



# Electronic Real Estate Recording Task Force

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## Electronic Real Estate Recording Task Force

Minutes: 22 January 2004

Present: (Members) Jeff Carlson, Mike Cunniff, Chuck Hoyum, Secretary of State Mary Kiffmeyer, Cindy Koosman, Carol Leonard, Gail Miller, Leonard Peterson, Eileen Roberts, Denny Kron, Julie Bergh, Jeanine Barker (via phone). (Guests) Joel Beckman, Bert Black, Luci Botzek, John Engerholm, David Fairbairn, Shameek Ghose, Greg Hubinger, John Lally, Nancy Dean, Scott Loomer, Beth McInerney, Bill Mori, Tony Sommerfeld, Joe Gilpin, Kay Wrucke.

### 1. Call to Order

Secretary Kiffmeyer called the meeting to order at 9.45.

### 2. Approval of 11 December 2003 minutes

The minutes were approved as distributed.

### 3. 2004 Report to the Legislature

In the 2004 report reference was made to the CRV schema being hosed by the Department of Revenue. John Lally of Revenue stated that the Revenue budget and work plans are already set for the next year and is not ready to state that Revenue could host the CRV function until they have more information and internal discussions. A general change was proposed to the 2004 report that the CRV will be hosted but that a specific host will not be named. Beth and SKYTEC will meet with Revenue and others to discuss this process and identify alternatives and timelines.

Document bundles were discussed by the Phase II Planning committee and that information is to be referenced in this report. Transmittal slips are proposed by the Phase II Planning committee for use with document bundles in Phase II. These are used now in paper world with bundles and provide direction to the county on items such as the order of filing for documents in bundle. Rejection instructions for bundle are another example, if one document in a bundle is in error, the county needs to know if they should reject the entire bundle or just the one document; needs differ between submitters.

The Phase II Committee also recommends that Phase II be broken into three sections. Phase II A would include Assignment of Mortgage, Phase II B would include the Mortgage document and Phase II C would include the Deed, Well Certificate and CRV. Carol Leonard moved to adopt the recommendation of a transmittal letter and the breakdown on Phase II and Mike Cunniff seconded. The motion passed.

Mike Cunniff presented a recommendation from the Legal Subcommittee to have the tract index be an additional official index in Minnesota. Official State law currently identifies the Grantor / Grantee as the official index. The recommendation is not to eliminate that index but to institute the tract index as an additional index going forward. There would be no requirement to go back over records and update



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them. Mike Cunniff moved to add this as an additional official index and Jeff Carlson seconded. The motion passed.

Mike Cunniff recommended that the ERERTF Project Plan as presented in the 2004 report to the legislature use an asterisk to more clearly indicate explanatory language to the tight time frame currently identified for Phase II. There are many reasons why the initiative has taken more time, including the slow response from the vendor community to work with this technology. He suggested adding language that explains that the original project plan was developed in 2001 and the time frames were reasonable based on information at that time.

Secretary Kiffmeyer asked for a vote on approving the report. Carol Leonard moved to accept the report and Mike Cunniff seconded with the proposed changes to the project plan. Secretary Kiffmeyer asked Beth to send out an updated project plan for members to review. The motion passed.

## **4. Kinney and Lange Arcanvs Patent Report**

Shameek Ghose and David Fairbairn of the law firm of Kinney and Lange presented findings on this issue. As background information, Arcanvs no longer exists as a technology firm. An assignment of the two patents has been made to Perimeter Labs Inc. of Utah as a result of the bankruptcy of the Arcanvs Company.

Fairbairn explained that a party must infringe upon at least one claim of a patent to be in conflict. Kinney met twice with Task Force members to review claims in the patent and they reviewed the patent looking for literal infringement. There are some activities detailed by Task Force members that are covered by patent claims and others that are not.

Kinney ordered and reviewed the file wrapper for each patent. File wrappers include all correspondence between the patent department and the original filer.

In reviewing the patent filed originally in February of 1997 (PTO Number 5,872,848) a process under this patent must involve the all of the following three steps:

1. Signing an electronic document with a first digital signature
2. Creation of an identifying envelope that includes a verifying statement
3. Signing the entire envelope with a second digital signature of the verifying party.

The digital signature must be a PKI signature using a hashing code and encryption.

In reviewing the second patent (PTO Number 6,085,322), the patent references an electronic signature. This patent appears to be broader than the first patent and that offers a more problematic issue.

But the fact that the second patent appears to be broader may not be determinative– this broadening should not happen in the opinion of Mr. Fairbairn and could invalidate this patent number. In this



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regard, electronic signature should perhaps be more narrowly interpreted as meaning digital signature as it does in the first patent with reference to the 1<sup>st</sup> and 2<sup>nd</sup> signatures indicated in this later patent.

Mr. Fairbairn added that there are a number of ways in which one could act to authenticate the submissions that would not infringe upon the patent claim

Chuck Hoyum asked if there was a difference in the process where it isn't necessary that a notary witness a signature, if the signer simply tells them that this is their signature. Mr. Fairbairn agreed that that is one way that you don't infringe on the language. That is one way around it

Jeff Carlson asked if there is a notary with a digital certificate, could that present a problem, Mr. Fairbairn stated that could present a patent infringement problem also. However, if there is only one digital signature used in the process that does not present an infringement problem. A Minnesota Statute, Chapter 325 K digital signature level is self authenticating, and therefore would also not infringe upon the patents.

Mr. Fairbairn also reported that there are two other patents that predate the Arcanvs patent, registered to two different applicants, Bisbee and Dziejwit. Dziejwit patents a process where witnesses adding a signature to an electronic document that has been signed by another party. There are two electronic signatures. The Bisbee patent describes a process using a stylus pad for signatures. These two patents potentially invalidate the Arcanvs – Romney patents because they predate the Arcanvs applications. The patent office never referenced these or never saw them. This could provide a defense if there is a challenge to Arcanvs. However, the Arcanvs license fee might be far less costly than filing a patent suit. The new owner, Perimeter Labs has been difficult to contact so the exact fee is unknown.

