufactured by, on behalf of, or under a license from a copyright or trademark
143 owner; and

144 (ii) displays or embodies a name, character, artwork, or other indicia of or from a
145 theme park, theme park attraction, or other facility associated with a theme park; or

146 (d) packaging, carrier media, or promotional or advertising material for an article or
147 product described in Subsection (1)(a), (b), or (c);

148 (2) the allegation that technology is misappropriated technology is based on a claim
149 that:

150 (a) the use of the technology infringes a patent or misappropriates a trade secret under
151 applicable law;

- 152 (b) could be brought under United States Code, Title 35, Patents; or
- 153 (c) the person is violating the terms of a license that allows users to modify and
- 154 redistribute any source code associated with the technology free of charge; or
- 155 (3) liability under Subsection 13-48-201(1) is based on a claim that a person:
- 156 (a) aided, abetted, facilitated, or assisted another person to acquire, appropriate, or use
- 157 technology without the owner's authorization, in violation of applicable law; or
- 158 (b) provided another person access to technology without the owner's authorization, in
- 159 violation of applicable law.

160 Section 7. Section **13-48-203** is enacted to read:

161 **13-48-203. Written notice.**

- 162 (1) As provided in Subsection 13-48-201(1)(b)(i), a person may not be held liable and
- 163 an action may not be brought under Subsection 13-48-201(1) unless the person receives written
- 164 notice from the technology owner as provided in this section.
- 165 (2) The notice required under Subsection 13-48-201(1)(b)(i) shall:
- 166 (a) identify the misappropriated technology;
- 167 (b) identify the technology owner;
- 168 (c) state that the technology owner has a reasonable belief that the person has acquired,
- 169 appropriated, or used the technology owner's technology in violation of applicable law, and
- 170 identify the applicable law;
- 171 (d) if known by the technology owner, state how the misappropriated technology is
- 172 being used;
- 173 (e) identify each article or product to which the misappropriated technology relates;
- 174 and
- 175 (f) describe the basis and evidence supporting the allegation.

176 Section 8. Section **13-48-204** is enacted to read:

177 **13-48-204. Authority to bring civil action.**

- 178 (1) An action may be brought under this chapter against a person alleged to be liable
- 179 under Subsection 13-48-201(1) by:
- 180 (a) the attorney general; or
- 181 (b) a person injured as a result of an act giving rise to liability under Subsection
- 182 13-48-201(1).

183 (2) (a) For purposes of Subsection (1)(b), a person is considered to be a person injured
184 as a result of an act giving rise to liability under Subsection 13-48-201(1) if:

185 (i) the person manufactures an article or product that is sold or offered for sale in the
186 state in competition with the article or product alleged to have been wrongfully manufactured;

187 (ii) the person's article or product is not wrongfully manufactured; and

188 (iii) the person suffers economic harm.

189 (b) Economic harm under Subsection (2)(a)(iii) may be shown by evidence that the
190 retail price of the misappropriated technology is \$20,000 or more.

191 Section 9. Section **13-48-205** is enacted to read:

192 **13-48-205. Extending a cure period.**

193 (1) The court in an action under this chapter shall determine whether a period longer
194 than the period stated in Subsections 13-48-201(1)(b)(ii)(B) and (2) is reasonable given:

195 (a) the nature of the use of the technology that is alleged to be misappropriated
196 technology; and

197 (b) the time reasonably necessary to:

198 (i) make the use of the technology comply with applicable law; or

199 (ii) replace the misappropriated technology with technology that is not misappropriated
200 technology.

201 (2) If the court determines under Subsection (1) that a longer period is reasonable, the
202 court shall stay the action until the end of the longer period as determined by the court.

203 (3) The court shall dismiss the action at the end of the longer period determined under
204 this section if, by the end of the period, the defendant:

205 (a) establishes that the defendant's use of the technology that is the subject of the action
206 complies with applicable law; or

207 (b) ceases using the misappropriated technology.

208 Section 10. Section **13-48-206** is enacted to read:

209 **13-48-206. In rem action.**

210 (1) If a court is unable to obtain personal jurisdiction over a person claimed to be liable
211 under Subsection 13-48-201(1), the court may proceed in rem against any article or product
212 claimed to be wrongfully manufactured, including an article or product sold or offered for sale
213 in the state, but only if the court first determines that a material competitive injury has

214 occurred.

