

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2996/P1dn

MPG:.....

Leev

(date)

Senator Farrow:

Please review this draft carefully to ensure that it is consistent with your intent.

In addition to my questions included in drafter's notes embedded in the draft, I want to bring to your attention the issue of possible federal preemption as it relates to this draft.

This draft is based in large part on a recently ^Δpassed Vermont anti-patent trolling law that appears to be the first of its kind. Given the novelty of that law, it is difficult to predict how the courts will interpret these new anti-patent trolling laws in connection with federal patent law preemption of state laws affecting the enforcement of patents.

However, there is a line of federal court cases that provides some guidance in the context of the federal preemption of state common law tort claims, such as tortious interference with contract, affecting patent enforcement. Essentially, the position the federal courts have taken is that "state tort claims against a patent holder . . . are preempted by federal patent laws, unless the claimant can show that the patent holder acted in 'bad faith' in the publication or enforcement of its patent." *800 Adept, Inc. v. Murex Securities, Ltd.*, 539 F.3d 1354, 1369 (Fed. Cir. 2008). According to the U.S. Court of Appeals for the Federal Circuit in *800 Adept, Inc.*, the bad faith requirement, the finding of which is necessary to avoid federal preemption, consists in the following:

This "bad faith" standard has objective and subjective components. The objective component requires a showing that the infringement allegations are "objectively baseless." The subjective component relates to a showing that the patentee in enforcing the patent demonstrated subjective bad faith. Absent a showing that the infringement allegations are objectively baseless, it is unnecessary to reach the question of the patentee's intent.

Infringement allegations are objectively baseless if "no reasonable litigant could realistically expect success on the merits." *800 Adept, Inc.*, 539 F.3d at 1370 (numerous internal citations omitted).

The court went on to emphasize the exacting nature of this bad faith standard:

Because of the value placed on property rights, which issued patents share, and in light of the underlying jurisprudential basis for the bad faith standard, . . . a party attempting to prove bad faith on the part of a patentee enforcing its patent rights has a heavy burden to carry. *Id.* (internal citations omitted).

This draft allows a court to find that a patentee has made a bad faith assertion of patent infringement even absent the finding that “no reasonable litigant could realistically expect success on the merits.” To that extent, the proposal is open to federal preemption should the proposal be enacted.

If you want to minimize the potential for federal preemption, one option would be to have the draft incorporate the federal bad faith standard, requiring that a court find that the assertion of patent infringement was objectively baseless (the “no reasonable litigant” standard) and showed subjective bad faith on the part of the patentee. The draft could still include the list of factors a court may consider in making its determination, but the actual determination the court is required to make would be more explicit, matching the strict federal bad faith standard.

Please let me know how you would like to proceed, and do not hesitate to contact me with any questions.

Thank you.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2996/P1dn
MPG:eev:rs

September 20, 2013

Senator Farrow:

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This draft is based in large part on a recently passed Vermont anti-patent trolling law that appears to be the first of its kind. Given the novelty of that law, it is difficult to predict how the courts will interpret these new anti-patent trolling laws in connection with federal patent law preemption of state laws affecting the enforcement of patents.

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Please let me know how you would like to proceed, and do not hesitate to contact me with any questions.

Thank you.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

Gallagher, Michael

From: Rausch, Scott
Sent: Thursday, October 17, 2013 11:02 AM
To: Gallagher, Michael
Subject: FW: Patent Troll Legislation Drafting Notes
Attachments: LRB - 2996-P1 Edits from 10 1 13 meeting (DRS).docx

Mike,

Attached is a document that outlines edits and answers drafting questions regarding P-draft relating to Patent Tolls.

The redlining was done by interested parties in the legislation and notes to the side were provided by the Governor's office. If you have any questions deciphering the edits and/or comments, please place them in drafting notes or in memo that I can make available to the Governor's Office, DOA, DOJ and other interested parties.

Thank you for your work on this request. We hope we are close to having a document that will be able to be introduced to the legislature.

Regards,

Scott Rausch

Chief of Staff
Office of Senator Paul Farrow
(608) 266-9174
Scott.Rausch@legis.wi.gov

From: Suhr, Daniel R - GOV [<mailto:Daniel.Suhr@wisconsin.gov>]
Sent: Thursday, October 03, 2013 9:17 AM
To: Lundgren, DeeJ - GOV (Douglas); Rausch, Scott; patrick.henderson@gg.com
Subject: RE: Patent Troll Legislation Drafting Notes

Good morning, gentlemen.

Thanks, Pat, for your prompt work getting the edits onto the redline draft following our meeting. I have just a few thoughts for you to consider, Scott, as you move forward. Feel free to call/email with any questions about my comments.

Thanks,
DANIEL

Daniel R. Suhr, Deputy Legal Counsel
Office of Wisconsin Governor Scott Walker
608.264.6329 (desk) | 608.266.1212 (office)

From: Lundgren, DeeJ - GOV (Douglas)
Sent: Wednesday, October 02, 2013 5:14 PM

To: Suhr, Daniel R - GOV
Subject: FW: Patent Troll Legislation Drafting Notes

From: Henderson, Patrick [<mailto:Patrick.Henderson@qg.com>]
Sent: Wednesday, October 02, 2013 5:07 PM
To: Lundgren, DeeJ - GOV (Douglas); Hurlburt, Waylon - GOV
Cc: Schutt, Eric - GOV; Zipperer, Rich - GOV
Subject: FW: Patent Troll Legislation Drafting Notes

Hey DeeJ and Waylon,

I meant to copy you both on this email to Scott and then forgot. Thanks again for putting together yesterday's meeting – we thought it went very well and certainly moved us forward with a much better bill. Attached is a red-line version of the draft that hopefully reflects what was discussed yesterday with yourselves and the legislators, DOJ and DATCP. Hope this helps with the drafting and we'll look forward to seeing the next version.

