

2019

Protecting Wisconsinites from Trolls: The Federal Circuit's "Bad Faith" Preemption and its Restrictive Effect

Andrew Salomone

Follow this and additional works at: <https://scholarship.law.marquette.edu/iplr>



Part of the [Antitrust and Trade Regulation Commons](#), [Commercial Law Commons](#), [Food and Drug Law Commons](#), [Intellectual Property Law Commons](#), [Legal Remedies Commons](#), [Legislation Commons](#), and the [Science and Technology Law Commons](#)

Repository Citation

Andrew Salomone, *Protecting Wisconsinites from Trolls: The Federal Circuit's "Bad Faith" Preemption and its Restrictive Effect*, 23 Marq. Intellectual Property L. Rev. 195 (2019).

Available at: <https://scholarship.law.marquette.edu/iplr/vol23/iss2/8>

This Comment is brought to you for free and open access by the Journals at Marquette Law Scholarly Commons. It has been accepted for inclusion in Marquette Intellectual Property Law Review by an authorized editor of Marquette Law Scholarly Commons. For more information, please contact megan.obrien@marquette.edu.

PROTECTING WISCONSINITES FROM TROLLS: THE FEDERAL CIRCUIT’S “BAD FAITH” PREEMPTION AND ITS RESTRICTIVE EFFECT

ANDREW SALOMONE*

INTRODUCTION	195
I. THE STATE’S EFFORTS TO WARD OFF PATENT ASSERTION ENTITIES	197
A. Wisconsin’s Anti-PAE Statute.....	197
II. THE PROBLEM OF PREEMPTION: CAN STATES SUCCESSFULLY DRAFT ANTI-PAE LEGISLATION?.....	199
A. The Supreme Court’s Likely Preemption Analysis	200
B. The Federal Circuit’s “Bad Faith” Preemption Standard	202
III. ANALYSIS: PREEMPTION THE STATES’ ANTI-PAE LEGISLATION	205
A. Wisconsin’s Anti-PAE Statute is Likely Preempted Under the Federal Circuit’s Standard but Likely Not Under the Supreme Court’s Standard	207
B. Jurisdictional Implications and the Conundrum for State Legislators	209
CONCLUSION.....	211

INTRODUCTION

So-called patent trolls are widely recognized as a pesky problem within the domain of patent law.¹ Also known as patent assertion entities (“PAEs”), patent trolls are the legal owners or licensees of patents who, rather than practice or license their patented inventions, exist chiefly to “sue, or collect money by threatening to sue, companies for infringing the patents they own.”²

*J.D. 2020, Marquette University Law School. Thank you to the staff of the MARQUETTE INTELLECTUAL PROPERTY LAW REVIEW for their diligent work on this piece. I also thank the numerous friends, colleagues, and mentors who contributed to this piece in various ways. And last but certainly not least, thank you to my loving wife Ashley, whose enduring support and patience has made all of my achievements possible. All errors are my own.

1. See Dennis Crouch, *Patent Trolls by the Numbers*, PATENTLY-O (Mar. 14, 2013), <http://patentlyo.com/patent/2013/03/chien-patent-trolls.html> [https://perma.cc/GM36-CX6J].

2. Sylvia Hsieh, *Will Obama’s Proposals Rein in Patent Trolls?*, LAWYERS USA (June 6, 2013),

While PAEs are not always of the harassing and unsavory variety, this comment focuses on those undesirable PAEs that seek to assert patent rights in a harassing manner.³ In this context, PAEs assert patent rights⁴ via a patent notification letter that threatens an expensive patent infringement suit if the accused infringers do not settle with the PAEs for the alleged infringement, where the settlement sum demanded is modest enough to force accused infringers into settlement but large enough to inflict great financial burden to the alleged infringers.⁵ For smaller businesses, the problem becomes even more pronounced by unfamiliarity with patent law.⁶ In the absence of any meaningful federal legislative response to PAEs,⁷ states have enacted legislation of their own, what I call “anti-PAE statutes,” in an effort to ward off patent trolls and protect their constituents.⁸

In this comment, I use Wis. Stat. Ann. § 100.197 (“Wisconsin’s anti-PAE statute”)⁹ to demonstrate the significant degree to which the Federal Circuit’s current preemption regime restricts states’ abilities to regulate the behavior of PAEs. In Part II, I summarize Wisconsin’s legislative response to PAEs.¹⁰ In Part III, I contrast the Federal Circuit’s preemption doctrine and the Supreme Court’s doctrine as it relates to state laws similar to anti-PAE statutes.¹¹ Paying particular attention to Wisconsin’s patent notification statute, I provide a brief preemption analysis in Part IV.¹² Finally, in Part V, I conclude by arguing that the severe consequences of the Federal Circuit’s standard, as demonstrated by its likely preemptive effect on Wisconsin’s anti-PAE statute, highlight the need

<https://search.proquest.com/docview/1366733294/fulltext/E2EA66DA3FA84109PQ/1?accountid=100> [https://perma.cc/5NLF-EUAL].

3. Charlotte R. Lane, *The International Trolling Commission*, WALL ST. J. (Oct. 7, 2013), <https://www.wsj.com/articles/the-international-trolling-commission-the-international-trolling-commission-1381181344> [https://perma.cc/S2QW-RM4L].

4. Some suggest that the patents asserted by PAEs are often of “low quality and dubious validity.” See 157 CONG. REC. 717 (2011) (statement of Sen. Leahy) (“Patents of low quality and dubious validity, by contrast, enable patent trolls and constitute a drag on innovation. Too many dubious patents also unjustly cast doubt on truly high-quality patents.”).

5. PAEs like MPHJ serve as a representative example. See, e.g., *State Actions on Patent Trolls*, N.Y. ST. SCI. & TECH. L. CTR., <http://nysstlc.syr.edu/state-actions-on-patent-trolls/> [https://perma.cc/2UUL-FUDM] (last visited Nov. 6, 2019).

6. James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 CORNELL L. REV. 387, 400 (2014).

7. David Lee Johnson, *Facing Down the Trolls: States Stumble on the Bridge to Patent-Assertion Regulation*, 71 WASH. & LEE L. REV. 2023, 2053–54 (2014).

8. *Infra* Part II.

