

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

TANGENT TECHNOLOGIES, LLC,

Plaintiff,

v.

Case No. 23-C-261

RECYCLED PLASTICS INDUSTRIES, LLC,

Defendant.

**DECISION AND ORDER DENYING DEFENDANT’S MOTION FOR LEAVE TO
AMEND AND PARTIALLY GRANTING PLAINTIFF’S MOTION TO DISMISS
AMENDED COUNTERCLAIMS 7 THROUGH 13**

Plaintiff Tangent Technologies, LLC brought this action alleging patent infringement against Defendant Recycled Plastics Industries, LLC. Plaintiff accuses Defendant of infringing its plastic lumber patents, U.S. Patent Nos. 10,981,350 (the ‘350 Patent), D819,234 (the ‘234 Patent), and D819,235 (the ‘235 Patent). On January 2, 2024, Defendant filed its Answer, Affirmative Defenses, and First Amended Counterclaims, asserting twelve counterclaims against Plaintiff. Dkt. No. 38. Plaintiff filed a motion to dismiss certain counterclaims on January 16, 2024. On March 8, 2024, Defendant filed an amended answer, affirmative defenses, and second amended counterclaims, asserting thirteen counterclaims against Plaintiff: (1) non-infringement of the ‘350 Patent; (2) non-infringement of the ‘234 Patent; (3) non-infringement of the ‘235 Patent; (4) invalidity of the ‘350 Patent; (5) invalidity of the ‘234 Patent; (6) invalidity of the ‘235 Patent; (7) abuse of process; (8) tortious interference with contract and prospective contract; (9) violations of the Lanham Act, 15 U.S.C. § 1125; (10) fraudulent representations; (11) defamation; (12) libel; and (13) tying in violation of federal antitrust laws, 15 U.S.C. §§ 1 and 14. The court subsequently denied Plaintiff’s motion to dismiss Defendant’s first amended counterclaims as moot.

On March 22, 2024, Plaintiff filed a motion to dismiss Defendant’s counterclaims for abuse of process, tortious interference with contract and prospective contract, Lanham Act violations, fraudulent representation, defamation, libel, and tying (Counterclaims 7 through 13). Defendant then filed a motion for leave to file its second amended answer and affirmative defenses and third amended counterclaims. For the following reasons, Defendant’s motion for leave to amend will be denied and Plaintiff’s motion to dismiss will be partially granted.

BACKGROUND

Plaintiff is a manufacturer and marketer of plastic building materials, specializing in plastic lumber. It has obtained several patents directed to various inventions related to plastic lumber, including the ‘350 Patent, the ‘234 Patent, and the ‘235 Patent. The ‘350 Patent, titled “wood-grained polymer substrate,” was issued by the United States Patent and Trademark Office (USPTO) on April 20, 2021. The patent “relates to polymer composites and more particularly to polymer composites that are used as a natural wood substitute or replacement.” ‘350 Patent col. 1 l. 13–15, Dkt. No. 6-1. The ‘234 and ‘235 Patents, both titled “wood-grained polymer board,” were issued by the USPTO on May 29, 2018. The patents claim the ornamental design for a wood-grained polymer board. *See* ‘234 Patent at 2, Dkt. No. 6-2; ‘235 Patent at 2, Dkt. No. 6-3.

Defendant is in the business of offering for sale, selling, and distributing plastic lumber products. It makes, uses, offers to sell, sells, and/or imports its Nature branded plastic lumber in a variety of color variants. Plaintiff alleges that Defendant infringes at least one claim of each of the ‘350, ‘234, and ‘235 Patents. Defendant denies infringement of any valid or enforceable claim of the ‘350, ‘234, and ‘235 Patents and maintains that each of the claims of the Patents is invalid and/or unenforceable.

Defendant alleges that Plaintiff's attorneys had been in contact with Defendant's attorneys in or around early 2022 to discuss Plaintiff's intellectual property and to demand that Defendant change its product design. Counterclaim ¶ 21, Dkt. No. 46. Even though Defendant did not believe it was infringing any of Plaintiff's asserted patents or that any of the Patents were valid and/or enforceable, Defendant proceeded to change its product design in order to avoid the burden and expense of needless litigation. *Id.* ¶ 22. On February 15, 2023, Plaintiff's attorneys sent Defendant a letter threatening to sue Defendant for patent infringement. *Id.* ¶ 24. Thereafter, Plaintiff filed a complaint for patent infringement against Defendant on February 24, 2023, accusing Defendant's previous design of infringement. *Id.* ¶ 25; *see* Compl., Dkt. No. 1. Defendant contends that Plaintiff never served it with that complaint but used it as perceived leverage to seek to extract unlawful and anticompetitive concessions from Defendant. Counterclaim ¶ 25.