We very much appreciate the Governor's support on this issue and dedicating staff time and resources to getting a good bill for legislative consideration. Thank you for all your help as well...very much appreciated by myself and the rest of us over here at Quad.

Thanks
Pat

From: Henderson, Patrick
Sent: Wednesday, October 02, 2013 4:53 PM
To: 'Rausch, Scott'
Subject: Patent Troll Legislation Drafting Notes

Scott,

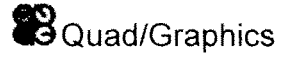
The formatting may need some work but hopefully this helps with keeping track of the changes we made yesterday. Attached you will find the collective edits from our meeting on 10/1/2013 with yourself, Rep. Neylon, the Governor's Office, DOJ and DATCP. Most of these edits are designed to clarify the intent of the bill – which is to establish the appropriate protocol for providing notice to a WI company regarding patents. It is important that the bill remain focused on what constitutes unfair business practices as it relates to providing notices to Wisconsin companies regarding patents. The current practice of many non-practicing patent assertion entities (i.e. patent trolls) is to provide as vague a notice as possible which will drive up investigative costs for the target and therefore result in more settlements and license agreements regardless of the merits of the actual patent infringement claims. In fact, from our meeting from yesterday it was clear that the group wanted to be sure to avoid any direct discussion about “patent infringement” or the validity or merits of the patent allegations itself – which would be the purview of the federal courts – but to focus on an objective test for providing the appropriate notice so that everyone involved can proceed on a level playing field rather than trying to hide key information for as long as possible.

Thank you for your attention to this matter and that of Senator Farrow. We look forward to reviewing the next draft and working with you to get the bill passed and signed into law.

Thanks
Pat

Patrick Henderson

Director of Government Affairs



Innovative People *Redefining* Print

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State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-2996/P1
MPG:eev:rs

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 AN ACT to create 100.197 of the statutes; relating to: bad faith claims of patent
2 infringement.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 100.197 of the statutes is created to read:

4 **100.197 Unfair-assertion of patent rights notification related to patents.**
(1) DEFINITIONS. In this section:

5 ✓ (a) "~~Infringement~~Patent notification" means a letter, e-mail, or other written
communication in connection with attempting to enforce or solicit fees or license of a
patent, asserting that a person has committed patent infringement.

NOTE: Is the intent to include only written notifications, or is the intent to include oral notifications as well? Either way, we should clarify this definition to more effectively achieve your intent.

6 ✓ (b) "~~Patent infringement~~" means a violation of the rights secured by a patent
7 ~~or of the claims established in a patent application that is pending with the U.S.~~
8 ~~patent and trademark office.~~

Comment [DRS1]: Dave Meany from DATCP had suggested including "explicitly or implicitly" here to cover some of the more ambiguous threat letters.

SECTION 1

✓ 1 (c) "Target" means a person who is domiciled or has a physical business presence in this state and satisfies at least one of the following:

✓ 2 1. The person has received an patent infringement notification, ~~alleging that the person has committed patent infringement.~~

✓ 3 2. ~~The person has been threatened with a lawsuit for patent infringement or~~

4 ~~a lawsuit has been initiated against the person alleging patent infringement.~~

....NOTE: It appears that any threat or filing of a lawsuit would be included under subd. 1., because the person has received an infringement notification. Also, given the broad definition of "infringement notification," a complaint initiating a lawsuit would likely be considered an infringement notification. We could include a complaint under the definition of "infringement notification" to remove any doubt. Do you still want to include subd. 2., above?

Comment [DRS2]: There was some concern that this would be too broad, in that a company like WalMart could use Wisconsin law as long as it had one store here - consider saying "principal place of business" instead? Other phrase from LRB?

✓ 5 23. One or more of the person's customers has received an ~~infringement~~

6 patent notification relating to the person's products or service offerings. ~~notification asserting that the person has committed patent infringement.~~

✓ 7 **(2) NOTIFICATION REQUIREMENTS.** ~~BAD FAITH ASSERTION OF PATENT INFRINGEMENT.~~

8 (a) ~~No person may make a bad faith infringement notification.~~

✓ 9 (a) A patent notification must include the following: ~~A court may consider one or more of the following as evidence that a person~~

10 ~~has made a bad faith infringement notification:~~

11 4. ~~The infringement notification does not contain all of the following:~~

✓ 12 1a. The number of each patent or patent application that is the subject of the infringement notification.

14 2. ~~b.~~ A physical or electronic copy of each patent or pending patent.

✓ 15 3. ~~c.~~ The name and physical address of the owner, and other any person that has the right to enforce the patent or pending patent. ~~assignee, or licensee, if any, of each~~

16 ~~patent or pending patent. The address given shall be the physical address of the~~

17 ~~owner, assignee, or licensee.~~

....NOTE: Is the intent that the infringement notification include the information for each licensee authorized under a license to use the patent? If not, what is meant by "licensee" in this context?