215 (2) (a) Subject to Subsection (2)(b), an article or product claimed to be wrongfully
216 manufactured is subject to attachment at or after the time a complaint under this part is filed,
217 regardless of the availability or amount of a money judgment.

218 (b) An attachment order under Subsection (2)(a) may issue only against an article or
219 product owned by a person claimed to be liable under Subsection 13-48-201(1).

220 Section 11. Section **13-48-301** is enacted to read:

221 **Part 3. Third Party Liability**

222 **13-48-301. Liability of a third party -- Supplemental action against third party.**

223 (1) Subject to Subsection (2) and subject to the affirmative defenses under Section
224 13-48-302, a third party is jointly liable with a liable defendant if:

225 (a) the third party sells or offers to sell in the state an article or product manufactured
226 by a liable defendant;

227 (b) the liable defendant manufactures:

228 (i) the article or product that the third party sells or offers to sell; or

229 (ii) a component of an article or product described in Subsection (1)(b)(i) equal to 30%
230 or more of the value of the article or product; and

231 (c) the liable defendant has a direct contractual relationship with the third party with
232 respect to the manufacture of the article or product described in Subsection (1)(b)(i) or
233 component described in Subsection (1)(b)(ii).

234 (2) An action may not be brought under this part against a third party and the third
235 party may not be held liable under Subsection (1) unless, at least 90 days before judgment is
236 entered against the liable defendant, the third party is provided a written notice that meets the
237 requirements of Subsection 13-48-203(2).

238 (3) After a court enters judgment against a liable defendant in an action brought under
239 Section 13-48-204, a plaintiff in the action may add to the action a claim for actual damages
240 against a third party.

241 Section 12. Section **13-48-302** is enacted to read:

242 **13-48-302. Third party affirmative defenses.**

243 (1) A court may not enter judgment or award damages against a third party in an action
244 under this part if the third party, after being given a reasonable opportunity to plead any of the

245 affirmative defenses in this section, establishes by a preponderance of the evidence that the
246 third party:

247 (a) is the end consumer or end user of the article or product that forms the basis of
248 liability against the liable defendant, or acquired the article or product after its sale to an end
249 consumer or end user;

250 (b) is a business with annual revenue not exceeding \$50,000,000;

251 (c) subject to Subsection (2), acquired the article or product:

252 (i) in good faith reliance on:

253 (A) a code of conduct or similar written document that governs the third party's
254 commercial relationship with the liable defendant and that includes a commitment that
255 prohibits the use of misappropriated technology by the liable defendant; or

256 (B) a written assurance from the liable defendant that, to the liable defendant's
257 knowledge, the article or product was manufactured without the use of misappropriated
258 technology in the liable defendant's business operations; or

259 (ii) pursuant to an agreement that the third party and the liable defendant enter into
260 before November 10, 2011 for the manufacture of the article or product; or

261 (d) subject to Subsection (3), has made a commercially reasonable effort to implement
262 practices and procedures to require the third party's direct manufacturers, in manufacturing
263 articles or products for the third party, not to use misappropriated technology.

264 (2) An affirmative defense under Subsection (1)(c) applies if, within 180 days after
265 receiving written notice of the judgment against the liable defendant and a copy of a written
266 notice that meets the requirements of Section 13-48-203, the third party undertakes a
267 commercially reasonable effort to:

268 (a) confirm that the liable defendant is not using misappropriated technology in the
269 manufacture of its articles or products;

270 (b) require the liable defendant to cease the use of misappropriated technology; or

271 (c) prevent the future acquisition from the liable defendant of articles or products that
272 are wrongfully manufactured until the liable defendant ceases to use misappropriated
273 technology, unless preventing the future acquisition would constitute a breach of an agreement
274 that the third party and liable defendant entered into before November 10, 2011.