Defendant's counsel contacted Plaintiff's counsel to express Defendant's surprise at Plaintiff's letter and complaint in view of Plaintiff's previous request for Defendant to redesign its products, Defendant's subsequent product redesign, and Plaintiff's year-long silence. *Id.* ¶ 26. Plaintiff responded on May 18, 2023, by filing its first amended complaint, which accused Defendant's prior and changed product designs of infringement. *Id.* ¶ 27; *see* Am. Compl., Dkt. No. 6. Defendant alleges that Plaintiff tried to use the filing of the first amended complaint as leverage to attempt to extract an anti-competitive settlement from Defendant whereby Defendant would be prohibited from selling "any product utilizing multiple polymer layers of differing colors to create a wood-grain effect," without reference to the specific limitations enumerated in any of the claims of the '350 Patent or either of the specific designs claimed in the '234 or '235 Patents. Counterclaim ¶ 27.

Defendant has since further redesigned its products. *Id.* ¶ 28. Despite the additional changes to Defendant's products, Plaintiff continues to maintain its infringement allegations. *Id.* Defendant asserts that no reasonable litigant could expect success on the merits of Plaintiff's infringement allegations as to any of the patents with respect to any of Defendant's accused designs and that Plaintiff is knowingly asserting its patents in bad faith. *Id.* ¶ 29.

Defendant alleges that Plaintiff has embarked upon a bad faith campaign to lie to, mislead, deceive, intimidate, and/or threaten Defendant's customers and prospective customers (including actual and prospective downstream customers) in an effort to induce Defendant's customers to terminate their existing and prospective business relationships and contracts with Defendant, to prevent them from purchasing Defendant's products or any product utilizing multiple polymer layers of different colors to create a wood-grain effect that did not originate from Plaintiff, to ruin Defendant's reputation and good will in the market, and to otherwise disrupt Defendant's ability to compete with Plaintiff. *Id.* ¶ 30. Defendant contends that these are the "true motives" for Plaintiff's filing of this "baseless lawsuit." *Id.*

Defendant asserts that, following the filing of the amended complaint, Plaintiff began contacting Defendant's customers and potential customers about the lawsuit, Plaintiff's patents, Defendant, and Defendant's products, in a bad faith effort to stop all sales of any product utilizing multiple polymer layers of different colors to create a wood-grain effect that did not originate from Plaintiff. *Id.* ¶ 31. It maintains that, in those communications, Plaintiff threatened Defendant's customers and potential customers in bad faith with litigation, damages, and injunctions, as well as lawsuits against their respective distributors and customers. *Id.* Defendant contends that Plaintiff further disparaged, lied about, and misrepresented Defendant's products as "infringing" Plaintiff's patents and Defendant as an infringer and unfair competitor, despite there having been

no such adjudication on the merits and despite having filed the present litigation and misrepresented the scope of its patent rights in bad faith. *Id.* Plaintiff included in its communication a copy of the amended complaint, which Defendant contends was used to confuse, deceive, and mislead Defendant's customers and potential customers into believing that they themselves are being sued. *Id.*

Defendant alleges that Plaintiff has been contacting Defendant's customers and potential customers in person in a bad faith effort to leverage this lawsuit to disparage Defendant; to lie to, deceive, and mislead customers about Defendant and its products; and to threaten and confuse those customers in an effort to induce them to buy products from Plaintiff. *Id.* ¶ 32. For example, in October 2023, Defendant learned that Plaintiff sent a salesman to one of Defendant's customers. *Id.* The salesman brought up the lawsuit against Defendant and began "bullying, threatening and sweet talking the customer into buying from Tangent." *Id.* (alterations omitted). The salesman also "threatened the customer with a cease and desist letter" and "helped himself to photos of" Defendant's products. *Id.* The salesman also offered "free shipping, lower prices," and "25 cents paid for returned scrap" of Plaintiff's products. *Id.* He indicated that Plaintiff has "idle lines," which the customer understood to mean that Plaintiff was looking for more work. *Id.* The customer was "upset" and demanded Defendant's "position" and the "truth." *Id.* Defendant contends that the customer's opinions of Defendant's reputation was negatively affected by Plaintiff's communications. *Id.*

Defendant alleges that the customers and downstream customers Plaintiff has contacted account for the majority of Defendant's product sales. *Id.* ¶ 34. It contends that "virtually every potential customer" that currently buys from Plaintiff has brought up the lawsuit as a major

deterrent to Defendant winning its business and expressed its concern and reservations about the lawsuit. *Id.* ¶ 35.

Defendant asserts that Plaintiff's communications with Defendant's customers and downstream customers demonstrate a pattern in which Plaintiff filed this lawsuit in bad faith and, having no reasonable expectation of success, for the actual purpose of attacking Defendant's reputation, disparaging Defendant and its products, threatening and confusing Defendant's customers and potential customers, and stealing Defendant's sales for Plaintiff's own benefit. *Id.* ¶ 33. It asserts that Plaintiff is trying to monopolize the market for products utilizing multiple polymer layers of different colors to create a wood-grain effect irrespective of any patent claims or limitations and to extract anti-competitive settlement terms from Defendant. *Id.* Defendant maintains that Plaintiff's communications have caused potential customers, including those that intended to enter into purchase contracts with Defendant, to call off purchasing discussions with Defendant and refuse to enter into a contract. *Id.* ¶ 35. Defendant alleges that, as a direct and proximate result of Plaintiff's actions, Defendant has suffered damages in the form of unnecessarily incurred redevelopment costs, lost compensation, professional relationships, reputation, and business and contractual prospects. *Id.* ¶ 37.