1 ~~4.d. Identify/identification of each asserted claim or claims of each patent that~~
2 ~~cover each product, service, process or technology~~

3 ~~5.d. Factual allegations and any analysis setting forth in sufficient detail the person's~~
4 ~~theory of why the patent covers the Target's products, services or technology.~~
5 ~~Infringement.~~

6 ~~6. Identify/identification of any pending or final court action or administrative~~
7 ~~proceeding, including without limitation, proceedings before the Patent and Trademark~~
8 ~~Office, relating to the patent or pending patent.~~

9 ~~(b) The notification may not include false, misleading or deceptive information.~~

10 ~~2. The infringement notification lacks information required under subd. 1., and~~
11 ~~the person fails to provide that information within a reasonable time after the target~~
12 ~~requests that information.~~

13 ~~3. The infringement notification demands the payment of a license fee or other~~
14 ~~response to the infringement notification within an unreasonable time.~~

15 ~~4. The person offers to provide a license for the patent to the target for a fee that~~
16 ~~is not based on a reasonable estimate of the value of the license.~~

17 ~~5. The assertion of patent infringement in the infringement notification is~~
18 ~~meritless, and the person knew or should have known that the assertion of patent~~
19 ~~infringement is meritless.~~

20 ~~6. The infringement notification is false, deceptive, or misleading.~~

21 ~~7. The person, or a subsidiary or other affiliate of the person, has previously~~
22 ~~filed or threatened to file one or more lawsuits based on the same or similar assertion~~
23 ~~of patent infringement contained in the infringement notification and those threats~~
24 ~~or lawsuits lacked the information described in subd. 1. or a court found the assertion~~
25 ~~of patent infringement to be meritless.~~

26 ~~***NOTE: Do you want to include previous infringement notifications in addition~~
27 ~~to previous lawsuits and threats of lawsuits?~~

28 ~~8. Any other evidence the court finds relevant.~~

29 ~~(c) A court may consider one or more of the following as evidence that an~~

23 infringement notification was not made in bad faith:

24 1. ~~The infringement notification contains the information described in par. (b) 23~~

1 ~~(c)2- If the infringement notification lacks information required under subd. 2(a)1, the person may provide the required information within 30 days to avoid penalties under section [_____], provides that information within a reasonable time after the target requests that information.~~

Comment [DRS3]: How is this going to work practically? Must the target ask the person for more information and give him 30 days to respond? Must the target wait 30 days after receipt of a letter to file an action? I get what we're going for here, but I think we need to clarify how it works. Also, perhaps we should move this within A or flip it with B to make clear it deals with incomplete letters and not false or deceptive letters.

NOTE: Is it necessary to include subds. 1. and 2., above, which represent the reverse of par. (b) 1. and 2.? Presumably, if the person asserting patent infringement satisfies par. (b) 1. and 2., the court would consider that as evidence that there was no bad faith, without the need to say so in the statute.

2 3. ~~The person makes a good faith effort to establish that the target has engaged~~
3 ~~in patent infringement and to negotiate an appropriate remedy with the target.~~

4 4. ~~The person makes a substantial investment in the production or sale of a~~
5 ~~product, service, or technology covered by the patent or pending patent.~~

6 5. ~~The person is an inventor, owner, or assignee of the patent, or the person is~~
7 ~~an institution of higher education or a technology transfer organization owned or~~
8 ~~affiliated with an institution of higher education.~~

9 6. ~~The person has demonstrated good faith business practices in previous~~
10 ~~efforts to enforce the patent or pending patent, or a substantially similar patent or~~
11 ~~pending patent, or the person has successfully enforced the patent or pending patent,~~
12 ~~or a substantially similar patent or pending patent, in court.~~

13 7. ~~Any other evidence the court finds relevant.~~

14 ~~(3) BOND. (a) Upon motion by a target and a finding by the court that a target~~
15 ~~has established a reasonable likelihood that a person has made a bad faith~~
16 ~~infringement notification in violation of this section, the court shall require the~~
17 ~~person to post a bond in an amount equal to a reasonable estimate of all amounts the~~
18 ~~target is likely to recover under sub. (4) (b), conditioned upon payment of all actual~~
19 ~~amounts finally determined to be due to the target. The bond may not exceed~~
20 ~~\$250,000, and the court shall hold a hearing if any party requests a hearing.~~

1 ~~(b) The court may waive the bond requirement under par. (a) if the court finds~~
2 ~~the person alleged to have committed the violation of this section has available assets~~
3 ~~equal to the amount of the proposed bond or for other good cause shown.~~

4 **(34) ENFORCEMENT AND REMEDIES.** (a) 1. The department or the attorney general
5 may investigate an alleged violation of this section.

***NOTE: The above provision authorizes both DATCP and the Attorney General
to investigate a violation of the patent trolling law. Do you want to include any further
role for DATCP under the bill? Also, do you want DATCP or DOJ to promulgate rules to
enforce the patent trolling law? [NO RULES NECESSARY]

6 2. The attorney general may commence an action in the name of the state to
7 restrain by temporary or permanent injunction a violation of this section. Before
8 entry of final judgment in an action commenced under this subdivision, the court
9 may make any necessary orders to restore to any person any pecuniary loss the
10 person has suffered because of the violation.

11 3. The attorney general may commence an action in the name of the state to
12 recover a forfeiture to the state of not more than \$50,000 for each violation of this
13 section.

