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Jurisdictional Issues in the Adjudication of Patent Law Malpractice Cases in Light of Recent Federal Circuit Decisions

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Cover Page Footnote

Many thanks to John Normile, Partner at Jones Day, and Brian Coggio, Senior Counsel at Fish & Richardson P.C., who were my professors in the Patent Litigation class, for their guidance and comments on this work.

Jurisdictional Issues in the Adjudication of Patent Law Malpractice Cases in Light of Recent Federal Circuit Decisions

Michael Ena^{*}

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INTRODUCTION

Traditionally, malpractice actions against patent attorneys were rare.¹ The last two decades brought dramatic changes in this area of legal malpractice.² A recent American Bar Association study shows a significant increase in the number of filed legal malpractice claims and their severity.³ Claims against patent attorneys

¹ B. Joan Holdridge, *Malpractice of Patent Attorneys*, 7 CLEV.-MARSHALL L. REV. 345, 345 (1958). “[T]here are numerous cases in which an attorney’s negligence or incompetence has caused a patentee to lose some of his rights under the law, but very few in which a patent attorney has actually been sued for malpractice.” *Id.* at 352.

² 3 RONALD E. MALLIN & JEFFREY M. SMITH, LEGAL MALPRACTICE § 24:24 (2008) [hereinafter MALLIN & SMITH, LEGAL MALPRACTICE] (noting that before the 1990’s, only a few malpractice cases were brought against intellectual property attorneys); see also *The Legal Malpractice Climate is Ever Changing*, ADVOCATE (Bar Plan Mutual Ins. Co., St. Louis, MO), Winter 2006, at 1 [hereinafter *The Legal Malpractice Climate*].

³ AM. BAR ASS’N, PROFILE OF LEGAL MALPRACTICE CLAIMS 2000–2003 (noting a major increase in the number of claims settled for more than two million dollars).

were not an exception.⁴ Malpractice has become a serious concern for patent law practitioners and their insurance providers.⁵

While some industry observers attribute the rising severity of legal malpractice claims to the use of unconventional legal theories and increasing defense costs,⁶ others believe that each area of legal practice has its own unique problems leading to the increase in malpractice litigation.⁷ Discussing patent-specific reasons, some legal scholars and commentators point out that over the last two decades, patents have become more valuable, patent infringement damages more generous, and patent attorneys' legal fees increasingly high.⁸ For example, in patent infringement litigation that gave rise to a legal malpractice action of Theis Research, Inc. ("Theis") against Brown & Bain, P.A., a California and Arizona law firm,⁹ the court found that the two allegedly infringed claims of Theis's patent were invalid,¹⁰ dashing the hopes of the company and its investors.¹¹ Theis received no return on years of its re-

⁴ A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, 2004 U. ILL. J.L. TECH. & POL'Y 1, 6 (2004) [hereinafter Oddi, *Patent Attorney Malpractice*] ("[C]ourts have decided at least three times the number of malpractice cases against patent attorneys in the past fourteen years as in the first two hundred years of our federal patent system.").

⁵ See, e.g., Sean B. Seymore, *The Competency of State Courts to Adjudicate Patent-Based Malpractice Claims*, 34 AIPLA Q.J. 443, 446 (2006) [hereinafter Seymore, *The Competency of State Courts*] (reporting that a significant increase in malpractice insurance premiums for patent attorneys makes it difficult for some patent law firms to find an insurance provider).

⁶ *The Legal Malpractice Climate*, *supra* note 2, at 1.

⁷ DAN B. DOBBS, *THE LAW OF TORTS* § 484 (2001).

⁸ See Oddi, *Patent Attorney Malpractice*, *supra* note 4, at 6–8.

⁹ *Theis Research, Inc. v. Brown & Bain, P.A.*, 400 F.3d 659, 662 (9th Cir. 2005) (affirming denial of the plaintiff's motion to vacate a zero dollar legal malpractice arbitration award against the law firm of Brown & Bain). In 2004, Brown & Bain, P.A. became a part of Perkins Coie LLP. See Press Release, Perkins Coie LLP, Perkins Coie LLP and Brown & Bain, P.A. to Join Forces (June 23, 2004), http://www.perkinscoie.com/news/news_detail.aspx?news=134.

