

HB0117S01 compared with HB0117

~~{deleted text}~~ shows text that was in HB0117 but was deleted in HB0117S01.

inserted text shows text that was not in HB0117 but was inserted into HB0117S01.

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 proposes the following substitute bill:

PATENT INFRINGEMENT AMENDMENTS

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Mike K. McKell

Senate Sponsor: _____

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:

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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. Patent Infringement Act

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

(1) This part is known as the "Patent Infringement 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 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.

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

78B-6-1902. Definitions.

As used in this part:

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

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

(a) who 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

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(c) whose customers have received 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 faith assertions of patent infringement.

(1) A person may not make a bad faith assertion of patent infringement.

(2) A court may consider the following factors as evidence that a person has made a bad faith assertion of patent infringement:

(a) The demand letter does not contain the following information:

(i) the patent number;

(ii) the name and address of the 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 in Subsection (2)(a), the target requests the information, and the person fails to provide the information within a reasonable period of time.

(d) 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 assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless.

(g) The ~~claim or assertion of patent infringement~~ 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:

(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.

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~~{ (i) The court may also consider any other factor the court finds relevant.~~

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

(a) 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 the target requests the information, the person provides the information within a reasonable period of time.

(c) The person 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 a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent.

(e) The person is:

(i) the inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an 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 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.

~~{ (g) The court may also consider any other factor the court finds relevant.~~

‡ 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 patent infringement, 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 prevails in an action brought pursuant to this part:

(a) equitable relief;

(b) damages;

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

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

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

(3) This part may not be construed to limit 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 act.

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

(a) the number of investigations commenced;

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

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

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

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

(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 has available assets equal to the amount of the proposed bond or for other good cause shown.

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Legislative Review Note

~~as of 2-6-14 12:08 PM~~

~~Office of Legislative Research and General Counsel~~