

**First Regular Session
Seventieth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 15-0357.01 Jerry Barry x4341

HOUSE BILL 15-1063

HOUSE SPONSORSHIP

Pabon,

SENATE SPONSORSHIP

Balmer,

House Committees

Business Affairs and Labor
Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING PROHIBITED COMMUNICATION CONCERNING PATENTS,**
102 **AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill prohibits a person from making a written or electronic communication with another concerning a patent if:

- ! The communication falsely states that litigation has been commenced against the recipient or an affiliated party;
- ! The communication threatens litigation and there is a consistent pattern of such threats having been made but no

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

litigation is filed; or
! The allegations in the communication lack a reasonable basis because of specified deficiencies.
The bill contains specified exclusions from the prohibition.
The bill authorizes only the attorney general to file an action to enforce the prohibition and authorizes specified damages.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) Colorado is striving to build an entrepreneurial and
5 knowledge-based economy. Attracting and nurturing small- and
6 medium-sized internet technology and other knowledge-based companies
7 is an important part of this effort and will be beneficial to Colorado's
8 future.

9 (b) Patents are essential to encouraging innovation, especially in
10 the internet technology and knowledge-based fields;

11 (c) Patent law recognizes the exclusive rights of the creator,
12 thereby promoting innovation and investment, which spurs economic
13 growth. Patent holders have every right to enforce their patents when they
14 are infringed, and patent enforcement litigation is necessary to protect
15 intellectual property.

16 (d) The general assembly does not wish to interfere with the good
17 faith enforcement of patents or good faith patent litigation. The general
18 assembly also recognizes that Colorado is preempted from passing any
19 law that conflicts with federal patent law.

20 (e) Patent litigation can be technical, complex, and expensive. The
21 expense of patent litigation, which may cost hundreds of thousands of
22 dollars or more, can be a significant burden on small- and medium-sized

1 companies. Colorado wishes to help its businesses avoid these costs by
2 encouraging the most efficient resolution of patent infringement claims
3 without conflicting with federal law.

4 (f) In order for Colorado companies to be able to respond
5 promptly and efficiently to patent infringement assertions against them,
6 it is necessary that they receive specific information regarding how their
7 product, service, or technology may have infringed the patent at issue.
8 Receiving such information at an early stage will facilitate the resolution
9 of claims and lessen the burden of potential litigation on Colorado
10 companies.

11 (g) Abusive patent litigation, and especially the assertion of bad
12 faith infringement claims, can harm Colorado companies. A business that
13 receives a letter asserting such claims faces the threat of expensive and
14 protracted litigation and may feel that it has no choice but to settle and to
15 pay a licensing fee, even if the claim lacks merit. This is especially so for
16 small- and medium-sized companies and nonprofits that lack the
17 resources to investigate and defend themselves against infringement
18 claims.

19 (h) Not only do bad faith patent infringement claims impose a
20 significant burden on individual Colorado businesses, they also
21 undermine Colorado's efforts to attract and nurture small- and
22 medium-sized internet technology and other knowledge-based companies.
23 Funds used to avoid the threat of bad faith litigation are no longer
24 available to invest, produce new products, expand, or hire new workers,
25 thereby harming Colorado's economy.

26 (2) Through this narrowly focused act, the general assembly
27 intends to facilitate the efficient and prompt resolution of patent

1 infringement claims, protect Colorado businesses from abusive and bad
2 faith assertions of patent infringement, and build Colorado's economy,
3 while at the same time respecting federal law and being careful to not
4 interfere with legitimate patent enforcement actions.

5 **SECTION 2.** In Colorado Revised Statutes, **add** article 12 to title
6 as follows:

7 **ARTICLE 12**

8 **Prohibited Communication Concerning Patents**

9 **6-12-101. Definitions.** AS USED IN THIS ARTICLE, UNLESS THE
10 CONTEXT OTHERWISE REQUIRES:

11 (1) "AFFILIATED PERSON" MEANS A PERSON UNDER COMMON
12 OWNERSHIP OR CONTROL OF AN INTENDED RECIPIENT.

