

## CHAPTER 309

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**COURTS**

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**HOUSE BILL 15-1063**

BY REPRESENTATIVE(S) Pabon, Duran, Fields, Kagan, Kraft-Tharp, Lawrence, Lontine, Priola, Rosenthal, Ryden, Singer, Tate, Williams, Winter, Hullinghorst, Mitsch Bush;  
also SENATOR(S) Balmer, Heath, Neville T., Newell, Woods.

**AN ACT**

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

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

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

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

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

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

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

(e) Patent litigation can be technical, complex, and expensive. The expense of patent litigation, which may cost hundreds of thousands of dollars or more, can be

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*Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.*

a significant burden on small- and medium-sized companies. Colorado wishes to help its businesses avoid these costs by encouraging the most efficient resolution of patent infringement claims without conflicting with federal law.

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

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

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

(2) Through this narrowly focused act, the general assembly intends to prosecute those asserting bad faith patent infringement claims to protect Colorado businesses and build Colorado's economy, while at the same time respecting federal law and being careful to not interfere with good faith patent infringement claims.

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

**ARTICLE 12**  
**Prohibited Communication Concerning Patents**

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

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

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

**6-12-102. Bad faith patent infringement communications - prohibition.** (1) A PERSON SHALL NOT, IN CONNECTION WITH THE ASSERTION OF A UNITED STATES PATENT, SEND OR CAUSE ANY PERSON TO SEND ANY WRITTEN OR ELECTRONIC COMMUNICATION THAT STATES THAT THE INTENDED RECIPIENT OR ANY AFFILIATED PERSON IS INFRINGING OR HAS INFRINGED A PATENT AND BEARS LIABILITY OR OWES

COMPENSATION TO ANOTHER PERSON, IF SUCH COMMUNICATION IS IN BAD FAITH. A COURT MAY CONSIDER ONE OR MORE OF THE FOLLOWING CONDITIONS AS EVIDENCE THAT A PERSON OR THE PERSON'S AFFILIATE HAS, IN BAD FAITH, ALLEGED, ASSERTED, OR CLAIMED AN INFRINGEMENT OF A PATENT:

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

(b) THE ASSERTIONS CONTAINED IN THE COMMUNICATION LACK A REASONABLE BASIS IN FACT OR LAW. A COURT MAY CONSIDER ONE OR MORE OF THE FOLLOWING FACTORS AS EVIDENCE THAT A COMMUNICATION LACKS A REASONABLE BASIS IN FACT OR LAW:

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

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

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

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

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

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

(C) THE FACTUAL ALLEGATIONS CONCERNING THE SPECIFIC AREAS IN WHICH THE INTENDED RECIPIENT OR AFFILIATED PERSON'S PRODUCTS, SERVICES, OR TECHNOLOGY INFRINGED THE PATENT OR ARE COVERED BY THE CLAIMS IN THE PATENT.

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

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

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

(c) NOTIFY ANOTHER THAT THE CLAIM FOR INFRINGEMENT OF THE PATENT IS PURSUANT TO 35 U.S.C. SEC. 271 (e) (2) OR 42 U.S.C. SEC. 262; OR

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

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

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

(b) ANY INSTITUTION OF HIGHER EDUCATION; OR

(c) ANY TECHNOLOGY TRANSFER ORGANIZATION WHOSE PRIMARY PURPOSE IS TO FACILITATE THE COMMERCIALIZATION OF TECHNOLOGY DEVELOPED BY AN INSTITUTION OF HIGHER EDUCATION.

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

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

(2) IF THE ATTORNEY GENERAL HAS REASONABLE CAUSE TO BELIEVE THAT A PERSON HAS ENGAGED IN AN ACT THAT IS SUBJECT TO THIS ARTICLE, THE ATTORNEY GENERAL MAY MAKE AN INVESTIGATION TO DETERMINE IF THE ACT HAS BEEN COMMITTED, AND, TO THE EXTENT NECESSARY FOR THIS PURPOSE, MAY ADMINISTER OATHS OR AFFIRMATIONS, AND, UPON HIS OR HER OWN MOTION OR UPON REQUEST OF ANY PARTY, MAY SUBPOENA WITNESSES AND COMPEL THEIR ATTENDANCE, ADDUCE EVIDENCE, AND REQUIRE THE PRODUCTION OF ANY MATTER THAT IS RELEVANT TO THE INVESTIGATION, INCLUDING THE EXISTENCE, DESCRIPTION, NATURE, CUSTODY, CONDITION, AND LOCATION OF ANY BOOKS, DOCUMENTS, OR OTHER TANGIBLE THINGS AND THE IDENTITY AND LOCATION OF PERSONS HAVING KNOWLEDGE OF RELEVANT FACTS, OR ANY OTHER MATTER REASONABLY CALCULATED TO LEAD TO THE DISCOVERY OF ADMISSIBLE EVIDENCE. IN ANY CIVIL ACTION BROUGHT BY THE ATTORNEY GENERAL AS A RESULT OF SUCH AN INVESTIGATION, THE ATTORNEY GENERAL MAY RECOVER THE REASONABLE COSTS OF MAKING THE INVESTIGATION IF THE ATTORNEY GENERAL PREVAILS IN THE ACTION.

