

Representative Mike K. McKell 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 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



- 26 [78B-6-1902](#), Utah Code Annotated 1953
 - 27 [78B-6-1903](#), Utah Code Annotated 1953
 - 28 [78B-6-1904](#), Utah Code Annotated 1953
 - 29 [78B-6-1905](#), Utah Code Annotated 1953
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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) ~~Ĥ→ [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.] By presenting a demand letter to the target a~~

66a person is certifying that to the best of the person's knowledge, information, and belief, formed

66b after an inquiry reasonable under the circumstances:

66c (i) the demand letter is not being presented for any improper purpose, such as to harass
66d or to cause unnecessary delay or needless increase in the cost of settlement or litigation;

66e (ii) the claims, defenses, and other legal contentions are warranted by existing law or by
66f a nonfrivolous argument for the extension, modification, or reversal of existing law or the
66g establishment of new law; and

66h (iii) the allegations and other factual contentions have evidentiary support or, if
66i specifically identified, are likely to have evidentiary support after a reasonable opportunity for
66j further investigation or discovery. ←Ĥ

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 depending on the number and complexity of the claims.

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 demand letter 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 (3) A court may consider the following factors as evidence that a person has not made
83 a bad faith assertion of patent infringement:

84 (a) The demand letter contains the information described in Subsection (2)(a).

85 (b) Where the demand letter lacks the information described in Subsection (2)(a) and
86 the target requests the information, the person provides the information within a reasonable
87 period of time.

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

90 Ĥ→ [f] (d) The person makes a substantial investment in the use of the patent or in the
 91 production or sale of a product or item covered by the patent.

92 (e) The person is:

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

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

97 (f) The person has:

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

100 (ii) successfully enforced the patent, or a substantially similar patent, through
 100a litigation. [f] ←Ĥ

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

102 **78B-6-1904. Action -- Enforcement -- Remedies -- Damages.**

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

106 (a) equitable relief;

107 (b) damages;

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

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

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

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

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

119 (5) The attorney general shall report annually to the Executive Appropriations
120 Committee regarding the number of investigations and actions brought under this act. The
121 report shall include:

- 122 (a) the number of investigations commenced;
- 123 (b) the number of actions brought under the provisions of this act;
- 124 (c) the current status of actions brought under Subsection (5)(b); and
- 125 (d) final resolution of actions brought under the act, including any recovery under
126 Subsection [78B-6-1904\(2\)](#).

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

128 **78B-6-1905. Bond.**

129 (1) Upon motion by a target and a finding by the court that a target has established a
130 reasonable likelihood that a person has made a bad faith assertion of patent infringement in
131 violation of this part, the court shall require the person to post a bond in an amount equal to a
132 good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be
133 recovered under Subsection [78B-6-1904\(2\)](#), conditioned upon payment of any amounts finally
134 determined to be due to the target.

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

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