ANALYSIS

A. Motion to Amend

The court begins with Defendant's motion for leave to amend its answer, affirmative defenses, and counterclaims. Defendant seeks to add an affirmative defense and a counterclaim of inequitable conduct during the prosecution of the asserted patents. After the opportunity to amend the pleadings as a matter of course has passed, a party may amend only with the consent of the opposing party or leave of the court. Fed. R. Civ. P. 15(a). Generally, motions to amend

pleadings are treated favorably under Rule 15's liberal amendment policy. *Id.* Leave to amend should be "freely given," absent considerations such as "undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, and futility of amendment." *Foman v. Davis*, 371 U.S. 178, 182 (1962).

Plaintiff opposes the motion to amend on the ground that the proposed amendment is futile. An amendment is futile if the amended pleading would not survive a motion to dismiss. *McCoy v. Iberdrola Renewables, Inc.*, 760 F.3d 674, 685 (7th Cir. 2014). To survive a motion to dismiss, the amended pleading must "contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Id.* (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)). Before denying a motion to amend, it should be "clear" that the proposed amended pleading is "deficient" and would not survive such a motion. *Johnson v. Dossey*, 515 F.3d 778, 780 (7th Cir. 2008).

Defendant's proposed counterclaim 14 asserts that the '350, '234, and '235 Patents are unenforceable due to Plaintiff's inequitable conduct during prosecution of each of the patents. To state an inequitable conduct claim, the accused infringer must allege with specificity that "an individual associated with the filing and prosecution of a patent application (1) made an affirmative representation of material fact, failed to disclose material information or submitted false material information; and (2) intended to deceive the Patent and Trademark Office." *Semiconductor Energy Lab. Co., Ltd. v. Samsung Elecs. Co., Ltd.*, 749 F. Supp. 2d 892, 901–02 (W.D. Wis. 2010) (citing *Star Sci., Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008); *Impax Labs., Inc. v. Aventis Parm., Inc.*, 468 F.3d 1366, 1374 (Fed. Cir. 2006)). In addition, Rule 9(b) of the Federal Rules of Civil Procedure requires that "[i]n alleging fraud or mistake, a party must

state with particularity the circumstances constituting fraud or mistake.” “Although inequitable conduct is a broader concept than common law fraud, it must be pleaded with particularity.” *Semiconductor Energy Lab.*, 749 F. Supp. 2d at 901–02 (citing *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326 (Fed. Cir. 2009)). To plead the underlying facts with sufficient particularity, the accused infringer must identify “the specific who, what, when, where, and how of the material misrepresentation or omission.” *Exergen*, 575 F.3d at 1327 (citation omitted).

Defendant alleges that each of the inventors of the patents, Andrew Stephens, Francisco Morales, and Tadeusz Rybka, and the attorneys who were involved with the prosecution of the patents owed a duty of candor and good faith in dealing with the USPTO and were aware of this duty. Proposed 2d Am. Answer & Counterclaim ¶¶ 130–31, Dkt. No. 53-1. With respect to the ‘350 Patent, Defendant asserts that the named inventors and prosecuting attorneys represented to the USPTO that using a static mixer or “flow divider” resulted in obtaining the claimed plastic lumber products having a simulated natural wood grain pattern throughout their core and thus played a “key role” in producing the claimed invention. *Id.* ¶¶ 142–43. Defendant contends that the static mixer or “flow divider” depicted in the disclosures filed with the USPTO was in the prior art. *Id.* ¶ 144. In fact, the exact image reproduced in the ‘350 Patent and provisional application was an image taken from marketing materials produced by StaMixCo. *Id.* ¶ 145. Defendant asserts that, despite knowing that the image was a carbon copy of an image taken from StaMixCo’s marketing materials, the named inventors and prosecuting attorneys did not disclose this fact to the USPTO when they filed the August 24, 2015 provisional application, the August 24, 2015 non-provisional application that resulted in issuance of the ‘350 Patent, the February 8, 2017 Information Disclosure Statement (IDS), the November 27, 2017 IDS, the February 23, 2018 IDS, or the February 27, 2018 IDS. *Id.* ¶¶ 149–54. Although the February 27, 2018 IDS linked to a

five-paragraph page on StaMixCo's website, Defendant contends that the inventors did not reference the broader, more in-depth StaMixCo marketing material package or disclose that the image in their filings was copied from StaMixCo's materials. *Id.* ¶ 154.