¹⁰ See Brief for Appellant Theis Research, Inc. at 4, *Octel Commc'ns Corp. v. Theis Research, Inc.*, 12 F. App'x 915 (Fed. Cir. Jan. 20, 2000) (No. 00-1031).

¹¹ *Octel Commc'ns Corp.*, 12 F. App'x 915 (Fed. Cir. 2000) (affirming a judgment declaring two Theis's patent claims infringed and invalid for obviousness); see also Dennis Crouch, Patent holder barred from reopening malpractice arbitration, Posting to Patently-O Patent Law Blog (Nov. 8, 2004, 02:31 PM), http://www.patentlyo.com/patent/2004/11/patent_holder_b.html [hereinafter Crouch].

search work, and Brown & Bain lost millions of dollars it invested into the case.¹²

In this environment, high expectations of clients frustrated by perceived sub-standard performance of patent attorneys and high legal fees lead to a larger number of legal malpractice claims in the patent law area.¹³ In addition, attorneys' actions to recover fees often result in clients' counterclaims for legal malpractice.¹⁴

Legal malpractice actions are predominantly state tort and contract law claims even in the cases where the underlying action or transaction is governed by federal patent law.¹⁵ Nevertheless, the resolution of a malpractice action may depend on a resolution of a substantial issue of patent law,¹⁶ which provides a good argument in favor of exclusive federal jurisdiction over such malpractice actions under 28 U.S.C. § 1338.¹⁷ Until recently, however, federal courts declined jurisdiction over patent law malpractice actions in the absence of diversity.¹⁸

¹² See Crouch, *supra* note 11.

¹³ See Seymore, *The Competency of State Courts*, *supra* note 5, at 444–46.

¹⁴ See, e.g., Hill, Van Santen, Steadman & Simpson, P.C. v. Axxess Entry Techs., Inc., No. 90 C 3854, 1993 U.S. Dist. LEXIS 485, at *1 (N.D. Ill. Jan. 19, 1993). In response to a patent attorney's action for legal fees, the client filed a two-count legal malpractice counterclaim alleging professional negligence and breach of contract. See, e.g., Mark C.S. Bassingthwaighte & Reba J. Nance, The Top Ten Causes of Malpractice—And How You Can Avoid Them, Presentation at the ABA Techshow 2006 (April 20–22, 2006), available at <http://www.abanet.org/lpm/lpt/articles/tch12062.pdf>.

¹⁵ See 1 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 8:1 (“Most actions brought by clients against their attorneys are for negligence, fiduciary breach, breach of contract or fraud.”). Note that an attorney's violation of state or U.S. Patent and Trademark Office ethical standards may also lead to malpractice suits. See 2 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 20:7. See generally David Hricik, *How Things Snowball: The Ethical Responsibilities and Liability Risks Arising from Representing a Single Client in Multiple Patent-Related Representations*, 18 GEO. J. LEGAL ETHICS 421 (2005); David Hricik, *Trouble Waiting to Happen: Malpractice and Ethical Issues in Patent Prosecution*, 31 AIPLA Q.J. 385 (2003).

¹⁶ See, e.g., Seymore, *The Competency of State Courts*, *supra* note 5, at 454–55 (noting that adjudication of some patent malpractice actions implicates complex issues of patent law and requires understanding of the science and technology involved in the controversy).

¹⁷ See 28 U.S.C. § 1338(a) (2006). The statute provides: “The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases.” *Id.*

¹⁸ See *infra* Part II.C for a detailed discussion.

Part I of this Comment provides an overview of state law that governs legal malpractice actions arising from patent prosecution and litigation. Part II starts with a discussion of the sources of federal jurisdiction followed with a review of the application of the well-pleaded complaint rule in patent law cases. Part II also examines how courts had treated jurisdictional issues in patent law malpractice cases before the U.S. Court of Appeals for the Federal Circuit decided *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, LLP*¹⁹ and *Immunocept, LLC v. Fulbright & Jaworski, LLP*²⁰ in the fall of 2007. Part III uses the legal background provided in Parts I and II for a detailed analysis of these two cases where the Federal Circuit held that federal courts have exclusive subject matter jurisdiction over legal malpractice claims that necessarily depend on a resolution of a substantial question of patent law. Part III also discusses possible implications of these Federal Circuit decisions.