9. WIS. STAT. ANN. § 100.197 (West 2018).

10. See *infra* Part II.

11. See *infra* Part III.

12. See *infra* Part IV.

for the emergence of the Supreme Court’s preemption analysis in the context of state laws touching on patents.¹³

I. THE STATE’S EFFORTS TO WARD OFF PATENT ASSERTION ENTITIES

In 2013, Vermont became the first state to make a legislative effort to ward off PAEs.¹⁴ Vermont’s anti-PAE statute creates a civil cause of action for recipients of demand letters that assert patent rights in bad faith.¹⁵ Following Vermont’s lead, at least thirty other states have passed some form of anti-PAE statutes.¹⁶ Some states regulate PAEs’ trolling behavior by prohibiting any bad faith assertions of patent rights,¹⁷ while others limit the applicability of the statute to only those assertions made by non-practicing entities.¹⁸ Some states only permit the state attorney general to bring suit against the bad faith patent holder,¹⁹ rather than create a private cause of action.

A. Wisconsin’s Anti-PAE Statute

In 2014, Wisconsin enacted its own anti-PAE statute²⁰ to prevent Wisconsin businesses from being “extorted by patent troll[s]” and ensure that targets of infringement letters can make “informed decision[s]” regarding patent

13. See *infra* Part V.

14. VT. STAT. ANN. tit. 9, § 4197 (2014); Eric Goldman, *Vermont Enacts the Nation’s First Anti-Patent Trolling Law*, FORBES (May 22, 2013), <https://www.forbes.com/sites/ericgoldman/2013/05/22/vermont-enacts-the-nations-first-anti-patent-trolling-law/> [<https://perma.cc/MGB7-7L77>].

15. See VT. STAT. ANN. tit. 9, § 4197 (2014).

16. See ALA. CODE §§ 8-12A-1 to -7 (2017); ARIZ. REV. STAT. ANN. §§ 44-1421 to -1424 (2019); COLO. REV. STAT. §§ 6-12-101 to -104 (2019); FLA. STAT. ANN. §§ 501.991–997 (West 2019); GA. CODE ANN. §§ 10-1-770 to -774 (2017); IDAHO CODE ANN. §§ 48-1701 to -1708 (2019); 815 ILL. COMP. STAT. 505/2SSS (2019); IND. CODE ANN. §§ 24-11-1-1 to -5-2 (West 2019); KAN. STAT. ANN. §§ 50-6,140 (2018); LA. REV. STAT. ANN. §§ 51:1428 (2019); ME. REV. STAT. tit. 14, §§ 8701–8702 (2018); MD. CODE ANN., COM. LAW §§ 11-1601 to -1605 (2019); MICH. COMP. LAWS. ANN. §§ 446.161–.173 (2019); MINN. STAT. §§ 325D.72 (2019); MISS. CODE ANN. §§ 75-24-351 to -357 (2019); MO. ANN. STAT. §§ 416.650–.658 (West 2019); MONT. CODE ANN. §§ 30-13-151 to -154 (2019); N.H. REV. STAT. ANN. §§ 359-M:1–5 (2018); N.C. GEN. STAT. §§ 75-140 to -145 (2017); N.D. CENT. CODE §§ 51-36-01 to -08 (2019); OKLA. STAT. ANN. tit. 23, §§ 111–114 (West 2019); OR. LAWS 2019 ch. 19, § 2; tit. 6 R.I. GEN. LAWS. §§ 6-41.1-1 to -6 (2018); S.C. CODE ANN. § 39-4-100 to -140 (2019); S.D. CODIFIED LAWS §§ 37-36-1 to -9 (2019); TENN. CODE ANN. §§ 29-10-101 to -104 (2019); TEX. BUS. & COM. CODE ANN. §§ 17.951–.955 (2019); UTAH CODE ANN. §§ 78B-6-1901 to -1905 (2019); VA. CODE ANN. §§ 59.1-215.1–.4 (2014); VT. STAT. ANN. tit. 9, §§ 4195–4199 (2014); WASH. REV. CODE §§ 19.350.005–.900 (2019); WIS. STAT. ANN. §§ 100.197 (West 2018); WYO. STAT. ANN. §§ 40-1-202 (2019).

17. See, e.g., VT. STAT. ANN. tit. 9, § 4197 (2014).

18. See, e.g., N.D. CENT. CODE §§ 51-36-01 to -08 (2019).

19. See, e.g., VA. CODE ANN. §§ 59.1-215.1–.4 (2014).

20. WIS. STAT. ANN. § 100.197 (West 2018).

infringement allegations.²¹ To achieve this objective, Wisconsin’s anti-PAE statute creates a cause of action for “targets”²² against PAEs who fail to meet requirements for “patent notifications.”²³ In particular, any patent notification must include certain information to enable the recipient to make an informed decision regarding the claim,²⁴ without including any “false, misleading, or deceptive information.”²⁵ Should a patent notification lack the requisite information, a target can request such information, after which a patent holder has thirty days to remedy the defective patent notification before facing liability.²⁶ Importantly, Wisconsin’s anti-PAE statute makes no distinction between a patent holder’s good or bad faith in sending a patent notification letter—both good and bad faith actors are treated the same.²⁷

At present, there is very little case law in which Wisconsin’s anti-PAE statute is asserted, much less adjudicated.²⁸ Two district court opinions, both authored by Chief Judge Griesbach of the Eastern District of Wisconsin, provide some insight into the operation of the statute.²⁹ In *Great Lakes Mfg. v. Londerville Steel*, the patent holder was successful in satisfying the requirements of Wisconsin’s anti-PAE statute, thus prompting the dismissal of the claim for “failure to state a claim.”³⁰ In *Energy Bank v. Orion Energy Systems*, the

21. *Testimony by Rep. Adam Neylon on behalf of the Patent Notification Act: Hearing on SB498 Before the Committee on Gov’t Ops, Pub. Works, and Telecom*, 2013–2014 Legis. (Wis. 2014).

22. WIS. STAT. ANN. § 100.197(1)(b) (West 2018) (defining a “target” as one who satisfies Wisconsin’s personal jurisdiction statute under WIS. STAT. ANN. § 801.05(1)(b)–(d) and has received a patent notification or whose customers have received patent notifications).

23. *Id.* § 100.197(1)(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.”).

24. *See id.* §§ 100.197(2)(a), (c).

25. *Id.* § 100.197(2)(b).

26. *Id.* § 100.197(2)(c).

27. *See infra* Part V.A.