13 (2) "INTENDED RECIPIENT" MEANS A PERSON WHO PURCHASES,
14 RENTS, LEASES, OR OTHERWISE OBTAINS A PRODUCT OR SERVICE IN THE
15 COMMERCIAL MARKET THAT IS NOT FOR RESALE IN THE ORDINARY
16 BUSINESS AND THAT IS, OR LATER BECOMES, THE SUBJECT OF A PATENT
17 INFRINGEMENT ALLEGATION.

18 **6-12-102. Communication concerning patents - prohibition.**

19 (1) A PERSON SHALL NOT, IN CONNECTION WITH THE ASSERTION OF A
20 UNITED STATES PATENT, SEND OR CAUSE ANY PERSON TO SEND ANY
21 WRITTEN OR ELECTRONIC COMMUNICATION THAT STATES THAT THE
22 INTENDED RECIPIENT OR ANY AFFILIATED PERSON IS INFRINGING OR HAS
23 INFRINGED A PATENT AND BEARS LIABILITY OR OWES COMPENSATION TO
24 ANOTHER PERSON, IF:

25 (a) THE COMMUNICATION FALSELY STATES THAT LITIGATION HAS
26 BEEN FILED AGAINST THE INTENDED RECIPIENT OR ANY AFFILIATED
27 PERSON;

1 (b) THE COMMUNICATION THREATENS LITIGATION IF
2 COMPENSATION IS NOT PAID OR THE INFRINGEMENT ISSUE IS NOT
3 OTHERWISE RESOLVED AND THERE IS A CONSISTENT PATTERN OF SUCH
4 THREATS HAVING BEEN ISSUED AND NO LITIGATION HAVING BEEN FILED BY
5 THE PERSON SENDING THE COMMUNICATION OR CAUSING THE
6 COMMUNICATION TO BE SENT;

7 (c) THE ASSERTIONS CONTAINED IN THE COMMUNICATION LACK A
8 REASONABLE BASIS IN FACT OR LAW BECAUSE:

9 (I) THE PERSON ASSERTING THE PATENT IS NOT THE PERSON, OR
10 DOES NOT REPRESENT THE PERSON, WITH THE CURRENT RIGHT TO LICENSE
11 THE PATENT TO, OR TO ENFORCE THE PATENT AGAINST, THE INTENDED
12 RECIPIENT OR ANY AFFILIATED PERSON;

13 (II) THE COMMUNICATION SEEKS COMPENSATION FOR A PATENT
14 THAT HAS BEEN HELD TO BE INVALID OR UNENFORCEABLE IN A FINAL,
15 UNAPPEALABLE OR UNAPPEALED JUDICIAL OR ADMINISTRATIVE DECISION;

16 (III) THE COMMUNICATION SEEKS COMPENSATION ON ACCOUNT OF
17 ACTIVITIES UNDERTAKEN AFTER THE PATENT HAS EXPIRED; OR

18 (IV) THE CONTENT OF THE COMMUNICATION FAILS TO INCLUDE
19 SUCH INFORMATION NECESSARY TO INFORM AN INTENDED RECIPIENT OR
20 ANY AFFILIATED PERSON ABOUT THE PATENT ASSERTION BY FAILING TO
21 INCLUDE ANY ONE OF THE FOLLOWING:

22 (A) THE IDENTITY OF THE PERSON ASSERTING A RIGHT TO LICENSE
23 THE PATENT TO OR ENFORCE THE PATENT AGAINST THE INTENDED
24 RECIPIENT OR ANY AFFILIATED PERSON;

25 (B) THE PATENT NUMBER ISSUED BY THE UNITED STATES PATENT
26 AND TRADEMARK OFFICE ALLEGED TO HAVE BEEN INFRINGED; OR

27 (C) THE FACTUAL ALLEGATIONS CONCERNING THE SPECIFIC AREAS

1 IN WHICH THE INTENDED RECIPIENT OR AFFILIATED PERSON'S PRODUCTS,
2 SERVICES, OR TECHNOLOGY INFRINGED THE PATENT OR ARE COVERED BY
3 THE CLAIMS IN THE PATENT.