I. LEGAL MALPRACTICE IN PATENT CASES: CAUSE OF ACTION AND APPLICABLE LAW

A. *Selecting a Cause of Action*

When suing their attorneys, clients can potentially pursue several distinct causes of action including breach of fiduciary duty, breach of contract, and the tort of professional negligence.²¹ While some courts consider claims for breach of contract, breach of fiduciary duty, the tort of legal malpractice (professional negligence), and other tort claims to be distinct causes of action,²² many

¹⁹ *Air Measurement Tech., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007).

²⁰ *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007).

²¹ See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §§ 48–56 (2000); 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8; Ray Ryden Anderson & Walter W. Steele, Jr., *Fiduciary Duty, Tort and Contract: A Primer on the Legal Malpractice Puzzle*, 47 SMU L. REV. 235, 235 (1994) [hereinafter Anderson & Steele, *Fiduciary Duty, Tort and Contract*].

²² See, e.g., *Stanley v. Richmond*, 41 Cal. Rptr. 2d 768, 776 (Cal. Ct. App. 1995) (noting that under California law, “breach of fiduciary duty is a species of tort distinct from a cause of action for professional negligence”); *Brownell v. Garber*, 503 N.W.2d 81, 87 (Mich. Ct. App. 1993) (holding that under Michigan law, “fraud is distinct from malprac-

courts ignore the distinctions and prefer to treat all such actions as torts for legal malpractice.²³

For example, New York State courts treat legal malpractice actions sounding in contract and those sounding in tort essentially the same way.²⁴ To prevail in a legal malpractice action under New York law, in addition to the existence of an attorney-client relationship at the time of the alleged malpractice, a plaintiff must show: “(1) the negligence of the attorney; (2) that the negligence was the proximate cause of the loss sustained; and (3) . . . actual damages.”²⁵ In *InKine Pharmaceutical Co. v. Coleman*,²⁶ the plaintiff alleged breach of contract and breach of fiduciary duty claims in addition to legal malpractice claims in a suit against attorneys who failed to timely file a patent application in Asia.²⁷ The court affirmed dismissal of the breach of contract and breach of fiduciary duty claims “as duplicative, since they arose from the

tice” since “the interest involved in a claim for damages arising out of a fraudulent misrepresentation differs from the interest involved in a case alleging that a professional breached the applicable standard of care”).

²³ See, e.g., *Omlin v. Kaufman & Cumberland Co.*, 8 F. App’x 477, 479 (6th Cir. 2001) (“[M]alpractice by any other name still constitutes malpractice. . . . It makes no difference whether the professional misconduct is found in tort or contract, it still constitutes malpractice.” (applying Ohio law and quoting *Muir v. Hadler Real Estate Mgmt. Co.*, 446 N.E.2d 820, 822 (Ohio Ct. App. 1982))); see also *Limor v. Buerger*, 322 B.R. 781, 824, 825 (Bankr. D. Tenn. 2005) (“Under Tennessee law, the statute of limitations for ‘actions and suits against attorneys . . . for malpractice, whether the actions are grounded or based in contract or tort’ is one year.” (quoting TENN. CODE ANN. § 28-3-104 (2005))); Anderson & Steele, *Fiduciary Duty, Tort and Contract*, supra note 21, at 235, 240 n.3 (noting that regardless of the alleged cause of action, courts often treat claims of clients for misbehavior of their attorneys as tort actions for malpractice); Mitchell L. Lathrop, *The Exposure of the Patent Attorney to Claims for Legal Malpractice: The New Frontier*, 3 AIPLA Q.J. 221, 226 (1975) [hereinafter Mitchell L. Lathrop, *The Exposure of the Patent Attorney*] (noting that “[t]he traditional distinction between [legal malpractice] actions sounding in contract and those sounding in tort are rapidly becoming blurred and, in some jurisdictions, obliterated altogether”). For a detailed discussion of the legal malpractice cause of action, see generally 23 CAUSES OF ACTION 589 (West 2007).

²⁴ For a detailed discussion of New York legal malpractice law, see N.Y. JUR. 2d §§ 37–80 (West 2008).