28. Only five federal district court opinions are on record as of March 23, 2019: *Sidi Spaces, LLC v. CGS Premier, Inc.*, 2016 U.S. Dist. LEXIS 87316 (D. Az. July 6, 2016) (denying defendant’s motion to transfer venue); *Sidi Spaces, LLC v. CGS Premier, Inc.*, 2016 U.S. Dist. LEXIS 96599 (D. Az. July 25, 2016) (holding that the patent notification at issue did not attempt to enforce any patent right and was thus beyond the scope of WIS. STAT. ANN. § 100.197); *Parallax Grp. Int’l, LLC v. Greatmats.com Corp.*, 2017 U.S. Dist. LEXIS 183636 (C.D. Cal. Jan. 11, 2017) (denying as moot plaintiff’s motion to dismiss defendant’s counterclaim under WIS. STAT. ANN. § 100.197 after defendant’s voluntary dismissal of the same); *Energy Bank, Inc. v. Orion Energy Sys.*, 2017 U.S. Dist. LEXIS 199795 (E.D. Wis. Dec. 4, 2017) (denying plaintiff’s motion for remand to state court because the preemption question constitutes a federal question under 28 U.S.C. § 1454); *Great Lakes Mfg. v. Londerville Steel Enters.*, 2018 U.S. Dist. LEXIS 81529 (E.D. Wis. May 15, 2018) (dismissing the defendant’s claim under WIS. STAT. ANN. § 100.197 for failure to state a claim).

29. *Energy Bank, Inc. v. Orion Energy Sys.*, 2017 U.S. Dist. LEXIS 199795 (E.D. Wis. Dec. 4, 2017); *Great Lakes Mfg. v. Londerville Steel Enters.*, 2018 U.S. Dist. LEXIS 81529 (E.D. Wis. May 15, 2018).

30. *Great Lakes Mfg.*, 2018 U.S. Dist. LEXIS 81529 at *7. The court also noted that “nothing in the plain language of WIS. STAT. [ANN] § 100.197 imposes a requirement that notification letters

plaintiff filed a complaint in state court asserting Wisconsin’s anti-PAE statute, and the defendant removed to federal court after asserting that Wisconsin’s anti-PAE statute was preempted.³¹ The court declined to remand the case to state court after finding that removal was proper on the basis of exclusive federal jurisdiction.³² Because the opinion simply denied the motion to remand, the case offers no substantive discussion of Wis. Stat. Ann. § 100.197 or whether preemption would actually result.³³

In both *Great Lakes* and *Energy Bank*, the defendants argued that Wisconsin’s anti-PAE statute was preempted by federal law,³⁴ but both courts resolved the cases without directly addressing the issue of preemption.³⁵ As a result, the issue of whether Wisconsin’s anti-PAE statute is preempted remains an open question. Moreover, the issue of preemption remains an open question for state anti-PAE statutes in general.

II. THE PROBLEM OF PREEMPTION: CAN STATES SUCCESSFULLY DRAFT ANTI-PAE LEGISLATION?

States seeking to take legislative action against PAEs face an obvious threshold barrier: the doctrine of federal preemption. The federal preemption doctrine, which finds its roots in the Supremacy Clause of the United States Constitution, operates to prevent states from legislating in areas where Congress possesses the exclusive right to legislate.³⁶ It is well understood that patent law is exclusively within the domain of the federal government.³⁷ As such, any state law aimed at curbing PAEs, or any other patent-related objective for

identify underlying direct infringers” in a patent notification alleging induced infringement under 35 U.S.C. § 271(b) or “identify which subsection of 35 U.S.C. § 271” is being asserted. *Id.* at *10–11; *see also* FED. R. CIV. P. 12(b)(6).

31. *Energy Bank*, 2017 U.S. Dist. LEXIS 199795 at *5.

32. *Id.* at *14.

33. *See id.* at *13–14.

34. *Id.* at *14; *Great Lakes Mfg.*, 2018 U.S. Dist. LEXIS 81529 at *10.

35. *See Energy Bank*, 2017 U.S. Dist. LEXIS 199795 at *11, *13–14; *Great Lakes Mfg.*, 2018 U.S. Dist. LEXIS 81529 at *2.

36. U.S. CONST. art. VI, § 2. Under the Court’s modern preemption doctrine, state legislation can be preempted either expressly or impliedly. *See Arizona v. United States*, 567 U.S. 387, 399–400 (2012). A state law is impliedly preempted when Congress creates a legislative scheme that is “so pervasive” or “so dominant” in some field that states are unable to legislate. *Id.* at 399 (quoting *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947) (internal quotation marks omitted)). In addition, a state law is impliedly preempted when a state law comes into conflict with a federal law so as to make it “impossible . . . to comply with both state and federal law . . . or where state law ‘stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.’” *English v. Gen. Elec. Co.*, 496 U.S. 72, 79 (1990) (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

37. U.S. CONST. art. I, § 8, cl. 8.

that matter, is subject to implied preemption.³⁸ Critically, courts have determined that the Patent Act does not impliedly preempt the *entire* field of patent law, which theoretically leaves states some room to legislate, albeit subject to conflict preemption.³⁹

A. *The Supreme Court's Likely Preemption Analysis*

The Supreme Court has had an opportunity to address federal preemption in the context of patent law on a number of occasions but never in the context of anti-PAE statutes.⁴⁰ The Court's early jurisprudence, particularly in *Allen v. Riley*, strongly suggests that states may be permitted to “enact police regulations for the protection and security of their citizens’ so long as the regulations [are] not ‘so great as to be regarded as oppressive and unreasonable’ [or] interfere with the right of a patentee to sell or assign his patent”⁴¹ In *Allen*, the Court determined that a Kansas statute requiring proof of patent ownership in transactions involving patent rights was a permissible exercise of the state’s police power, despite the fact that the law touched on patent rights.⁴² The Court noted that “[s]ome fair latitude must be allowed [to] the states in the exercise of their [police] powers on this subject.”⁴³ In particular, states should be allowed to legislate “for the purpose of checking a well-known evil [such as] fraud and imposition in regard to the sales of rights under patents” or for the “safeguarding of the interests of those dealing with the assumed owner of a patent”⁴⁴ Under this reasoning, it would seem as though states possess broad discretion to create laws related to patent rights. However, the Supreme Court has not revisited this particular doctrine in some time, but at least one scholar persuasively advocates for *Allen*’s revival.⁴⁵

More recently, the Supreme Court assessed conflict preemption of state laws touching on federal patent law by asking whether the state law at issue

38. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (“The patent law does not explicitly endorse or forbid the operation of trade secret law.”); *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1334–35 (Fed. Cir. 1998) (“[F]ederal patent law plainly does not provide for explicit preemption.”); *see also* 35 U.S.C. §§ 1–390 (2012).

39. *Hunter Douglas, Inc.*, 153 F.3d at 1334–35.

40. *Kewanee Oil*, 416 U.S. at 472; *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 143 (1989); *Allen v. Riley*, 203 U.S. 347, 351–52 (1906).

41. Camilla A. Hrды, *The Reemergence of State Anti-Patent Law*, 89 U. COLO. L. REV. 133, 181–82, 183 n. 248 (2018) (quoting *Allen*, 203 U.S. at 356–57).