4 **6-12-103. Exclusions.** (1) IT IS NOT A VIOLATION OF THIS ARTICLE
5 FOR ANY PERSON WHO OWNS OR HAS THE RIGHT OF LICENSE OR
6 ENFORCEMENT OF A PATENT TO:

7 (a) NOTIFY ANOTHER OF THAT OWNERSHIP OR RIGHT OF LICENSE
8 OR ENFORCEMENT;

9 (b) NOTIFY ANOTHER THAT A PATENT IS AVAILABLE FOR LICENSE
10 OR SALE;

11 (c) NOTIFY ANOTHER OF THE INFRINGEMENT OF THE PATENT
12 PURSUANT TO THE PROVISIONS OF TITLE 35 OF THE UNITED STATES CODE;
13 OR

14 (d) SEEK COMPENSATION ON ACCOUNT OF PAST OR PRESENT
15 INFRINGEMENT, OR FOR A LICENSE TO THE PATENT, WHEN, AFTER AN
16 OBJECTIVELY GOOD FAITH INVESTIGATION, IT IS REASONABLE TO BELIEVE
17 THAT THE PERSON FROM WHOM COMPENSATION IS SOUGHT MAY OWE SUCH
18 COMPENSATION.

19 (2) THE PROVISIONS OF THIS ARTICLE DO NOT APPLY TO ANY
20 WRITTEN OR ELECTRONIC COMMUNICATION SENT BY:

21 (a) ANY OWNER OF A PATENT WHO IS USING THE PATENT IN
22 CONNECTION WITH SUBSTANTIAL RESEARCH, DEVELOPMENT, PRODUCTION,
23 MANUFACTURING, PROCESSING, OR DELIVERY OF PRODUCTS OR
24 MATERIALS;

25 (b) ANY INSTITUTION OF HIGHER EDUCATION; OR

26 (c) ANY TECHNOLOGY TRANSFER ORGANIZATION WHOSE PRIMARY
27 PURPOSE IS TO FACILITATE THE COMMERCIALIZATION OF TECHNOLOGY

1 DEVELOPED BY AN INSTITUTION OF HIGHER EDUCATION.

2 (3) THE PROVISIONS OF THIS ARTICLE DO NOT APPLY TO A DEMAND
3 LETTER OR CIVIL ACTION THAT INCLUDES A CLAIM FOR RELIEF ARISING
4 UNDER 35 U.S.C. SECTION 271 (e) (2) AFTER AN OBJECTIVELY GOOD FAITH
5 INVESTIGATION.

6 **6-12-104. Enforcement.** (1) THE ATTORNEY GENERAL HAS THE
7 SOLE AUTHORITY TO ENFORCE THIS ARTICLE AND TO CONDUCT CIVIL
8 INVESTIGATIONS AND BRING CIVIL ACTIONS FOR VIOLATIONS OF THIS
9 ARTICLE.

10 (2) IN AN ACTION BROUGHT BY THE ATTORNEY GENERAL UNDER
11 THIS ARTICLE, THE COURT MAY AWARD OR IMPOSE THE FOLLOWING RELIEF:

12 (a) DAMAGES;

13 (b) COSTS AND FEES, INCLUDING REASONABLE ATTORNEY FEES;

14 AND

15 (c) PUNITIVE DAMAGES IN AN AMOUNT EQUAL TO FIFTY THOUSAND
16 DOLLARS OR THREE TIMES THE TOTAL DAMAGES, COSTS, AND FEES,
17 WHICHEVER IS GREATER.

18 **SECTION 3. Appropriation.** For the 2015-16 state fiscal year,
19 \$94,441 is appropriated to the department of law. This appropriation is
20 from the general fund and is based on an assumption that the department
21 will require an additional 0.8 FTE. To implement this act, the department
22 may use this appropriation for consumer protection and antitrust.

23 **SECTION 4. Act subject to petition - effective date.** This act
24 takes effect at 12:01 a.m. on the day following the expiration of the
25 ninety-day period after final adjournment of the general assembly (August
26 5, 2015, if adjournment sine die is on May 6, 2015); except that, if a
27 referendum petition is filed pursuant to section 1 (3) of article V of the

1 state constitution against this act or an item, section, or part of this act
2 within such period, then the act, item, section, or part will not take effect
3 unless approved by the people at the general election to be held in
4 November 2016 and, in such case, will take effect on the date of the
5 official declaration of the vote thereon by the governor.