***NOTE: I used the punitive damages amount in the drafting instructions,
\$50,000, as the forfeiture amount. Is that consistent with your intent? [\$50,000 PER
VIOLATION IS OK]

14 (b) A target or other person aggrieved because of a violation of this section may
15 commence an action for any of the following:

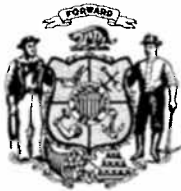
- 16 1. A temporary or permanent injunction restraining a violation of this section.
- 17 2. An appropriate award of damages.
- 18 3. The person's costs and reasonable attorney fees.
- 19 4. An award of punitive damages not to exceed \$50,000 for each violation or 3
- 20 times the aggregate amount awarded for all violations under subds. 2. and 3.,
- 21 whichever is greater.

✓ ----NOTE: Do you want to specify that each infringement notification is a separate violation? [YES]

1 **(5) NO LIMITATION OF RIGHTS AND REMEDIES UNDER OTHER LAW** Nothing in this
2 section may be construed to limit rights and remedies available to the state or any
3 person under any other law.

✓ ----NOTE: Do you want to include an initial applicability provision applying the new law to infringement notifications made on or after the effective date of the proposal? [YES]

4 (END)



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Insect

IPC

D-Note

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2 infringement.

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The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 100.197 of the statutes is created to read:
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6 asserting that a person has committed patent infringement.

***NOTE: Is the intent to include only written notifications, or is the intent to include oral notifications as well? Either way, we should clarify this definition to more effectively achieve your intent.

7 (b) "Patent infringement" means a violation of the rights secured by a patent
8 or of the claims established in a patent application that is pending with the U.S.
9 patent and trademark office.

of pending Patent

attempting in any manner to enforce or assert rights in connection with a

or has its principal place of business

1 (d) "Target" means a person who is domiciled in this state and satisfies at least
2 one of the following:

3 1. The person has received an infringement notification alleging that the
4 person has committed patent infringement. *a patent*

5 2. The person has been threatened with a lawsuit for patent infringement or
6 a lawsuit has been initiated against the person alleging patent infringement.

***NOTE: It appears that any threat or filing of a lawsuit would be included under subd. 1., because the person has received an infringement notification. Also, given the broad definition of "infringement notification," a complaint initiating a lawsuit would likely be considered an infringement notification. We could include a complaint under the definition of "infringement notification" to remove any doubt. Do you still want to include subd. 2., above?

7 2. One or more of the person's customers has received an infringement
8 notification asserting that the person has committed patent infringement. *a patent*

9 (2) BAD FAITH ASSERTION OF PATENT INFRINGEMENT notification requirements *(CS)*

10 (a) No person may make a bad faith infringement notification.

11 (b) A court may consider one or more of the following as evidence that a person
12 has made a bad faith infringement notification.

13 1. The infringement notification does not contain all of the following:

14 1. a. The number of each patent or patent application that is the subject of the
15 infringement notification. *Patent*

16 2. b. A physical or electronic copy of each patent or pending patent.

17 3. c. The name and ^{physical} address of the owner, assignee, or licensee, if any, of each
18 patent or pending patent. The address given shall be the physical address of the
19 owner, assignee, or licensee.

***NOTE: Is the intent that the infringement notification include the information for each licensee authorized under a license to use the patent? If not, what is meant by "licensee" in this context?

and all other persons having a right to enforce the Patent or pending Patent

61-2-19

patent notification shall contain all

concerning a Product's Service Process or Technology of the person.

INSTITUTIONS

1
2

5.

(d) Factual allegations and an analysis setting forth in detail the person's theory of patent infringement of each claim identified under subd. 4

2. The infringement notification lacks information required under subd. 1., and the person fails to provide that information within a reasonable time after the target requests that information.

3. The infringement notification demands the payment of a license fee or other response to the infringement notification within an unreasonable time.

4. The person offers to provide a license for the patent to the target for a fee that is not based on a reasonable estimate of the value of the license.

5. The assertion of patent infringement in the infringement notification is meritless, and the person knew or should have known that the assertion of patent infringement is meritless.

6. The infringement notification is false, deceptive, or misleading.

7. The person, or a subsidiary or other affiliate of the person, has previously filed or threatened to file one or more lawsuits based on the same or similar assertion of patent infringement contained in the infringement notification and those threats or lawsuits lacked the information described in subd. 1. or a court found the assertion of patent infringement to be meritless.

***NOTE: Do you want to include previous infringement notifications in addition to previous lawsuits and threats of lawsuits?

8. Any other evidence the court finds relevant.

(c) A court may consider one or more of the following as evidence that an infringement notification was not made in bad faith:

1. The infringement notification contains the information described in par. (b)

1.

(C)

A patent

any of the

par. (a)

1 2. If ~~the infringement~~ notification lacks information required under ~~subd. 1~~,
 2 the person provides that information within a reasonable time after the target
 3 requests that information

30 days after the date of the incomplete patent notification

***NOTE: Is it necessary to include subds. 1. and 2., above, which represent the reverse of par. (b) 1. and 2.? Presumably if the person asserting patent infringement satisfies par. (b) 1. and 2., the court would consider that as evidence that there was no bad faith, without the need to say so in the statute.

4 3. The person makes a good faith effort to establish that the target has engaged
 5 in patent infringement and to negotiate an appropriate remedy with the target.