42. *See Allen*, 203 U.S. at 355.

43. *Id.* at 357.

44. *Id.* at 356.

45. Hrды, *supra* note 41, at 210–15.

conflicts with the purposes of federal patent law.⁴⁶ More specifically, preemption is determined after considering whether the “objectives of patent [law]” and the state law at issue are in conflict.⁴⁷ Where the state law “clashes with the objectives of . . . federal patent laws,” the state law cannot stand.⁴⁸

In *Kewanee Oil Co. v. Bicron Corp.*, the Supreme Court first articulated the preemption analysis for use in the context of patent law, which was implicitly introduced by the Court in its earlier *Sears, Roebuck & Co.* decision.⁴⁹ As stated by the *Kewanee Oil* Court, preemption is assessed by examining “the objectives of both the patent and [state] laws” to determine whether “the [state] scheme of protection . . . ’clashes with the objectives of the federal patent laws’ [If the laws clash,] the state law must fall.”⁵⁰ By this standard, the *Kewanee Oil* Court sought to determine whether Ohio’s trade secret laws were preempted by federal patent laws.⁵¹ The court stated three purposes of patent law: (1) to provide incentive for inventors to invent; (2) to prompt the disclosure of inventions; and (3) to ensure that ideas in the public domain stay there.⁵² After then examining the purpose of trade secret law, specifically its aim to encourage invention and maintain standards of commercial ethics, the Court held that Ohio’s trade secret law did not conflict with the three purposes of patent law because it primarily served those inventions that were either not patentable subject matter or would constitute inventions of “dubious” patentability.⁵³ Thus, Ohio’s trade secret law survived preemption.⁵⁴

In a second case, *Bonito Boats, Inc v. Thunder Craft Boats, Inc.*, the Supreme Court built upon *Kewanee Oil Co.*’s preemption analysis by arguably adding a fourth purpose of patent law: “to promote national uniformity in the realm of intellectual property.”⁵⁵ In considering this fourth purpose, the Court found a Florida law that prohibited the use of a “direct molding process to

46. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479–80 (1974); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 155 (1989).

47. *Kewanee Oil*, 416 U.S. at 480.

48. *Id.* at 480 (quoting *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964) (internal quotation marks omitted)); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964).

49. See *Kewanee Oil*, 416 U.S. at 480.

50. *Id.* (quoting *Sears, Roebuck & Co.*, 376 U.S. at 231).

51. *Id.* at 478.

52. *Id.* at 480–81.

53. See *id.* at 484, 491. Though both federal patent law and Ohio’s trade secret law seek to encourage invention, the Court found that patent law’s policy “is not disturbed by the existence of another form of incentive to invent[.]” *Id.* at 484.

54. *Id.* at 493. It is worth noting that the *Kewanee Oil Co.* decision has been broadly criticized, particularly for its assertion that inventors elect for patent protection over trade secret protection. Richard H. Stern, *A Reexamination of Preemption of Trade Secret Law After Kewanee*, 42 GEO. WASH. L. REV. 927, 946 (2017).

55. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989); Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 VA. L. REV. 1579, 1605 (2015).

duplicate unpatented boat hulls” was preempted because it “substantially restrict[ed] the public’s ability to exploit an [unpatented design]”⁵⁶ In particular, the Florida law prevented individuals from making use of unpatented designs, which, according to federal patent law, exist in the public domain.⁵⁷ Accordingly, the Florida law “erod[ed] the general rule of free [nationwide] competition upon which the attractiveness of the federal patent bargain depends”⁵⁸ by “constricting the spectrum of useful public knowledge”⁵⁹ and “of-fering patent-like protection for ideas deemed unprotected under the present federal scheme”⁶⁰ In offering protection beyond that of the federal patent scheme, the Florida law disrupted the national uniformity of patent protection and its corresponding scope.⁶¹

B. The Federal Circuit’s “Bad Faith” Preemption Standard

Despite the Supreme Court’s decision in *Allen* or its more recent guidance in *Kewanee Oil Co.* and *Bonito Boats, Inc.*, the Federal Circuit has developed its own preemption doctrine. In the context of patent law, the Federal Circuit’s preemption standard, which is articulated in the *Globetrotter* opinion, finds much of its root in the First Amendment’s Petition Clause and the Supreme Court’s *Noerr Motor Freight* decision.⁶² Rather than comparing the objectives of patent law with the state law as the Supreme Court did in *Kewanee Oil Co.* and *Bonito Boats*, the Federal Circuit fashioned a test that preempts state law claims made against a patent holder, unless a party can show that: (1) the patent holder’s infringement allegation is made in bad faith and (2) that the allegations were made with knowledge or reckless disregard of their inaccuracy.⁶³

The Federal Circuit’s emphasis on bad faith originated in its *Hunter Douglas* decision, where the court stated that “federal patent law bars the imposition of liability for publicizing a patent in the marketplace unless a plaintiff can

56. *Bonito Boats, Inc.*, 489 U.S. at 141, 167.

57. *Id.* at 167 (“The Florida statute is aimed directly at the promotion of intellectual creation by substantially restricting the public’s ability to exploit ideas that the patent system mandates shall be free for all to use.”); Johnson, *supra* note 7, at 2040.

58. *Bonito Boats, Inc.*, 489 U.S. at 161.

59. *Id.* at 159.

60. *Id.* at 142.

61. *Id.* at 162–63.

62. See *Globetrotter Software, Inc. v. Elan Computer Grp.*, 362 F.3d 1367, 1375 (Fed. Cir. 2004) (citing *E.R.R. Presidents Conf. v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961)). In *Globetrotter*, a state tortious interference claim based on allegations of patent infringement claim was deemed preempted by federal law in part because the law imposed liability for a patent holder’s “good faith” conduct in asserting patent rights. *Id.* at 1374.

63. See *id.* at 1377.

show that the patentholder acted in bad faith.”⁶⁴ Accordingly, “if the plaintiff were to fail to allege that the defendant patentholder was guilty of bad faith in the publication of a patent, then the complaint would be dismissed for failure to state a claim upon which relief can be granted because of federal preemption.”⁶⁵ After the *Hunter Douglas* decision, the Federal Circuit continued to place primary emphasis on bad faith conduct of a patent holder,⁶⁶ and eventually, the first prong of the test became the most important.