²⁵ *Murphy v. Stein*, 549 N.Y.S.2d 53, 55 (App. Div. 1989) (citing *Mendoza v. Schlossman*, 448 N.Y.S.2d 45, 46 (N.Y. App. Div. 1982)); see also *Marshall v. Nacht*, 569 N.Y.S.2d 113, 114 (N.Y. App. Div. 1991).

²⁶ *InKine Pharm. Co. v. Coleman*, 759 N.Y.S.2d 62 (App. Div. 2003).

²⁷ *Id.* at 63.

same facts as the legal malpractice claim and allege[d] similar damages.”²⁸

In contrast, under California law, claims against an attorney may include professional negligence, breach of contract, breach of fiduciary duty, fraud, infliction of emotional distress, and other tort claims.²⁹ Although California and New York courts define elements of a malpractice cause of action in a similar way, California courts allow a malpractice plaintiff to assert other causes of action arising from an attorney’s malfeasance.³⁰ For example, in *Rosenberg v. Hillshafer*,³¹ the court permitted a former client to assert claims of legal malpractice, breach of fiduciary duty, fraud, and intentional infliction of emotional distress against her attorney and attorney’s law firm.³² In *Wolk v. Green*,³³ a diversity case under California law, the court allowed the plaintiff to sue her former attorney for “legal malpractice, extortion, misrepresentation, breach of fiduciary duty, willful misconduct, breach of contract, negligent infliction of emotional distress, infliction of emotional distress, elder fraud abuse and unjust enrichment.”³⁴

Malpractice claims based on a breach of fiduciary duty involve allegations of an attorney’s breach of a duty of confidentiality and undivided loyalty owed to the client.³⁵ Such claims often arise in a conflict of interest context where a patent attorney or a law firm

²⁸ *Id.*; see also *Ciocca v. Neff*, No. 02 Civ. 5067, 2005 WL 1473819, at *5 (S.D.N.Y. June 22, 2005) (dismissing a breach of contract and a promissory estoppel claims as redundant under New York law in a legal malpractice case).

²⁹ See, for example, CAL. CIV. PRAC. TORTS § 33:1 (2008) and cases cited therein.

³⁰ See, e.g., *Kairos Scientific Inc. v. Fish & Richardson, P.C.*, Nos. A107085, A107086, 2006 WL 171921, at *4 (Cal. Ct. App. Jan. 24, 2006) (“A cause of action for legal malpractice requires evidence of the following four elements: ‘(1) the duty of the attorney to use such skill, prudence, and diligence as members of his or her profession commonly possess and exercise; (2) a breach of that duty; (3) a proximate causal connection between the breach and the resulting injury; and (4) actual loss or damage resulting from the attorney’s negligence.’” (quoting *Coscia v. McKenna Cuneo*, 25 P.3d 670, 672 (Cal. 2001))); see also CAL. CIV. PRAC. TORTS § 33:1, *supra* note 29 and accompanying text.

³¹ *Rosenberg v. Hillshafer*, No. B191950, 2007 Cal. App. Unpub. LEXIS 9454 (Cal. Ct. App. Nov. 26, 2007).

³² *Id.* at *1.

³³ *Wolk v. Green*, 516 F. Supp. 2d 1121 (N.D. Cal. 2007).

³⁴ *Id.* at 1127.

³⁵ See 2 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 15:2.

represents clients with adverse interests.³⁶ For example, in *G.D. Searle & Co. v. Pennie & Edmonds LLP*,³⁷ former law firm clients, G.D. Searle & Co., Inc. (“Searle”), Pfizer, Inc. (“Pfizer”), and the University of Rochester, alleged a breach of fiduciary duty claiming that the law firm made simultaneous adverse representations on their respective behalves with regards to the same technology—COX-2 inhibitors.³⁸ Some jurisdictions only prohibit multiple representations with actual adversity among clients; in New York, however, this prohibition reaches representations with even the appearance of impropriety and conflict of interest.³⁹

The choice of legal theory and court’s categorization of the action can affect the outcome of the case.⁴⁰ For example, the statute of limitations period for tort claims may differ from that for contract claims.⁴¹ In *Hutchinson v. Smith*,⁴² the Supreme Court of Mississippi reversed dismissal of a legal malpractice action as barred by a three-year statute of limitations for unwritten contracts and held that the malpractice action sounded in tort and the six-year statute of limitations for tort actions applied.⁴³ The Supreme Court of Hawaii, on the other hand, held that, for the purposes of

³⁶ See generally David Hricik, *The Risks and Responsibilities of Attorneys and Firms Prosecuting Patents for Different Clients in Related Technologies*, 8 TEX. INTELL. PROP. L.J. 331 (2000).