6 4. The person makes a substantial investment in the production or sale of a
 7 product, service, or technology covered by the patent or pending patent.

8 5. The person is an inventor, owner, or assignee of the patent, or the person is
 9 an institution of higher education or a technology transfer organization owned or
 10 affiliated with an institution of higher education.

11 6. The person has demonstrated good faith business practices in previous
 12 efforts to enforce the patent or pending patent, or a substantially similar patent or
 13 pending patent, or the person has successfully enforced the patent or pending patent,
 14 or a substantially similar patent or pending patent, in court.

15 7. Any other evidence the court finds relevant.

16 (3) BOND. (a) Upon motion by a target and a finding by the court that a target
 17 has established a reasonable likelihood that a person has made a bad faith
 18 infringement notification in violation of this section, the court shall require the
 19 person to post a bond in an amount equal to a reasonable estimate of all amounts the
 20 target is likely to recover under sub. (4) (b), conditioned upon payment of all actual
 21 amounts finally determined to be due to the target. The bond may not exceed
 22 \$250,000, and the court shall hold a hearing if any party requests a hearing.

MAY

1 ~~(b) The court may waive the bond requirement under par. (a) if the court finds~~
2 ~~the person alleged to have committed the violation of this section has available assets~~
3 ~~equal to the amount of the proposed bond or for other good cause shown.~~

4 ~~(4) ENFORCEMENT AND REMEDIES. (a) 1. The department or the attorney general~~
5 ~~may investigate an alleged violation of this section.~~

3 2

***NOTE: The above provision authorizes both DATCP and the Attorney General to investigate a violation of the patent trolling law. Do you want to include any further role for DATCP under the bill? Also, do you want DATCP or DOJ to promulgate rules to enforce the patent trolling law?

6 2. The attorney general may commence an action in the name of the state to
7 restrain by temporary or permanent injunction a violation of this section. Before
8 entry of final judgment in an action commenced under this subdivision, the court
9 may make any necessary orders to restore to any person any pecuniary loss the
10 person has suffered because of the violation.

11 3. The attorney general may commence an action in the name of the state to
12 recover a forfeiture to the state of not more than \$50,000 for each violation of this
13 section.

***NOTE: I used the punitive damages amount in the drafting instructions, \$50,000, as the forfeiture amount. Is that consistent with your intent?

14 (b) A target or other person aggrieved because of a violation of this section may
15 commence an action for any of the following:

- 16 1. A temporary or permanent injunction restraining a violation of this section.
- 17 2. An appropriate award of damages.
- 18 3. The person's costs and reasonable attorney fees.
- 19 4. An award of punitive damages not to exceed \$50,000 for each violation or 3
- 20 times the aggregate amount awarded for all violations under subs. 2. and 3.,
- 21 whichever is greater.

Insert 5-2

***NOTE: Do you want to specify that each infringement notification is a separate violation?

1 (5) NO LIMITATION OF RIGHTS AND REMEDIES UNDER OTHER LAW. Nothing in this
2 section may be construed to limit rights and remedies available to the state or any
3 person under any other law.

***NOTE: Do you want to include an initial applicability provision applying the new law to infringement notifications made on or after the effective date of the proposal?

4 (END)

Insert 6-3/

2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2996/P2ins
MPG:eev:rs

1 INSERT 2-19

2 ✓ 4. An identification of each claim being asserted concerning a product, service,
3 process, or technology of the target.

4 END INSERT 2-19

5 ✓ INSERT 3-2

6 6. An identification of each pending or completed court or administrative
7 proceeding, including any proceeding before the U.S. patent and trademark office,
8 concerning the patent or pending patent.

9 (b) A patent notification may not contain false, misleading, or deceptive
10 information.

11 END INSERT 3-1²

12 INSERT 5-21

13 ✓ (c) Each patent notification is a separate violation.

14 END INSERT 5-21

15 INSERT 6-3

16 ✓ **SECTION 1. Initial applicability.**

17 (1) This act first applies to a patent notification, as defined in section 100.197
18 (1) (a) of the statutes, as created by this act, received by a target, as defined in section
19 100.197 (1) (b) of the statutes, as created by this act, or a customer of the target on
20 the effective date of this act.

21 END INSERT 6-3

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2996/P2dn
MPG:eev:rs

~~September 20, 2013~~

date

Senator Farrow:

Please review this draft carefully to ensure that it is consistent with your intent.

This is a redraft of the patent troll proposal, in preliminary draft form, based on the instructions and comments forwarded to me by Scott Rausch. Please let me know of any further changes you may have, and I will get a redraft back to you in introducible form with an analysis.

Please do not hesitate to contact me with any questions.

Thank you.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2996/P2dn
MPG:eev:ev

October 23, 2013

Senator Farrow:

Please review this draft carefully to ensure that it is consistent with your intent.

This is a redraft of the patent troll proposal, in preliminary draft form, based on the instructions and comments forwarded to me by Scott Rausch. Please let me know of any further changes you may have, and I will get a redraft back to you in introducible form with an analysis.

Please do not hesitate to contact me with any questions.

Thank you.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

Gallagher, Michael

From: Rausch, Scott
Sent: Monday, October 28, 2013 9:41 AM
To: Gallagher, Michael
Subject: Patent Legislation P2 Edits
Attachments: LRB - 2996-P2 Edits from Quad.docx; WI Stat. 801.05.pdf

Mike,

Attached are the latest edits to the Patent Trolling Legislation . Also attached is a copy of ss.801.05.