The first prong is important because it effectively immunizes patent holders from any state law action⁶⁷ arising out of the patent holder’s effort to enforce a patent except when it is shown by clear and convincing evidence that the patent holder’s enforcement allegation is made in *bad faith*.⁶⁸ Within the first prong, the Federal Circuit has imposed an objective baselessness requirement that is of great consequence in the preemption inquiry: to show bad faith, a party must prove by clear and convincing evidence that the patent holder’s allegations were objectively baseless such that there is “no reasonable basis” to believe that that the patent holder could succeed on the allegation.⁶⁹ Under the Federal Circuit’s bad faith standard, then, a state law is preempted by a patent holder’s immunity from claims that are not founded in bad faith such that there is no reasonable basis to believe that the allegation could succeed.

As alluded to above, the objective baseless threshold for a showing of bad faith does not originate from the Supremacy Clause, the Intellectual Property Clause, or any case law implicating either doctrine.⁷⁰ Instead, the Federal Circuit admits that it is derived from the “jurisprudential background of the bad

64. *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1336 (Fed. Cir. 1998). The Court also noted one cannot be held liable for conduct before the patent and trademark office “unless a plaintiff can show that the patentholder’s conduct amounted to fraud or rendered the patent application process a sham.” *Id.* at 1335.

65. *Id.* at 1336.

66. *See Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1355 (Fed. Cir. 1999) (“[U]nder the *Hunter Douglas* analysis, bad faith must be alleged and ultimately proven, even if bad faith is not otherwise an element of the [state law] claim.”); *Golan v. Pingel Enterprise, Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002). A plaintiff, to further state law claims regarding patent enforcement, must “present[] clear and convincing evidence that the infringement allegations are objectively false, and that the patentee made them in bad faith, *viz.*, with knowledge of their incorrectness or falsity, or disregard for either, the statements are actionable and are not protected by the existence of a patent.” *Golan*, 310 F.3d at 1371.

67. And arguably federal causes of action as well. *Gugliuzza*, *supra* note 55, at 1586.

68. *Globetrotter Software, Inc.*, 362 F.3d at 1374 (“State-law claims can survive federal preemption only to the extent that those claims are based on a showing of ‘bad faith’ action in asserting infringement. Accordingly, to avoid preemption, ‘bad faith must be alleged and ultimately proven, even if bad faith is not otherwise an element of the tort claim.” (quoting *Zenith Elecs.*, 182 F.3d at 1355)).

69. *Id.* at 1377 (quoting *Golan*, 310 F.3d at 1371).

70. *Id.* at 1377.

faith standard” provided by the Supreme Court’s *Noerr* decision.⁷¹ While the *Noerr* decision pertains to antitrust law, the Federal Circuit has imported the doctrine into patent law to permit plaintiffs to invoke immunity over state law claims.⁷² The *Globetrotter* court stated that this standard “rests on both federal preemption and the First Amendment,”⁷³ but this bad faith standard is plainly derived from *Noerr* and its progeny.⁷⁴ Indeed, according to some scholars, the court’s reliance on *Noerr* represents the “equat[ion of] bad faith with conflict preemption under the Supremacy Clause,” though the two doctrines are distinct.⁷⁵

The *Globetrotter* court focused on bad faith as a permissible area for state regulation because federal patent law stops short of regulating in this area.⁷⁶ Patent law instead immunizes patent holders making good faith assertions of patent rights from civil liability for those arising out of those assertions while leaving all bad faith assertions of patent rights exposed to other civil liability, including liability under state law.⁷⁷ The fact that federal patent law only extends immunity over such good faith assertions theoretically provides space for states to create causes of action to be asserted against bad faith patent holders without creating any conflict with federal law.⁷⁸ However, as some scholars note, this space is so narrow so as to “render[] the states practically powerless to regulate patent enforcement”⁷⁹ Moreover, other scholars have noted that this is likely not the only space states have to operate according to Supreme Court decisions.⁸⁰

On its face, the Federal Circuit’s focus on bad faith assertions might seem workable for states seeking to regulate PAEs’ troll-esque behavior, a kind of

71. *Id.*

72. *Id.* at 1376; Gugliuzza, *supra* note 55, at 1585 n. 41.

73. *Globetrotter Software, Inc.*, 362 F.3d at 1377.

74. *See id.* at 1374. The objective baselessness standard used by the *Golan* and *Globetrotter* courts comes from the Supreme Court’s *Prof’l Real Estate Investors, Inc.* decision which defines objective baselessness as it relates to the “sham” litigation exception to anti-trust immunity under *Noerr*. *Prof’l Real Estate Investors, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 51, 60 (1993) (“[T]he lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits.”); *see also* Gugliuzza, *supra* note 55, at 1616.

75. Gugliuzza, *supra* note 55, at 1624; Hrды, *supra* note 41, at 201.

76. *Globetrotter Software, Inc.*, 362 F.3d at 1374–75.

77. Johnson, *supra* note 7, at 2044; *see also* *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1336 (Fed. Cir. 1998); Gugliuzza, *supra* note 55, at 1617.

78. *See Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1351 (Fed. Cir. 1999) (“In [*Hunter Douglas*.] we opined that there is no conflict-type preemption of various state law claims based on publicizing an allegedly invalid and unenforceable patent in the marketplace as long as the claimant can show that the patent holder acted in *bad faith* in publication of the patent.” (emphasis added)).

79. Gugliuzza, *supra* note 55, at 1608.

80. *Allen v. Riley*, 203 U.S. 347, 353 (1906) (“[T]he patent laws do not prevent the state from enacting police regulations for the protection and security of its citizens” (quoting *Mason v. McLeod*, 57 Kan. 105, 109 (Kan. 1896))); Hrды, *supra* note 41, at 181–83.

behavior that could surely be categorized as “bad faith” in lay terms. However, the Federal Circuit’s bad faith standard operates according to bad faith as defined by the Court in *Noerr*; a higher standard of bad faith is required.⁸¹ Under this definition of bad faith, it does not matter whether a PAE’s conduct is malicious, deceptive, or harassing.⁸² Instead, all that matters is whether the claim is *objectively baseless* with no reasonable likelihood of success *on the merits*.⁸³ This bad faith standard is, according to multiple critics, a very high standard that is nearly insurmountable for those facing the typical PAE claim.⁸⁴ Because the standard is so high, states’ ability to regulate is effectively minimized.