In a July 13, 2018 Office Action, the Examiner found the pending claims unpatentable in view of a single prior art reference, "Piedboeuf," which disclosed the use of a helical static mixer in an extrusion process to mix materials of two different colors and extrude them through a die to form a board. *Id.* ¶ 155. In arguing that the Examiner erred, Defendant contends the applicants falsely argued that the disclosures of the application was the only teaching of the claimed structures and failed to tell the Examiner that their disclosure was copied from StaMixCo's marketing materials. *Id.* It claims that the applicants continued to make the same arguments, while failing to acknowledge that their disclosure was lifted from the prior art, in an appeal and other communications to the Board. *Id.* ¶ 156. In the end, the '350 Patent was allowed for issuance. *Id.* Defendant asserts that, but for the applicants' intentional and knowing omissions of the StaMixCo marketing materials from their description of the prior art and their disclosures and false statements regarding their disclosure being the only disclosure of the claimed structures despite knowing that the same disclosure was from the prior art, the '350 Patent would not have issued. *Id.* ¶ 157. Defendant contends that the only reasonable inference is that the named inventors and the prosecuting attorneys intended to deceive the USPTO by their false statements and omissions. *Id.* ¶ 158.

As to the '234 and '235 Patents, Defendant alleges that the patents merely claim specific wood grain designs of plastic lumber products produced by the static mixer disclosed in the '350 Patent. *Id.* ¶ 160. In particular, the '234 Patent claims a specific wood grain design appearing in a cross section of a plastic lumber product produced by the static mixer, and the '235 Patent claims

a specific wood grain design appearing just below the surface of a plastic lumber product produced by the static mixer after the surface has been planed. *Id.* Defendant contends that both claimed designs of the ‘234 and ‘235 Patents result from using the static mixer reproduced from the StaMixCo prior art in the manner disclosed in the prior art. *Id.* ¶ 163. It alleges that the named inventors and the prosecuting attorneys filed the applications leading to the issuance of the ‘234 and ‘235 Patents for designs knowing that the designs were produced by the prior art StaMixCo marketing materials and not designs they invented and failed to disclose that fact to the USPTO. *Id.* ¶¶ 164–70. Defendant claims that, but for the applicants’ intentional and knowing omissions of the StaMixCo marketing materials from their disclosures, their intentional and knowing misrepresentation of the designs claimed in the ‘234 and ‘235 Patents as having been invented by the named inventors, and their intentional and knowing failure to disclose that those designs were actually the result of using the static mixer as depicted in the StaMixCo prior art marketing materials, the ‘234 and ‘235 Patents would not have issued. *Id.* ¶ 171. Defendant asserts that the only reasonable inference is that the named inventors and prosecuting attorneys intended to deceive the USPTO by their false representations and omissions. *Id.* ¶ 172.

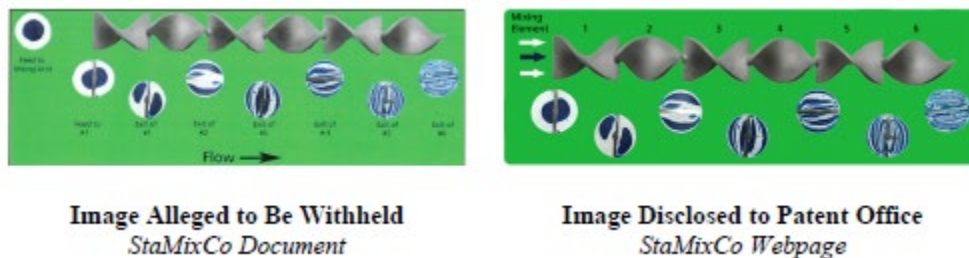
In addition, Defendant alleges that the designs claimed in the ‘234 and ‘235 Patents are based on pictures of real wood taken by the named inventors and are intended to simulate the look of natural wood based on those pictures. *Id.* ¶ 175. It claims that the named inventors omitted and intentionally concealed this fact from the USPTO because they knew that design patents require originality and may not simply reproduce something that exists in nature. *Id.* ¶¶ 176–77. Although the ‘350 Patent refers to its claimed and disclosed designs as having a “simulated natural wood grain” appearance, the ‘234 and ‘235 Patents never refer to their claimed designs as “simulated natural wood.” *Id.* ¶¶ 178, 180. Defendant claims that, but for the applicants’ intentional and

knowing omission of the fact that their claimed designs of the ‘234 and ‘235 Patents were based on pictures that the inventors took of natural wood, their intentional and knowing concealment of these facts, their intentional and knowing omission of those pictures from the disclosures they made to the USPTO, and their intentional and false representation that their application contained new and original designs, the ‘234 and ‘235 Patents would not have issued due to a lack of novelty and originality. *Id.* ¶ 182. It asserts that the only reasonable inference is that the named inventors and the prosecuting attorneys intended to deceive the USPTO by their false representations and omissions. *Id.* ¶ 183.