Thank you for everything. I think we are very close to a great bill.

Regards,

Scott Rausch

Chief of Staff

Office of Senator Paul Farrow

(608) 266-9174

Scott.Rausch@legis.wi.gov



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 A^N A^{CT} *to create* 100.197 of the statutes; relating to: Notifications asserting rights in connection with patent or pending patents ~~bad faith claims of patent infringement.~~

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 100.197 of the statutes is created to read:
3 100.197 ~~Unfair assertion of patent rights~~ Patent Notifications. (1) DEFINITIONS. In this section:

4 (a) "Patent notification" means a letter, e-mail, or other written communication attempting in any manner to enforce or assert rights in connection with a patent or pending patent.

8 (b) "Target" means a person who is subject to Wisconsin Statute 801.05 ~~domiciled or has its principal place of business in this state~~ and satisfies at least one of the following:

1. The person has received a patent notification.
2. One or more of the person's customers has received a patent notification concerning a product, service, process, or technology of the person.

4 **(2) PATENT NOTIFICATION REQUIREMENTS.**

5 (a) A patent notification shall contain all of the following:

- 6 1. The number of each patent or patent application that is the subject of the patent notification.
- 7 2. A physical or electronic copy of each patent or pending patent.
- 8 3. The name and physical address of the owner of each patent or pending patent and all other persons having a right to enforce the patent or pending patent.
- 9 4. An identification of each claim of each patent, and what is being asserted concerning a product, service, process, or technology of the target is related to such claims.
5. Factual allegations and an analysis setting forth in detail why each patent claim covers the product, service, process or technology ~~the person's theory of each claim~~ identified under subd. 4.
6. An identification of each pending or completed court or administrative proceeding, including any proceeding before the U.S. ~~Patent and Trademark Office~~, concerning the patent or pending patent.

(b) A patent notification may not contain false, misleading, or deceptive information.

(c) If a patent notification lacks any of the information required under par. (a), the person may provide that information to the Target within 30 days after the date ~~of the~~ that the sender is notified of a delinquent patent notification ~~incomplete patent notification~~.

23 **(3) ENFORCEMENT AND REMEDIES.** (a) 1. The department or the attorney general may investigate an alleged violation of this section.

1 2. The attorney general may commence an action in the name of the state to restrain by temporary or permanent injunction a violation of this section. Before
2 entry of final judgment in an action commenced under this subdivision, the court may make any necessary orders to restore to any person any pecuniary loss the 5 person has suffered because of the violation.

6 3. The attorney general may commence an action in the name of the state to
7 recover a forfeiture to the state of not more than \$50,000 for each violation of this section.

8 (b) A target or other person aggrieved because of a violation of this section may 10 commence an action for any of the following:

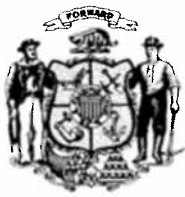
- 11 1. A temporary or permanent injunction restraining a violation of this section.
12 2. An appropriate award of damages.
13 3. The person's costs and reasonable attorney fees.
14 4. An award of punitive damages not to exceed \$50,000 for each violation or 3 times the aggregate amount awarded for all violations under subds. 2. and 3., whichever is greater.

15 (c) Each patent notification is a separate violation.

16 **(5) NO LIMITATION OF RIGHTS AND REMEDIES UNDER OTHER LAW.** Nothing in this 19 section may be construed to limit rights and remedies available to the state or any
20 person under any other law.

21 **SECTION 2. Initial applicability.**

(1) This act first applies to a patent notification, as defined in section 100.197(1) (a) of the statutes, as created by this act, received by a target, as defined in section 100.197 (1) (b) of the statutes, as created by this act, or a customer of the target on the effective date of this act.



In: 10/31/2013 Soon

State of Wisconsin *That's S!*
2013 - 2014 LEGISLATURE



LRB-2996/P2
MPG:eev:ev

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Insert

1/93

Notifications concerning the assertion of rights under a patent or pending patent

Patent Notifications

1 AN ACT to create 100.197 of the statutes; relating to: bad faith claims of patent
2 infringement.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 100.197 of the statutes is created to read:

4 100.197 Unfair assertion of patent rights. (1) DEFINITIONS. In this section:

5 (a) "Patent notification" means a letter, e-mail, or other written
6 communication attempting in any manner to enforce or assert rights in connection
7 with a patent or pending patent.

8 (b) "Target" means a person who is domiciled or has its principal place of
9 business in this state and satisfies at least one of the following:

Insert 1-9 →

meets at least one of the conditions described in s. 801.05(1) (b) ↑ (c) ↑ or (d)

of each patent or pending patent.

1. The person has received a patent notification.

2. One or more of the person's customers has received a patent notification concerning a product, service, process, or technology of the person.

(2) PATENT NOTIFICATION REQUIREMENTS.

(a) A patent notification shall contain all of the following:

1. The number of each patent or patent application that is the subject of the patent notification.

2. A physical or electronic copy of each patent or pending patent.

3. The name and physical address of the owner of each patent or pending patent and all other persons having a right to enforce the patent or pending patent.