III. ANALYSIS: PREEMPTION THE STATES’ ANTI-PAE LEGISLATION

The issue of preemption in the context of recent anti-PAE statutes has been examined by a number of scholars.⁸⁵ To date, no anti-PAE statute has made its way to the Supreme Court or the Federal Circuit to confirm scholarly predictions regarding preemption. Thus, until the preemption issue is determined by either or both courts, the outcome of a preemption analysis is left unanswered. Of course, scholars have opined on the likelihood of preemption at length.⁸⁶

Some commenters have suggested that, under the Supreme Court’s *Allen* or *Kewanee Oil Co.* and *Bonito Boats* preemption framework, state laws regulating the enforcement of intellectual property rights, such as the states’ anti-PAE statutes, are unlikely to be preempted.⁸⁷ Indeed, a strong argument can be made that state anti-PAE statutes do not “clash with the objectives of federal patent law” and thus should survive preemption under the *Kewanee/Bonito Boats* standard.⁸⁸ Average inventors are unlikely to forgo patent protection out of fear of being sued by some state law regulating bad faith or deceptive enforcement.⁸⁹ The anti-PAE statutes are not unlike state trade secret, trademark, and unfair

81. *Globetrotter Software, Inc.*, 362 F.3d at 1377 (citing *Golan v. Pingel Enterprise, Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002)).

82. *See id.* (“Our decision to permit state-law tort liability for *only* objectively baseless allegations of infringement rests on both federal preemption and the First Amendment.” (emphasis added)).

83. *Id.*

84. *See* Gugliuzza, *supra* note 55, at 1608; Roger Allan Ford, *The Uneasy Case for Patent Federalism*, 217 WIS. L. REV. 551, 567 (2017).

85. *See, e.g.*, Jonathan Todd, *Stopping the Troll Tax: An Analysis of the Patent Troll Issue and South Carolina’s Bad Faith Assertion of Patent Infringement Act*, 68 S.C. L. REV. 761, 784–88 (2017); Gugliuzza, *supra* note 55, at 1631–35; Johnson, *supra* note 7, at 2051–68; Ford, *supra* note 84, at 561–68; Hrdy, *supra* note 41, at 187–97.

86. *See, e.g.*, Gugliuzza, *supra* note 55, at 1605–08, 1631–35; Johnson, *supra* note 7, at 2051–70; Todd, *supra* note 85, at 786–91; T. Christian Langreth, *The Fight Against “Patent Trolls”: Will State Law Come to the Rescue?*, 15 N.C. J.L. & TECH. 100, 120–25 (2014).

87. Gugliuzza, *supra* note 55, at 1601, 1608 (suggesting that states might have authority to enact anti-PAE statutes under the *Kewanee/Bonito Boats* preemption standard).

88. Gugliuzza, *supra* note 55, at 1605–06.

89. *See id.* at 1605.

competition laws that permissibly occupy a domain related to but separate from federal patent law.⁹⁰ To be sure, state law operates to determine ownership of patents through contract law,⁹¹ discourage the abuse of process,⁹² and prohibit business disparagement.⁹³ For this reason, most state anti-PAE statutes do not disincentivize invention or disclosure in the way that *Kewanee* and *Bonito Boats* Courts were concerned. Indeed, these anti-PAE statutes arguably do not concern the scope of intellectual property that was at issue in *Bonito Boats, Inc.*⁹⁴ Instead, the anti-PAE statutes at issue simply regulate “well-known evils,” like the emergence of patent trolls, without expanding or diminishing the scope of any patent right.⁹⁵

However, given the current Federal Circuit stance on the matter, any suggestion that these state laws would survive the Supreme Court’s likely preemption analysis is of little practical importance.⁹⁶ This is because the Federal Circuit’s drastically different approach to preemption in the context of patent law has made it “exceedingly difficult”⁹⁷ and “almost impossible”⁹⁸ for state laws related to patent rights to stand. And various scholars have specifically suggested that anti-PAE statutes are unlikely to survive the Federal Circuit’s bad faith preemption analysis.⁹⁹ In particular, many of the anti-PAE statutes are susceptible to preemption because they define bad faith differently than the Federal Circuit.¹⁰⁰ And other anti-PAE statutes may be preempted by failing to

90. *Id.* at 1605–06. The same can be said for the Ohio trade secret law scheme. *See Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484–90 (1974).

91. *See, e.g.*, *Enovsys LLC v. Nextel Commc’ns, Inc.*, 614 F.3d 1333, 1342 (Fed. Cir. 2010).

92. *See, e.g.*, *Carroll Touch, Inc. v. Electro Mech. Sys., Inc.*, 15 F.3d 1573, 1581 (Fed. Cir. 1998).

93. *See, e.g.*, *Additive Controls & Measurement Sys. Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478 (Fed. Cir. 1993) (“Patent law does not create [the plaintiff’s] state law business disparagement claim. . . . [But the plaintiff’s] ‘right to relief necessarily depends on resolution of a substantial question of federal patent law’” (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988))).

94. Gugliuzza, *supra* note 55, at 1606.

95. *Allen v. Riley*, 203 U.S. 347, 356 (1906); *see also* Gugliuzza, *supra* note 55 at 1606 (“When the Court has been confronted with bodies of state law . . . that govern intellectual property rights whose scope has already been determined by federal law, the Court has allowed state law room to operate.”).

96. *Id.* at 1608.

97. *See* Gugliuzza, *supra* note 55, at 1616–17.

98. *See id.* at 1627.

99. Ford, *supra* note 84, at 561–62 n. 44; Gugliuzza, *supra* note 55, at 1631–35; Johnson, *supra* note 7, at 2061–70 (noting that many of Vermont’s provisions would be preempted under the Federal Circuit’s standard).

100. *See* Johnson, *supra* note 7, at 2061–70.

limit the operation to bad faith conduct and imposing liability for those seeking to enforce patents in good faith.¹⁰¹

Almost all state anti-PAE statutes are directed towards bad faith, presumably in an effort to avoid preemption under the Federal Circuit’s bad faith standard.¹⁰² Commenters suggest that those states that have drafted anti-PAE statutes directed towards bad faith as the Federal Circuit has defined it may survive the Federal Circuit’s stringent bad faith standard.¹⁰³ Indeed, by tailoring a state law to operate only on the narrow grounds provided by the federal circuit’s bad faith standard, states theoretically have room to legislate. As some scholars have suggested, however, avoiding preemption may not be the only problem for those seeking relief under state bad faith-oriented anti-PAE statutes: the requirement that a plaintiff show objective baselessness by clear and convincing evidence is a high barrier to surmount.¹⁰⁴ For instance, proving the objective baselessness of a claim is often a highly factual inquiry, one very likely to be intertwined with the merits of the infringement claim and the underlying patent itself.¹⁰⁵ This suggests that parties seeking remedy under bad faith-oriented anti-PAE statutes face a difficult legal battle with undoubtedly high legal fees, which may render the assertion of anti-PAE statutes as cumbersome as simply defending against the infringement allegation or paying the PAE’s desired settlement fee.¹⁰⁶ Not all statutes address bad faith, however. Wisconsin’s anti-PAE statute, for example, notably makes no mention of bad faith conduct whatsoever.¹⁰⁷

A. Wisconsin’s Anti-PAE Statute is Likely Preempted Under the Federal Circuit’s Standard but Likely Not Under the Supreme Court’s Standard

Should the Supreme Court consider this particular preemption issue using either the approach from *Allen* or *Kewanee/Bonito Boats*, it is likely that Wisconsin’s anti-PAE statute would survive. Under *Allen*, Wisconsin’s anti-PAE statute seems to be a clear exercise of police power aimed at remedying the “well-known evil” of PAEs, forcing potential infringers into costly settlements by sending harassing letters. Indeed, the patent holder needs to prove

101. *Globetrotter Software, Inc. v. Elan Computer Grp.*, 361 F.3d 1367, 1374–75 (Fed. Cir. 2004); *see also* Todd, *supra* note 85, at 788–91.