Plaintiff, on the other hand, asserts that Defendant’s proposed counterclaim does not allege facts that support that the StaMixCo document and the photographs of real wood are material to patentability. “[T]he materiality required to establish inequitable conduct is but-for materiality.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291 (Fed. Cir. 2011). When an applicant fails to disclose prior art to the USPTO, “that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.” *Id.* The alleged infringer must “explain both ‘why’ the withheld information is material and not cumulative, and ‘how’ an examiner would have used this information in assessing the patentability of the claims.” *Exergen*, 575 F.3d at 1329–30 (citing *Larson Mfg. Co. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1333 (Fed. Cir. 2009)). Information is material to patentability as prior art “when it is not cumulative to information already of record or being made of record in the application.” 37 C.F.R. § 1.56(b).

Plaintiff argues that the StaMixCo marketing materials are cumulative of and identical to other prior art before the USPTO. It contends that the image from the StaMixCo marketing materials, which Defendant asserts Plaintiff copied from StaMixCo, was disclosed to the USPTO

during prosecution. In its pleading, Defendant concedes that Plaintiff filed an information disclosure statement during the prosecution of the ‘350, ‘234, and ‘235 Patents that identified the StaMixCo image from StaMixCo’s website. Proposed 2d Am. Answer & Counterclaim ¶ 154. Defendants contend that, although Plaintiff cited a five-paragraph page document that included the image from StaMixCo’s website, it did not reference the broader, more in-depth StaMixCo marketing material package. *Id.* But the images contained in the StaMixCo marketing materials and on its website are nearly identical, and Defendant has not alleged how the additional information contained in the marketing materials is material to patentability.



Pl.’s Br. at 16, Dkt. No. 55. In short, the pleading here does not allege facts that would support a reasonable inference that the StaMixCo marketing materials were material and not cumulative. “[A] patentee need not cite an otherwise material reference to the PTO if that reference is merely cumulative or is less material than other references already before the examiner.” *Baxter Int’l Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1328 (Fed. Cir. 1998). Because Defendant has failed to adequately allege that the StaMixCo marketing materials are non-cumulative of other information already disclosed to the USPTO, it fails to state a counterclaim for unenforceability of the ‘350, ‘234, and ‘235 Patents due to inequitable conduct on this basis.

Plaintiff also argues that the photographs of real wood that the inventors used as inspiration are not material to the patentability of the ‘234 and ‘235 Patents. Defendant asserts that design patent protection is only available for “any new, original and ornamental design for an article of

manufacture.” 35 U.S.C. § 171. Defendant contends that the design patents are not original because they are *based on* photographs of real wood that the inventors tried to simulate in plastic lumber, Proposed 2d Am. Answer & Counterclaim ¶ 175. But the pleading contains no allegations that the design patents are identical to the real wood the inventors referenced in creating the designs. Defendant therefore does not explain why the photographs are but-for material to patentability. As a result, Defendant’s affirmative defense and counterclaim for unenforceability of the ‘350, ‘234, and ‘235 Patents due to inequitable conduct is futile because Defendant’s allegations of inequitable conduct fail as a matter of law. Accordingly, Defendant’s motion to amend is denied.

B. Motion to Dismiss

Plaintiff has moved to dismiss Defendant’s counterclaims for abuse of process, tortious interference with contract and prospective contract, Lanham Act violations, fraudulent representation, defamation, libel, and tying (Counterclaims 7 through 13). The legal standard for a motion to dismiss a counterclaim is the same as the standard applied to a motion to dismiss a complaint under Rule 12(b)(6) of the Federal Rules of Civil Procedure. A motion to dismiss for failure to state a claim tests the legal sufficiency of the pleading. *Kaminski v. Elite Staffing, Inc.*, 23 F.4th 774, 776 (7th Cir. 2022). The pleading must contain “a short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2). In deciding a motion to dismiss a counterclaim, the court must accept as true the well-pleaded factual allegations of the pleading and draw reasonable inferences in favor of the defendant. *Kap Holdings, LLC v. Mar-Cone Appliance Parts Co.*, 55 F.4th 517, 523 (7th Cir. 2022). To survive a Rule 12(b)(6) motion, the pleading must contain factual allegations that “raise a right to relief above the speculative level.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). While there is no requirement to

plead detailed factual allegations, the defendant must plead “more than labels and conclusions.” *Id.* Thus, a simple, “formulaic recitation of the elements of a cause of action will not do.” *Id.* The pleading must contain “sufficient factual matter, accepted as true, ‘to state a claim to relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550 U.S. at 570). While “not akin to a probability requirement,” the plausibility standard requires more than a “sheer possibility” that the plaintiff acted unlawfully. *Id.*

1. Preemption

Plaintiff argues that Defendant’s state-law counterclaims (Counterclaims 7, 8, and 10 through 12) are preempted by federal patent law. Federal law applies to the question of “whether state-law tort claims are preempted by federal patent law.” *Dominant Semiconductors Sdn. Bhd. v. OSRAM GmbH*, 524 F.3d 1254, 1260 (Fed. Cir. 2008) (citation omitted). “[F]ederal patent law preempts state-law tort liability for a patentholder’s good faith conduct in communications asserting infringement of its patent and warning about potential litigation.” *Globetrotter Software, Inc. v. Elan Computer Grp., Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004) (citing *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1355 (Fed. Cir. 1999)). State-law claims survive federal preemption only to the extent they are based on a showing of “bad faith.” *Globetrotter*, 362 F.3d at 1374. The defendant must therefore allege and ultimately prove bad faith, “even if bad faith is not otherwise an element of the tort claim.” *Zenith*, 182 F.3d at 1355.