4. An identification of each claim being asserted concerning a product, service, process, or technology of the target to which that claim relates

5. Factual allegations and an analysis setting forth in detail the person's theory of each claim identified under subd. 4. and how that claim relates to the target's products, services, processes, or technology

6. An identification of each pending or completed court or administrative proceeding, including any proceeding before the U.S. patent and trademark office, concerning the patent or pending patent.

(b) A patent notification may not contain false, misleading, or deceptive information. the the target notifies the person that the

(c) If a patent notification lacks any of the information required under par. (a), the person may provide that information within 30 days after the date of the incomplete patent notification to the target is incomplete

(3) ENFORCEMENT AND REMEDIES. (a) 1. The department or the attorney general

may investigate an alleged violation of this section.

and the targets

technology

on which

CS
**** Note: LRB drafting conventions require that "patent and trademark office" not be capitalized.

1 2. The attorney general may commence an action in the name of the state to
2 restrain by temporary or permanent injunction a violation of this section. Before
3 entry of final judgment in an action commenced under this subdivision, the court
4 may make any necessary orders to restore to any person any pecuniary loss the
5 person has suffered because of the violation.

6 3. The attorney general may commence an action in the name of the state to
7 recover a forfeiture to the state of not more than \$50,000 for each violation of this
8 section.

9 (b) A target or other person aggrieved because of a violation of this section may
10 commence an action for any of the following:

- 11 1. A temporary or permanent injunction restraining a violation of this section.
- 12 2. An appropriate award of damages.
- 13 3. The person's costs and reasonable attorney fees.
- 14 4. An award of punitive damages not to exceed \$50,000 for each violation or 3
15 times the aggregate amount awarded for all violations under subds. 2. and 3.,
16 whichever is greater.

17 (c) Each patent notification is a separate violation.

18 **(5) NO LIMITATION OF RIGHTS AND REMEDIES UNDER OTHER LAW.** Nothing in this
19 section may be construed to limit rights and remedies available to the state or any
20 person under any other law.

21 **SECTION 2. Initial applicability.**

22 (1) This act first applies to a patent notification, as defined in section 100.197
23 (1) (a) of the statutes, as created by this act, received by a target, as defined in section

1 100.197 (1) (b) of the statutes, as created by this act, or a customer of the target on
2 the effective date of this act.

3 (END)

**2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2996/P3ins
MPG:eev:ev

1 INSERT 1-9

 ****NOTE: The narrower citation to s. 801.05 (1) (b), (c), or (d) appears to achieve the intent better than a blanket citation to s. 801.05, which, in addition to sub. (1) (b), (c), and (d), contains bases for personal jurisdiction that only make sense in the context of a lawsuit. Please let me know if this change is inconsistent with your intent.

2 END INSERT 1-9

Gallagher, Michael

From: Rausch, Scott
Sent: Wednesday, December 11, 2013 4:56 PM
To: Gallagher, Michael
Subject: FW: Draft review: LRB -2996/P3 Topic: Prevention of patent trolling
Attachments: 13-2996/P3.pdf

Mike,

Please prepare LRB 2996/P3 for introduction. I believe Rep. Neylon's office will be making the same request shortly.

Thank you.

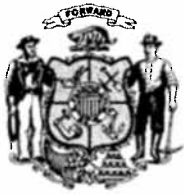
Regards,

Scott Rausch

Chief of Staff
Office of Senator Paul Farrow
(608) 266-9174
Scott.Rausch@legis.wi.gov

From: LRB.Legal
Sent: Thursday, October 31, 2013 3:10 PM
To: Sen.Farrow
Subject: Draft review: LRB -2996/P3 Topic: Prevention of patent trolling

Following is the PDF version of draft LRB -2996/P3.



THANKS

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

D-Note

Insert A

and providing a penalty

11

1 AN ACT ^{regin} to create 100.197 of the statutes; relating to: notifications concerning
2 the assertion of rights under a patent or pending patent.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

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6 communication attempting in any manner to enforce or assert rights in connection
7 with a patent or pending patent.

8 (b) "Target" means a person who meets at least one of the conditions described
9 in s. 801.05 (1) (b), (c), ~~or~~ (d) and satisfies at least one of the following:

and

~~***NOTE: The narrower citation to s. 801.05 (1) (b), (c), or (d) appears to achieve the intent better than a blanket citation to s. 801.05, which, in addition to sub (1) (b), (c), and (d), contains bases for personal jurisdiction that only make sense in the context of a lawsuit. Please let me know if this change is inconsistent with your intent.~~

- 1 1. The person has received a patent notification.
- 2 2. One or more of the person's customers has received a patent notification
- 3 concerning a product, service, process, or technology of the person.

4 (2) PATENT NOTIFICATION REQUIREMENTS.

5 (a) A patent notification shall contain all of the following:

- 6 1. The number of each patent or patent application that is the subject of the
- 7 patent notification.
- 8 2. A physical or electronic copy of each patent or pending patent.
- 9 3. The name and physical address of the owner of each patent or pending patent
- 10 and all other persons having a right to enforce the patent or pending patent.

11 4. An identification of each claim of ^{each} patent or pending patent being asserted

12 and the target's product, service, process, or technology to which that claim relates.

13 5. Factual allegations and an analysis setting forth in detail the person's theory

14 of each claim identified under subd. 4. and how that claim relates to the target's

15 product, service, process, or technology.

16 6. An identification of each pending or completed court or administrative

17 proceeding, including any proceeding before the U.S. patent and trademark office,

18 concerning the patent or pending patent.