102. Further evidence of this is shown by states’ reference to standards that appear similar to the Federal Circuit’s “objective baselessness” standard. *See, e.g.*, VT. STAT. ANN. tit. 9, § 4197(b)(6) (2014) (“The assertion of patent infringement is meritless”).

103. *See, e.g.*, Langreth, *supra* note 86, at 120–25.

104. *See* Gugliuzza, *supra* note 55, at 1635.

105. *Id.*

106. This begs the question: is it even worth litigating an anti-PAE case? *See The Patent Troll Problem*, LOTNETWORK, <https://lotnet.com/the-patent-troll-problem> [<https://perma.cc/2GQL-54AW>].

107. *See* WIS. STAT. ANN. § 100.197(2) (West 2018).

ownership to satisfy Wisconsin's anti-PAE statute, just like the Kansas law at issue in *Allen*. Under the *Kewanee Oil Co.* and *Bonito Boats* approach, Wisconsin's anti-PAE statute is also likely to survive preemption. By requiring a patent holder to comply with demand letter requirements, Wisconsin's anti-PAE statute does not discourage invention, discourage the prompt disclosure of said inventions, or keep ideas from the public domain in any meaningful way. Nor does the law inhibit the uniform application of patent laws; substantive patent law is unchanged by the operation of Wisconsin's anti-PAE statute.

Nonetheless, Wisconsin's anti-PAE statute is likely preempted under the Federal Circuit's bad faith standard precisely because the statute is not limited to bad faith conduct. By imposing liability for infringement allegations that are merely "false, misleading, or deceptive,"¹⁰⁸ the Wisconsin anti-PAE statute theoretically regulates good faith conduct by the Federal Circuit's definition,¹⁰⁹ which, according to the Federal Circuit, justifies preemption.¹¹⁰ Though "false," "misleading," and "deceptive" are adjectives that could be used to describe conduct of many PAEs, these adjectives are nowhere to be found within the Federal Circuit's *Noerr*-derived objective baselessness requirement. Even though regulating false, misleading, or deceptive conduct is particularly desirable in the age of PAEs, the states are precluded from regulating in this area by the Federal Circuit's current preemption standard. It only matters whether the patent holder's enforcement claim is objectively baseless according to the *Noerr* definition articulated in the *Globetrotter* case,¹¹¹ and this standard leaves scant opportunity for states to curb unwelcome PAE behavior.

The Wisconsin statute is vulnerable to preemption under the Federal Circuit's bad faith standard by theoretically imposing liability on good faith conduct when enforcement letters lack the information required by Wis. Stat. Ann. § 100.197(2)(c).¹¹² It is entirely possible that a patent holder could assert her patent rights in good faith but fail to provide an enforcement letter with the requisite information and subsequently fail to remedy the deficiency. Though it is advantageous to enable recipients to respond intelligently to an enforcement letter by ensuring patent enforcement letters contain adequate information

108. WIS. STAT. ANN. § 100.197(2) (West 2018).

109. At least one scholar has noted that Wisconsin's anti-PAE statute is perhaps more vulnerable to preemption on this basis than other states' anti-PAE legislation. See Gugliuzza, *supra* note 55, at 1631–32.

110. See *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1336 (Fed. Cir. 1998); *Globetrotter Software, Inc. v. Elan Computer Grp.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004).

111. See *Globetrotter Software, Inc.*, 362 F.3d at 1376–77 (citing *Golan v. Pingel Enterprise, Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002)).

112. See WIS. STAT. ANN. § 100.197(2) (West 2018).

without regard for the good or bad faith nature of the allegation,¹¹³ this requirement necessarily affects patent holders acting on both good and bad faith. Thus, when bad faith is the definite limit on a state’s ability to regulate matters related to patent law, Wisconsin’s anti-PAE statute is almost certainly preempted by imposing liability for good faith conduct of patent holders.

Because of its likely preemption, Wisconsin’s anti-PAE statute demonstrates the way in which the Federal Circuit’s preemption standard greatly restricts states’ ability to protect their constituents from PAEs. More specifically, Wisconsin’s anti-PAE statute makes a conscious effort to avoid any conflict with the merits of patent law by carefully regulating only the content of the enforcement letter. To satisfy the statute, no inquiry into the merits of the patent claim is necessary. Patent holders truly acting in good faith can easily avoid liability by complying with the statute’s requirements. State judges or district court judges can comfortably weigh the merits of a claim under Wisconsin’s anti-PAE statute without any searching inquiry into substantive patent law. The same cannot be said of the Federal Circuit’s bad faith standard, which plainly requires an objective baselessness as to the merits of the underlying infringement claim.

Wisconsin’s anti-PAE statute is preempted because it operates beyond the narrow circumstances defined by bad faith. However, Wisconsin’s anti-PAE statute seemingly operates beyond the bounds of bad faith precisely in an effort to avoid the merits of patent law. In this way, the Federal Circuit’s standard preempts carefully constructed state laws and thus frustrates states’ efforts to protect their constituents in a way that avoids any unnecessary wading into substantive patent law.

B. Jurisdictional Implications and the Conundrum for State Legislators

One important implication of the Federal Circuit’s bad faith standard is that it necessarily requires state laws to operate within the merits of the patent infringement allegation and the underlying patent, which are substantive patent law issues, and therefore, under the federal judiciary’s exclusive jurisdiction.¹¹⁴ To be sure, because bad faith is characterized by a patent holder’s assertion of infringement that is objectively baseless according to the merits (or rather the lack thereof) of the infringement allegation, courts necessarily need to rule on

113. See *Testimony by Rep. Adam Neylon on behalf of the Patent Notification Act: Hearing on SB498 Before the Committee on Gov’t Ops, Pub. Works, and Telecom*, *supra* note 21.