275 (3) A third party makes a commercially reasonable effort to implement practices and

276 procedures described in Subsection (1)(d) if the third party:

277 (a) (i) adopts, and undertakes a commercially reasonable effort to implement, a code of
278 conduct or similar written requirement that:

279 (A) applies to the third party's direct manufacturers; and

280 (B) prohibits the use of misappropriated technology by a manufacturer, subject to a
281 right of audit to verify that the manufacturer does not use misappropriated technology;

282 (ii) (A) has a practice of auditing direct manufacturers on a periodic basis according to
283 generally accepted industry standards; or

284 (B) by agreement requires its direct manufacturers to submit to audits by an
285 independent auditor, which may include an association of businesses representing the owner of
286 the misappropriated technology, and provides that a failure to remedy a deficiency found in an
287 audit constitutes a violation of the applicable law of the jurisdiction where the deficiency
288 occurs and a breach of the agreement between the third party and the manufacturer, subject to
289 cure within a reasonable period of time; or

290 (b) (i) adopts, and undertakes a commercially reasonable effort to implement, a code of
291 conduct or similar written requirement that:

292 (A) applies to the third party's direct manufacturers; and

293 (B) prohibits the use of misappropriated technology by a manufacturer; and

294 (ii) undertakes practices and procedures to address compliance with the code of
295 conduct or similar written requirement.

296 (4) A court may not enter judgment or award damages against a third party in an action
297 under this part until after the court has ruled on the third party's claim of eligibility for any of
298 the affirmative defenses under this section.

299 Section 13. Section **13-48-401** is enacted to read:

300 **Part 4. Remedies**

301 **13-48-401. Damages against a liable defendant.**

302 (1) After determining that a person is liable under Subsection 13-48-201(1), a court
303 may award a prevailing plaintiff, other than the attorney general, actual damages incurred by
304 the prevailing plaintiff or an amount that is three times the retail price of the misappropriated
305 technology, whichever is greater.

306 (2) Damages under Subsection (1) may be awarded only against a liable defendant.

307 Section 14. Section **13-48-402** is enacted to read:

308 **13-48-402. Treble damages for willful violation -- Costs and attorney fees.**

309 A court may increase the amount of damages awarded under Subsection 13-48-401(1)
310 against a liable defendant up to three times the amount of damages if the court finds that the
311 liable defendant's use of misappropriated technology was willful.

312 Section 15. Section **13-48-403** is enacted to read:

313 **13-48-403. Damages against third party.**

314 (1) An award of damages against a third party under Part 3, Third Party Liability, shall
315 be the retail price of the misappropriated technology or \$250,000, whichever is less.

316 (2) A plaintiff may not enforce a judgment against a third party until after a
317 determination that a liable defendant does not have sufficient attachable assets to satisfy a
318 judgment against the liable defendant.

319 Section 16. Section **13-48-404** is enacted to read:

320 **13-48-404. Injunctive relief.**

321 (1) In addition to any damages or other relief provided in this chapter or which a court
322 determines to be appropriate, and only after determining that a material competitive injury has
323 occurred, a court may award a successful plaintiff in an action under this chapter injunctive
324 relief:

325 (a) enjoining a liable defendant from taking any further act that would give rise to
326 liability under Subsection 13-48-201(1); or

327 (b) enjoining the sale or offering for sale in the state of any article or product that is
328 wrongfully manufactured, if the court determines that the liable defendant lacks sufficient
329 attachable assets in the state to satisfy the judgment against the liable defendant.

330 (2) Injunctive relief under this section may be granted only against a liable defendant
331 and may not be granted against a third party.

332 Section 17. Section **13-48-405** is enacted to read:

333 **13-48-405. Costs and attorney fees in manufacturer liability case.**

334 In an action under Part 2, Manufacturer's Liability for Using Misappropriated
335 Technology, a court may award court costs and attorney fees to the prevailing party.

336 Section 18. Section **13-48-406** is enacted to read:

337 **13-48-406. Delayed enforcement of judgment for damages against a third party.**

338 A judgment for damages against a third party under this chapter may not be enforced
339 until November 15, 2012.

Legislative Review Note
as of 2-28-11 5:19 PM

Office of Legislative Research and General Counsel

FISCAL NOTE

S.B. 201

SHORT TITLE: **Protection Against Unfair Competition Through Misappropriated Technology Act**

SPONSOR: **Bramble, C.**

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill likely will not materially impact the state budget.

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Enactment of this legislation will provide protection to individuals and businesses, potentially saving them money.