Secretary Kiffmeyer asked then if there was a danger of infringement on the Bisbee or Dziejwit patents. Mr. Fairbairn reported that they had not done a thorough investigation on the depth of these two. It was beyond the scope of the work done to date but in a final report consideration would be given to these other two.

It was suggested that the Task Force could do one of the following:

- recommend people obtain a license
- provide alternative methods of authentication processing in the standards
- request that the patent office review these patents.

The fee to the PTO to have this reviewed is about \$3,000 and would take between one and one and 1/2 years to complete. The full costs including attorney's fees might bring the total to \$20,000 to \$25,000. Actually, any member of the public may pursue these reviews, so the Task Force need not do this, as the benefit of knocking out these patents accrues primarily to the private sector

Bill Mori stated that there are other states who are doing e-filing and who have had no legal challenge. Is that a precedent that should give us comfort? Mr. Fairbairn stated that just because they have not been caught is not a reason to feel comfort and does not by itself legally block later enforcement. There



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may be lack of resources on the part of the patent-holder to enforce patents at this time but may not be later.

Bert asked if we have a history of unchallenged use would that give our argument strength if we are caught four years down the line. Mr. Fairbairn replied, not really. Carol Leonard reminded us that the State has sovereign immunity, and would that cover the counties or would counties need to purchase a license? Mr. Fairbairn did not see that as a likely scenario, as the parties creating documents, using the 2<sup>nd</sup> signature, would need to pay any fees or infringement claims. If the EREER standards require parties to follow a specific process, then the state may be liable. But if the standards seem to allow for a number of alternative ways, one may be a problem but it is not a required way, so you should be able to avoid liability.

Mr. Fairbairn also indicated that the retransmission of documents back from the county to the Trusted Submitter after filing would probably not constitute an infringement unless the same method was used to sign the returned documents.

Secretary Kiffmeyer asked whether if the Task Force wrote a letter requesting a license from them, even if they are difficult to find, does that cover us? Mr. Fairbairn referred to that as the 'Gestapo' defense to a claim of patent infringement that you have at least tried to get a license. But he suggested that a submitter make that inquiry, and that they should not be asking on behalf of Task Force. When asked if language should be added to the standards to indicate the danger of this patent Mr. Fairbairn suggested that the task force avoid doing that if at all possible. A generic statement could be added stating that the task force does not recommend any signature technique and that it is up to the user to make sure all necessary licensing issues are addressed.

Bert Black contacted the State of Arizona who mentioned that they had looked at the patent at the time they were adopting their electronic notary law, which is quite similar to the described patent and they disregarded it as unenforceable. Mike Cunniff suggested someone speak with PRIA and MISMO to see what they are doing in regard to this patent. Bill Mori offered to contact Ingeo to see how they dealt with the company. Mr. Fairbairn mentioned that his firm had found in an Internet search an article by a United States Department of Justice attorney dated March '97, a month after the Arcanvs patent, discussing a digital notary process that is the same as in the patent, so it does not seem that the patent identified anything new. Also, Mr. Fairbairn reported that there were no reported cases at this time enforcing these patents.

Kinney and Lange will submit a report on their findings and identify what is covered by the patent and what is not and what are grounds for invalidating the patent.

## **5. Project Coordinator Update**

A meeting was held on January 6 to discuss elements to clarify meanings in the schema documents.



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A Yahoo Group has been created as a discussion platform for the review of documents and to develop threaded discussions. This will also provide a vote platform for this process also. The first group of elements to be reviewed will be distributed on January 26<sup>th</sup>.

Beth presented the task force budget, to-date \$2,293,148.55 has been collected in the surcharge, \$1,017,648.55 remains available for Phase II funding.

## **6. Task Force Planning Report**

The report from the January 9<sup>th</sup> meeting of this group was distributed. Next steps are that pilot counties will re-evaluate costs of Phase II. Gail Miller led the first cost estimate process for Phase II and will set up a meeting to conduct this re-evaluation task.

## **7. Updates from Pilot Counties**

It was agreed that the SKYTEK report speaks for itself on pilot county status.

## **8. Feedback from Counties for Phase I Participation – MACO Report**

Luci Botzek reported that MACO chose Kay Wrucke, current MACO president, to co-chair this planning committee with Bob Horton. There was not time at this year's MACO meeting to discuss this issue so on-going discussions will continue. It was determined by MACO that ERER needs to be a partnership between all offices at county; recorder, auditor, treasurer and others. The three association presidents will meet soon and have more of a report at the next task force meeting.

## **9. Pilot Testing Activity**

It was agreed that the SKYTEK report could also speak to this activity.

## **Other Business**

Jeff Carlson suggested that the Assignment of Mortgage should be next on the list for pilot testing, if there is a willing county and a submitter and if appropriate schema testing could be performed. Joel stated that Dakota would like to start receiving these documents.

Bert asked if we needed a contract amendment to allow SKYTEK to test an additional schema that had been targeted for Phase II?

A motion was suggested by Joel to begin testing the Assignment of Mortgage schema and approve a contract with SKYTEK to perform testing at a cost that is the same or less than current testing and that payment come from Phase II funds available. The Executive Committee has the authority to negotiate a contract with a cap of \$25,000 if negotiations are necessary. Carol Leonard moved to allow this motion and Chuck Hoyum seconded. The motion passed.



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Meeting adjourned at 11:54. The next ERERTF meeting is on February 12, 9:30 at the MCIT building.