114. The federal judiciary has original jurisdiction over issues arising under Acts of Congress related to patent law. 28 U.S.C. § 1338(a) (2012). For actions first filed in state court, litigants are permitted to remove to federal court on the basis of 28 U.S.C. § 1338(a) jurisdiction. See 28 U.S.C. § 1454(a) (2012).

the matters of substantive patent law.¹¹⁵ In particular, a court would need to consider both the scope of the underlying patent claims¹¹⁶ and the validity¹¹⁷ of the underlying patent as it relates to the likelihood that the infringement will succeed.¹¹⁸ It is difficult to imagine a scenario in which a state court could find bad faith on the part of a patent holder based on an objectively baseless claim without considering the merits of the infringement suit and the underlying patent(s).

By requiring states to regulate only the narrowly defined bad faith of patent holders, the Federal Circuit has created a conundrum for state legislators seeking to exercise police powers to protect their constituents from PAEs' harassment. On the one hand, states could predictably survive the current Federal Circuit preemption by narrowly regulating only bad faith claims but face certain removal to the federal court system under 28 U.S.C. § 1338(a) and 28 U.S.C. § 1454(a). This choice leaves states without the ability to provide a friendly forum to their constituents, which further limits states power to protect their constituents even if an anti-PAE statute could survive preemption. On the other hand, a state could theoretically steer clear of substantive patent law and associated jurisdictional consequences by creating a cause of action that does not operate according to substantive patent law but then face sure preemption under the Federal Circuit's bad faith standard by regulating good faith conduct.

Wisconsin's anti-PAE statute chooses the latter course and avoids mandatory removal by omitting any inquiry to the merits of the infringement claim or the underlying patent. Thus, it would seem that Wisconsin's anti-PAE statute may successfully remain in state court under current 28 U.S.C. § 1338(a) case law.¹¹⁹ Until the preemption question is addressed by a court, however, Wisconsin's anti-PAE statute, and other anti-PAE statutes for that matter, may continue to face removal until the preemption question is resolved.¹²⁰

115. See, e.g., *Markman v. Westview Instruments*, 517 U.S. 370, 374 (1996) ("Victory in an infringement suit requires a finding that the patent claim 'covers the alleged infringer's product or process,' which in turn necessitates a determination of 'what the words in the claim mean.'" (internal citations omitted)).

116. See 35 U.S.C. § 271(a) (2012).

117. This point would likely be of particular relevance because many PAE assertions are based on broad patents that are suspect on 35 U.S.C. §§ 101 and 112 bases. See 157 CONG. REC. 717 (2011) (statement of Sen. Leahy).

118. See Gugliuzza, *supra* note 55, at 1635.

119. See *Gunn v. Minton*, 568 U.S. 251, 258 (2013) (noting that when a claim does not "raise a . . . federal issue, actually disputed and substantial," the claim does not fall under 28 U.S.C. § 1338(a) jurisdiction) (citing *Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg.*, 545 U.S. 308, 314 (2005)).

120. See, e.g., *Energy Bank, Inc. v. Orion Energy Sys.*, 2017 LEXIS 199795, at *12–14 (E.D. Wis. Dec. 4, 2017).

Thus, while Wisconsin’s anti-PAE statute makes an effort to fall outside of the limited scope permitted by the Federal Circuit’s bad faith standard, it remains unclear whether litigants will be permitted to bring their claims in state court. The consequences of bringing a claim in federal courts could be dire: federal district courts are bound by the Federal Circuit’s precedent, including its bad faith preemption standard. Thus, if a judge finds that the preemption issue does, in fact, confer exclusive federal jurisdiction, it is highly likely that the adjudication of the preemption issue would result in the preemption of Wisconsin’s anti-PAE statute.

CONCLUSION

It is apparent that Wisconsin’s anti-PAE statute is very likely preempted under the Federal Circuit’s current bad faith standard.¹²¹ For its “nearly insurmountable requirements,” this doctrine has been sharply criticized by scholars as it relates to state anti-PAE statutes generally.¹²² In addition to these criticisms, Wisconsin’s anti-PAE statute and its likely preemption highlight the counterintuitive operation of the Federal Circuit’s bad faith standard: encouraging state laws to operate according to the merits of substantive patent law claims.

Wisconsin’s anti-PAE statute demonstrates a clear effort on the part of the Wisconsin legislature to avoid conflicting with federal patent law by eliminating the need for any inquiry into the merits of the patent.¹²³ In this way, Wisconsin’s anti-PAE statute is unique relative to other anti-PAE statutes. While other states direct their statutes to the bad faith of patent holders,¹²⁴ Wisconsin’s anti-PAE statute places its emphasis on the contents of the patent notification letter beyond the merits of an infringement claim.¹²⁵ By avoiding the merits of the patent, Wisconsin’s anti-PAE statute provides relief for its constituents while respecting Congress’s exclusive purview over substantive patent law.¹²⁶ Wisconsin’s anti-PAE statute, therefore, serves Wisconsin citizens in response to a deficiency in federal patent law¹²⁷ while simultaneously appreciating Wisconsin’s limits vis-à-vis Congress’s authority and exclusive federal jurisdiction.

121. See *supra* Part V.A.

122. Gugliuzza, *supra* note 55, at 1585, 1628–35; Hrdy, *supra* note 41, at 210–15.

123. See WIS. STAT. ANN. § 100.197(2) (West 2018).

124. See, e.g., VT. STAT. ANN. tit. 9, § 4197(a) (2014); VA. CODE ANN. § 59.1-215.2 A. (2014); 14 ME. REV. STAT. ANN. § 8701 2. (2018).

125. See WIS. STAT. ANN. § 100.197(2) (West 2018).

126. This arguably encourages uniformity of patent law, an important purpose of patent law according to the Court in *Bonito Boats*. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989).

127. Johnson, *supra* note 7, at 2053–54.

Unfortunately, Wisconsin's anti-PAE statute likely falls victim to the Federal Circuit's chokehold on state laws relating to patent enforcement precisely by its effort to *avoid* substantive patent law. Meanwhile, other states' anti-PAE statutes generally implicate the same substantive patent law issues that Wisconsin's anti-PAE statute avoids in order to survive preemption but only when brought in federal court. By requiring costly litigation in federal court, plaintiffs would soon face steep litigation costs, which may quickly make plaintiffs' costs of asserting an anti-PAE statute exceed the cost to simply settle with PAEs.

The Federal Circuit's bad faith requirement for state legislation, therefore, serves to quell the states' abilities to regulate PAEs' behavior and secures the PAEs' ability to continue their harassing behavior. Because of the harsh and absurd consequences derived from the Federal Circuit's bad faith standard, the Supreme Court should weigh in and replace the Federal Circuit's bad faith preemption standard with either its *Allen* or *Kewanee Oil Co.* and *Bonito Boats* standard.