“Bad faith includes separate objective and subjective components.” *Dominant Semiconductors*, 524 F.3d at 1260 (citation omitted). Under the objective prong, the defendant must show that the infringement allegations are “objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits.” *Globetrotter*, 362 F.3d at 1376 (internal quotation marks and citation omitted). As to the subjective prong, the defendant

must show that the “lack of objective foundation for the claim was either known [to the plaintiff] or so obvious that it should have been known.” *Kilopass Tech., Inc. v. Sidense Corp.*, 738 F.3d 1302, 1310 (Fed. Cir. 2013) (internal quotation marks and citation omitted). Bad faith is determined on a “case by case basis.” *Zenith*, 182 F.3d at 1354. If the patentee knows, for example, that “the patent is invalid, unenforceable, or not infringed, yet represents to the marketplace that a competitor is infringing the patent, a clear case of bad faith representation is made out.” *Id.*

In this case, Defendant alleges that Plaintiff contacted Defendant’s customers and potential customers in bad faith about the lawsuit, Plaintiff’s patents, Defendant, and Defendant’s products and misrepresented Defendant’s products as infringing Plaintiff’s patents, despite there having been no such adjudication on the merits. Counterclaim ¶ 31. Although patentees are “allowed to make representations that turn out to be inaccurate provided they make them in good faith,” *Golan v. Pingel Enter, Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002) (citation omitted), Defendant contends that Plaintiff acted in bad faith by attempting to extend its patent rights to “any product utilizing multiple polymer layers of differing colors to create a wood-grain effect,” despite knowing that its patents are limited to a specific woodgrain pattern. Counterclaim ¶ 29 (emphasis added). Defendant alleges that “No reasonable litigant could expect success on the merits of Tangent’s infringement allegations as to any of the Asserted Patents with respect to any of RPI’s accused designs.” *Id.* At this stage in the proceedings, the court finds that Defendant’s pleading adequately alleges bad faith as part of its state law claims against Plaintiff. Therefore, federal law does not preempt Defendant’s state law claims.

2. Abuse of Process (Counterclaim 7)

Defendant asserts an abuse of process claim under Wisconsin law. “The tort of abuse of process occurs when one ‘uses a legal process, whether criminal or civil, against another to accomplish a purpose for which it is not designed.’” *Kaminske v. Wis. Cent. Ltd.*, 102 F. Supp. 2d 1066, 1077 (E.D. Wis. 2000) (quoting *Strid v. Converse*, 111 Wis. 2d 418, 426, 331 N.W.2d 350 (1983)). The two elements of the tort are “‘a willful act in the use of process not proper in the regular conduct of the proceedings’ and an ‘ulterior motive.’” *Brownsell v. Klawitter*, 102 Wis. 2d 108, 115, 306 N.W.2d 41 (1981) (quoting *Thompson v. Beecham*, 72 Wis. 2d 356, 362, 241 N.W.2d 163 (1976)).

In its counterclaim, Defendant alleges that, rather than bringing this action to vindicate its intellectual property rights, Plaintiff brought this lawsuit to unfairly compete with Defendant and create a monopoly on any and all synthetic polymer boards. Counterclaim ¶ 12. It claims that Plaintiff’s “true motives” for filing this lawsuit and misrepresenting the scope of this lawsuit and its patents were to get customers to terminate their existing and prospective business relationships and contracts with Defendant, to prevent customers from purchasing Defendant’s products or any product utilizing polymer layers of different colors to create a wood-grain effect that did not originate from Plaintiff, to ruin Defendant’s reputation and good will in the market, and to otherwise disrupt Defendant’s ability to compete with Plaintiff. *Id.* ¶¶ 29–31. Plaintiff asserts that Defendant’s allegations amount to mere speculation, but Defendant’s allegations are well-pleaded factual allegations supporting a plausible claim to relief. Although Plaintiff denies Defendant’s allegations, they must be accepted as true at this stage in the proceedings. In short, Defendant has stated a claim for abuse of process.

3. Tortious Interference with Contract and Prospective Contract (Counterclaim 8)

Defendant asserts that Plaintiff tortiously interfered with contracts and prospective contracts with its customers. A claim for tortious interference with a contract has five elements: “(1) the plaintiff had a contract or prospective contractual relationship with a third party; (2) the defendant interfered with the relationship; (3) the interference was intentional; (4) a causal connection exists between the interference and the damages; and (5) the defendant was not justified or privileged to interfere.” *Brew City Redevelopment Grp., LLC v. Ferchill Grp.*, 2006 WI 128, ¶ 37 n.9, 297 Wis. 2d 606, 724 N.W.2d 879 (internal quotation marks and citation omitted).