³⁷ *G.D. Searle & Co. v. Pennie & Edmonds LLP*, No. 602374/00, 2004 N.Y. Slip Op. 51874U (N.Y. Sup. Ct. Jan. 14, 2004).

³⁸ *Id.* at *2. Pfizer alleged, inter alia, that in 1998 Pennie & Edmonds partners, Paul De Stefano and Laura A. Coruzzi, who represented the University of Rochester, failed to respond to an internal “conflicts memo” with regards to Searle’s retention of the firm in COX-2 patent matters, and that they drafted the University’s patent specifically to cover drugs Pfizer and Searle were about to start marketing. *Id.* Within a month after this decision, in a patent infringement action of the University of Rochester against Searle, the Federal Circuit affirmed a summary judgment for Searle, declaring the University’s patent procured by Pennie & Edmonds invalid “for failure to meet the written description and enablement requirements.” *Univ. of Rochester v. G.D. Searle & Co.*, 358 F.3d 916, 919 (Fed. Cir. 2004). A few months later, the law firm settled the malpractice case. See Docket for *Pennie & Edmonds*, No. 602374/00, 2004 N.Y. Slip Op. 51874U.

³⁹ *Pennie & Edmonds*, 2004 N.Y. Slip Op. 51874U, at *1 (quoting *In re Hof*, 478 N.Y.S.2d 39, 42 (N.Y. App. Div. 1984)).

⁴⁰ 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8; Anderson & Steele, *Fiduciary Duty, Tort and Contract*, *supra* note 21, at 235.

⁴¹ 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8.

⁴² *Hutchinson v. Smith*, 417 So. 2d 926 (Miss. 1982).

⁴³ *Id.* at 929–30.

the statute of limitations, all legal malpractice actions are actions in contract and reversed dismissal of the action under the shorter statute of limitations for torts.⁴⁴

In *Omlin v. Kaufman & Cumberland Co.*,⁴⁵ the court treated plaintiff's contract, breach of fiduciary duty, and tort claims against her former attorneys as a single legal malpractice claim.⁴⁶ Thus, the *Omlin* court affirmed dismissal of the claim as barred by the one-year Ohio malpractice statute of limitations⁴⁷ because the plaintiff did not file her claim within one year from the termination of her attorney-client relationship with the defendant attorney.⁴⁸

The pleaded cause of action may also affect the availability of prejudgment interest, punitive damages, or a contributory negligence defense. For example, the plaintiff can recover prejudgment interest in contract but not in tort claims, while contributory negligence defense and punitive damages are only available in tort actions.⁴⁹ In addition, compared to a malpractice action sounding in contract that is only available to a plaintiff who is in privity of contract with the defendant, the permissible category of plaintiffs may be significantly wider for a malpractice action sounding in tort.⁵⁰

The pleaded cause of action and the relief sought may also determine the availability of attorney fees in a legal malpractice action. For example, in *Helfand v. Gerson*,⁵¹ decided under Hawaiian law, former clients sued their attorney and his law firm alleging negligence, breach of contract, breach of express and implied warranties, and legal malpractice.⁵² Since at least two of the four alleged causes of action sounded in contract and because the plaintiffs sought to recover attorney fees available in actions in the nature of the *assumpsit*,⁵³ but not in tort actions,⁵⁴ the Ninth Cir-

⁴⁴ *Higa v. Mirikitani*, 517 P.2d 1, 3–6 (Haw. 1973).

⁴⁵ *Omlin v. Kaufman & Cumberland Co.*, 8 F. App'x 477 (6th Cir. 2001).

⁴⁶ *Id.* at 479.

⁴⁷ See OHIO REV. CODE ANN. § 2305.11(A)(1) (LexisNexis 2008).

⁴⁸ *Omlin*, 8 F. App'x 477, 479 (6th Cir. 2001).

⁴⁹ See 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8.