~~***NOTE: LRB drafting conventions require that "patent and trademark office" not be capitalized.~~

19 (b) A patent notification may not contain false, misleading, or deceptive

20 information.

1 (c) If a patent notification lacks any of the information required under par. (a),
2 the person may provide that information to the target within 30 days after the date
3 on which the target notifies the person that the patent notification is incomplete.

4 (3) ENFORCEMENT AND REMEDIES. (a) 1. The department or the attorney general
5 may investigate an alleged violation of this section.

6 2. The attorney general may commence an action in the name of the state to
7 restrain by temporary or permanent injunction a violation of this section. Before
8 entry of final judgment in an action commenced under this subdivision, the court
9 may make any necessary orders to restore to any person any pecuniary loss the
10 person has suffered because of the violation.

11 3. The attorney general may commence an action in the name of the state to
12 recover a forfeiture to the state of not more than \$50,000 for each violation of this
13 section.

14 (b) A target or other person aggrieved because of a violation of this section may
15 commence an action for any of the following:

16 1. A temporary or permanent injunction restraining a violation of this section.

17 2. An appropriate award of damages.

18 3. The person's costs and reasonable attorney fees.

19 4. An award of punitive damages not to exceed \$50,000 for each violation or 3
20 times the aggregate amount awarded for all violations under subds. 2. and 3.,
21 whichever is greater.

22 (c) Each patent notification is a separate violation.

23 (5) NO LIMITATION OF RIGHTS AND REMEDIES UNDER OTHER LAW. Nothing in this
24 section may be construed to limit rights and remedies available to the state or any
25 person under any other law.

↑ notwithstanding the limitations under s. 814.04(1);

1 **SECTION 2. Initial applicability.**

2 (1) This act first applies to a patent notification, as defined in section 100.197
3 (1) (a) of the statutes, as created by this act, received by a target, as defined in section
4 100.197 (1) (b) of the statutes, as created by this act, or a customer of the target on
5 the effective date of this act.

6 (END)

1

INSERT A

This bill regulates written communications attempting to enforce or assert rights in connection with a patent or pending patent. Under the bill, such a written communication is called a "patent notification." Under the bill, a "target" of a patent notification is an individual who is a resident of this state or a company that is domiciled in or does substantial business in this state and who either receives a patent notification or has customers who receive a patent notification concerning a product, service, process, or technology of the target.

Under the bill, a patent notification must contain certain information, including the number and a copy of each patent or pending patent that is the subject of the patent notification; an identification of each patent claim being asserted and the target's product, service, process, or technology to which that claim relates; and the basis for each theory of each patent claim being asserted and how that claim relates to the target's product, service, process, or technology. The bill provides a 30-day opportunity for a person to supplement a patent notification with any required information the person fails to include in the initial patent notification. A patent notification may not contain false, misleading, or deceptive information.

The bill provides that the Department of Agriculture, Trade, and Consumer Protection (DATCP) or the attorney general may investigate an alleged violation of the bill's requirements. The bill authorizes the attorney general to initiate a court action for an injunction of a violation of the bill's requirements, and in such an action, the bill authorizes the court to make any necessary orders to restore to any person any pecuniary loss the person may have suffered as a result of the violation. The bill also authorizes the attorney general to seek a forfeiture to the state of up to \$50,000 for each violation of the bill's requirements.

The bill further creates a private right of action for a target or other person aggrieved by a violation of the bill's requirements. The target or other person may seek an injunction restraining further violation and may recover an appropriate award of damages, an award of costs and reasonable attorney fees, and an award of punitive damages not to exceed \$50,000 for each violation or three times the aggregate amount of actual damages and costs and attorney fees awarded by the court, whichever is greater.

Because this bill creates a new crime or revises a penalty for an existing crime, the Joint Review Committee on Criminal Penalties may be requested to prepare a report concerning the proposed penalty and the costs or savings that are likely to result if the bill is enacted.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

END INSERT A

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2996/1dn
MPG:eev:rs

date

Senator Farrow:

As requested, this is an introducible version of the patent trolling proposal. In addition to including an analysis, I made a few technical, nonsubstantive edits to the draft. Also, under s. 100.197 (3) (b) 2. in the draft, authorizing the recovery of costs and attorney fees, I included language notwithstanding the limitations on attorney fee awards under s. 814.04 (1) of the statutes. Please let me know if that is inconsistent with your intent, and do not hesitate to contact me with any questions.

Thank you.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

3 providing an exemption from

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2996/1dn
MPG:eev:jm

December 12, 2013

Senator Farrow:

As requested, this is an introducible version of the patent trolling proposal. In addition to including an analysis, I made a few technical, nonsubstantive edits to the draft. Also, under s. 100.197 (3) (b) 3. in the draft, authorizing the recovery of costs and attorney fees, I included language providing an exemption from the limitations on attorney fee awards under s. 814.04 (1) of the statutes. Please let me know if that is inconsistent with your intent, and do not hesitate to contact me with any questions.

Thank you.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

Parisi, Lori

From: Rausch, Scott
Sent: Friday, December 13, 2013 1:30 PM
To: LRB.Legal
Subject: Draft Review: LRB -2996/1 Topic: Prevention of patent trolling

Please Jacket LRB -2996/1 for the SENATE.

Thank you.

Scott Rausch

Chief of Staff

Office of Senator Paul Farrow