Defendant alleges that Plaintiff has interfered with its contractual and prospective contractual relationships by sending false and misleading communications to Defendant’s customers that misrepresented the scope of Plaintiff’s patent rights. Counterclaim ¶¶ 30–31. It claims that “[a]t least one regular, multi-year repeat customer recently informed RPI that it no longer intended to purchase products from RPI, specifically citing Tangent’s communications as the reason for the decision” and that it has suffered damages as a result. Counterclaim ¶ 88. Plaintiff asserts that the complaint does not provide enough detail as to how it interfered with any relationship. The allegations of tortious interference are indeed scant, but for now, what Defendant has alleged is enough.

4. Lanham Act Violations (Counterclaim 9)

Defendant asserts a false advertising claim under the Lanham Act, 15 U.S.C. § 1125. To state a false advertising claim, a plaintiff must allege that “(1) the defendant made a material false statement of fact in a commercial advertisement; (2) the false statement actually deceived or had the tendency to deceive a substantial segment of its audience; and (3) the plaintiff has been or is

likely to be injured as a result of the false statement.” *Eli Lilly & Co. v. Arla Foods, Inc.*, 893 F.3d 375, 382 (7th Cir. 2018) (citation omitted).

Plaintiff argues that Defendant has failed to identify the specific material false statement Plaintiff made that constitutes false advertising. Although Defendant alleges generally that Plaintiff misrepresented “the scope of its patent rights in bad faith” and “misled RPI’s customers and potential customers into believing that they themselves are being sued,” Counterclaim ¶¶ 31–32, Defendant does not specify what those allegedly materially false statements actually were. Defendant’s conclusory allegations that Plaintiff “embarked upon a bad faith campaign to lie to, mislead, [and] deceive” Defendant’s customers and potential customers do not satisfy its pleading obligations to establish that Plaintiff made a material false statement. *Id.* ¶ 30. In short, Defendant’s false advertising counterclaim must be dismissed.

5. Fraudulent Representations (Counterclaim 10)

Defendant asserts a fraudulent representation claim under the Wisconsin Deceptive Trade Practices Act, Wis. Stat. § 100.18. To state a claim for fraudulent representations, “a plaintiff must allege facts that would fulfill three elements: (1) the defendant made a representation to one or more members of the public with the intent to induce an obligation; (2) the representation was untrue, deceptive or misleading; and (3) the representation materially induced a pecuniary loss to the plaintiff.” *Hinrichs v. DOW Chem. Co.*, 2020 WI 2, ¶ 85, 389 Wis. 2d 669, 937 N.W.2d 37 (citation omitted). Federal pleading standards apply to state law claims in federal court. *See Windy City Metal Fabricators & Supply, Inc. v. CIT Tech. Fin. Servs., Inc.*, 536 F.3d 663, 672 (7th Cir. 2008). Accordingly, Defendant must plead its fraudulent representation claim with particularity as required by Rule 9(b).

In this case, Defendant alleges that Plaintiff “embarked upon a bad faith campaign to lie to, mislead, and deceive” Defendant’s customers and prospective customers in a “bad faith effort to stop all sales of any product utilizing multiple polymer layers of different colors to create a wood-grain effect that did not originate from [Plaintiff].” Counterclaim ¶¶ 30–31. It claims that Plaintiff lied to, deceived, and misled customers about Defendant and its product by misrepresenting the scope of its patents “while trying to monopolize the market for products utilizing multiple polymer layers of different colors.” *Id.* ¶¶ 32–33. Defendant contends Plaintiff also misled Defendant’s customers and potential customers “into believing that they themselves are being sued.” *Id.* ¶ 32. Although Defendant alleges generally that Plaintiff made numerous untrue, deceptive, or misleading statements, Defendant does not identify the specific statements upon which its allegations are based. Without knowing what the untrue, deceptive, or misleading representations were, Plaintiff cannot prepare meaningful responses to the counterclaim. In short, Defendant has failed to state a fraudulent representation claim against Plaintiff, and the counterclaim is dismissed.

6. Defamation and Libel (Counterclaims 11 and 12)

Defendant also asserts defamation and libel claims against Plaintiff. “Either slander (oral) or libel (written) may be the basis for a defamation claim.” *Teff v. Unity Health Plans Ins. Corp.*, 2003 WI App 115, ¶ 40 n.6, 265 Wis. 2d 703, 666 N.W. 2d 38. “As a starting point for all defamation claims, the plaintiff must allege a false statement that was communicated to a third person that is unprivileged and capable of defamatory meaning.” *Wagner v. Allen Media Broadcasting*, 2024 WI App 9, ¶ 21, 410 Wis. 2d 666, 3 N.W.3d 758 (citing *Donohoo v. Action Wis., Inc.*, 2008 WI 56, ¶ 37, 309 Wis. 2d 704, 750 N.W.2d 739). Under Wisconsin law, “the

particular words complained of shall be set forth in the complaint.” Wis. Stat. § 802.03(6); *see also Ashker v. Aurora Med. Grp., Inc.*, 2013 WI App 143, ¶ 11, 352 Wis. 2d 193, 841 N.W.2d 297.