(3) IF THE PERSON'S RECORDS ARE LOCATED OUTSIDE THIS STATE, THE PERSON AT HIS OR HER OPTION SHALL EITHER MAKE THEM AVAILABLE TO THE ATTORNEY GENERAL AT A CONVENIENT LOCATION WITHIN THIS STATE OR PAY THE REASONABLE AND NECESSARY EXPENSES FOR THE ATTORNEY GENERAL OR THE ATTORNEY GENERAL'S REPRESENTATIVE TO EXAMINE THEM AT THE PLACE WHERE THEY ARE MAINTAINED. THE ATTORNEY GENERAL MAY DESIGNATE REPRESENTATIVES,

INCLUDING COMPARABLE OFFICIALS OF THE STATE IN WHICH THE RECORDS ARE LOCATED, TO INSPECT THEM ON THE ATTORNEY GENERAL'S BEHALF.

(4) UPON FAILURE WITHOUT LAWFUL EXCUSE TO OBEY A SUBPOENA OR TO GIVE TESTIMONY, THE ATTORNEY GENERAL MAY APPLY TO THE DISTRICT COURT FOR AN ORDER COMPELLING COMPLIANCE.

(5) THE ATTORNEY GENERAL SHALL NOT MAKE PUBLIC THE NAME OR IDENTITY OF A PERSON WHOSE ACTS OR CONDUCT HE OR SHE INVESTIGATES PURSUANT TO THIS SECTION OR THE FACTS DISCLOSED IN THE INVESTIGATION, BUT THIS SUBSECTION (5) DOES NOT APPLY TO DISCLOSURES IN ACTIONS OR ENFORCEMENT PROCEEDINGS PURSUANT TO THIS ARTICLE.

(6) WHENEVER THE ATTORNEY GENERAL HAS CAUSE TO BELIEVE THAT A PERSON HAS ENGAGED IN OR IS ENGAGING IN ANY VIOLATION OF THIS ARTICLE, THE ATTORNEY GENERAL MAY APPLY FOR AND OBTAIN, IN AN ACTION IN THE APPROPRIATE DISTRICT COURT OF THIS STATE, A TEMPORARY RESTRAINING ORDER OR INJUNCTION, OR BOTH, PURSUANT TO THE COLORADO RULES OF CIVIL PROCEDURE, PROHIBITING SUCH PERSON FROM CONTINUING SUCH PRACTICES, OR ENGAGING THEREIN, OR DOING ANY ACT IN FURTHERANCE THEREOF. THE COURT MAY MAKE SUCH ORDERS OR JUDGMENTS AS MAY BE NECESSARY TO PREVENT THE VIOLATION OF THIS ARTICLE OR WHICH MAY BE NECESSARY TO COMPLETELY COMPENSATE OR RESTORE TO THE ORIGINAL POSITION OF ANY PERSON INJURED BY MEANS OF ANY SUCH VIOLATION OR TO PREVENT ANY UNJUST ENRICHMENT BY ANY PERSON THROUGH THE VIOLATION OF THIS ARTICLE.

(7) ANY PERSON WHO VIOLATES OR CAUSES ANOTHER TO VIOLATE ANY PROVISION OF THIS ARTICLE SHALL FORFEIT AND PAY TO THE GENERAL FUND OF THE STATE A CIVIL PENALTY OF NOT MORE THAN FIVE THOUSAND DOLLARS FOR EACH SUCH VIOLATION.

(8) A COURT SHALL AWARD COSTS, ATTORNEY FEES, AND EXPERT WITNESS FEES TO THE ATTORNEY GENERAL IN ALL ACTIONS WHERE THE ATTORNEY GENERAL SUCCESSFULLY ENFORCES THIS ARTICLE.

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

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

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

Approved: June 5, 2015