Again, Defendant does not allege the precise and particular statements Plaintiff’s representatives made. Defendant alleges that Plaintiff made “numerous false, misleading, deceptive, intimidating, and/or threatening communications to RPI’s customers and potential customers, both in writing and in person . . . in order to . . . ruin RPI’s reputation and goodwill in the market.” Counterclaim ¶¶ 102, 109. But Defendant’s allegations summarizing the overall message Plaintiff allegedly sought to communicate are insufficient to state a claim. In sum, Defendant has failed to adequately plead claims for defamation, libel, or slander, and these counterclaims are dismissed.

7. Tying (Counterclaim 13)

Defendant asserts that Plaintiff has engaged in unlawful tying in violation of Section 1 of the Sherman Act and Section 3 of the Clayton Act, 15 U.S.C. §§ 1 and 14, respectively. “A tying arrangement is ‘an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product.’” *Siva v. Am. Board of Radiology*, 38 F.4th 569, 573 (7th Cir. 2022) (quoting *N. Pac. R. Co. v. United States*, 356 U.S. 1, 5 (1958)). “The traditional antitrust concern with such an agreement is that if the seller of the tying product is a monopolist, the tie-in will force anyone who wants the monopolized product to buy the tied product from him as well, and the result will be a second monopoly.” *Sheridan v. Marathon Petroleum Co. LLC*, 530 F.3d 590, 592 (7th Cir. 2008). Not all ties are prohibited, however, as “many ‘are fully consistent with a free, competitive market.’” *Siva*, 38 F.4th at 573 (quoting *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 45 (2006)). “A tie is illegal only when the seller exploits its control over the tying product to force the buyer into the purchase of a tied product and in so doing coerces

the abdication of buyers' independent judgment as to the tied product's merits and insulates it from the competitive stresses of the open market.” *Id.* (cleaned up). To state a counterclaim of an illegal tying arrangement, the defendant must allege four elements: (1) the challenged tying arrangement must involve two separate products or services; (2) the plaintiff has sufficient economic power in the tying market to restrain free competition in the tied market product; (3) the tie affects a not-insubstantial amount of interstate commerce; and (4) the plaintiff has some economic interest in the sales of the tied product. *Id.* at 574 (citing *Reifert v. S. Cent. Wis. MLS Corp.*, 450 F.3d 312, 316–17 (7th Cir. 2006)).

Defendant alleges that Plaintiff has conditioned the sale of its plastic Dimensional Lumber Woodgrain products (which allegedly practice the asserted patents) on customers also buying Plaintiff's separate, unpatented plastic dimensional lumber products that lack a woodgrain pattern throughout their core and do not practice any of the asserted patents. Counterclaim ¶ 115. Defendant asserts that the “Tied Dimensional Lumber” products are separate and distinct products from Plaintiff's “Woodgrain Lumber” products because the Woodgrain Lumber products feature a woodgrain pattern throughout their core and the Tied Dimensional Lumber products do not. *Id.* ¶ 116. Defendant claims that, by conditioning its sale of the Woodgrain Lumber products on a customer also purchasing separate Tied Dimensional Lumber products, Plaintiff has unlawfully coerced customers into buying the separate Tied Dimensional Products from Plaintiff. *Id.* ¶ 119. The nature of the tying arrangement Defendant alleges in its pleading is not entirely clear. In any event, Defendant has failed to plausibly allege that Plaintiff has sufficient economic power in the tying market.

Defendant alleges that Plaintiff “is the dominant manufacturer in the market for plastic lumber products having a woodgrain pattern throughout their core, and has market power with

respect to such products.” *Id.* ¶ 117. Defendant does not elaborate on this conclusory allegation or provide any facts substantiating the alleged market share belonging to Plaintiff. Without allegations regarding the relevant market size and the power wielded by Plaintiff, there are no facts to support Plaintiff’s alleged market power. *See Sheridan*, 530 F.3d at 595. (“[U]nder the pleading regime created by [*Twombly*], the plaintiffs’ naked assertion of Marathon’s ‘appreciable economic power’—an empty phrase—cannot save the complaint.”). Because Defendant’s pleading does not sufficiently allege market power within a relevant market, its tying counterclaim must be dismissed.

CONCLUSION

For these reasons, Defendant’s motion for leave to file Defendant’s second amended answer and affirmative defenses and third amended counterclaims (Dkt. No. 52) and Plaintiff’s motion for leave to file a sur-reply (Dkt. No. 59) are **DENIED**. Plaintiff’s motion to dismiss amended counterclaims 7 through 13 (Dkt. No. 50) is **GRANTED-IN-PART** and **DENIED-IN-PART**. The motion is granted with respect to Defendant’s counterclaims for Lanham Act violations, fraudulent representation, defamation, libel, and tying (Counterclaims 9 through 13), and those counterclaims are dismissed. The motion is denied in all other respects.

SO ORDERED at Green Bay, Wisconsin this 24th day of July, 2024.

s/ William C. Griesbach
William C. Griesbach
United States District Judge