⁵⁰ See Mitchell L. Lathrop, *The Exposure of the Patent Attorney*, *supra* note 23, at 228–31 (discussing liability of patent attorneys to non-clients).

⁵¹ *Helfand v. Gerson*, 105 F.3d 530 (9th Cir. 1997).

⁵² *Id.* at 533–34, 537.

⁵³ *Id.* at 537 (“*Assumpsit* is a common law form of action which allows for the recovery of damages for the non-performance of a contract, either express or implied, written

cuit held that the plaintiffs' action was in the nature of the assumpsit and affirmed the award of attorney fees to the defendants who prevailed in the court below.⁵⁵

B. Choice of Law Issues

When a legal malpractice action arises from acts or omissions that occurred in more than one state, the availability of a particular liability theory may depend on which law governs the underlying action and the malpractice action itself.⁵⁶ On the other hand, the choice of law may depend on the plaintiff's selection of a legal theory.⁵⁷ For example, some states use different choice of law rules for tort and contract claims.⁵⁸ Therefore, a plaintiff's decision to frame a legal malpractice action as a contract claim, as opposed to a tort claim, may result in the application of law of a different state.⁵⁹

To determine which choice of law rules apply to a legal malpractice action, the court may also have to determine whether conflicting laws are substantive or procedural, since the law of the forum usually governs procedural issues, while the forum's choice of

or verbal, as well as quasi contractual obligations." (citing *Schulz v. Honsador, Inc.*, 690 P.2d 279, 281 (Haw. 1984)).

⁵⁴ See *id.* at 536–38; see also HAW. REV. STAT. § 607–14 (2008) (“In all the courts, in all actions in the nature of assumpsit . . . there shall be taxed as attorneys’ fees, to be paid by the losing party and to be included in the sum for which execution may issue, a fee that the court determines to be reasonable . . .”).

⁵⁵ See *Helfand*, 105 F.3d 530, 538–39 (9th Cir. 1997).

⁵⁶ See 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8.

⁵⁷ See, e.g., *Acme Circus Operating Co. v. Kuperstock*, 711 F.2d 1538, 1540 (11th Cir. 1983) (applying California choice of law rules).

The first step in choice of law analysis is to ascertain the nature of the problem involved, i.e. is the specific issue at hand a problem of the law of contracts, torts, property, etc. The second step is to determine what choice of law rule the state of California applies to that type of legal issue. The third step is to apply the proper choice of law rule to the instant facts and thereby conclude which state's substantive law applies.

Id.

⁵⁸ See *id.*

⁵⁹ For example, Florida uses the traditional choice of law rule for contract cases and modern “most significant relationship” methodology for tort cases. See *infra* notes 74–75 and accompanying text.

law rules determine which law applies to substantive issues.⁶⁰ A federal court sitting in diversity or exercising supplemental jurisdiction over state claims applies choice of law rules of the forum state.⁶¹ If a district court transfers such action to another district pursuant to 28 U.S.C. § 1404(a), the transferee court applies the substantive law, including choice of law rules, of the state in which the transferor court sits.⁶² For example, in *First Trust N.A. v. Moses & Singer*,⁶³ a legal malpractice case transferred from the Southern District of Mississippi to the Southern District of New York, the court applied Mississippi substantive law and choice of law rules.⁶⁴

Attorneys and their clients can contractually define which law governs actions arising from a breach of the retainer agreement, including malpractice claims.⁶⁵ Otherwise, if the acts that gave rise to a malpractice action against the attorneys occurred in several states, the court will have to decide which law applies.⁶⁶ First, the court will determine if there is a true conflict between relevant laws of the jurisdictions involved.⁶⁷ Only if a true conflict exists, will the court use its choice of law rules to resolve that conflict.⁶⁸

⁶⁰ See 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8.

⁶¹ See, e.g., *Klaxon Co. v. Stentor Elec. Mfg. Co.*, 313 U.S. 487, 496 (1941) (“The conflict of laws rules to be applied by the federal court in Delaware must conform to those prevailing in Delaware’s state courts.”); *Paracor Fin., Inc. v. GE Capital Corp.*, 96 F.3d 1151, 1164 (1996) (“In a federal question action where the federal court is exercising supplemental jurisdiction over state claims, the federal court applies the choice-of-law rules of the forum state . . .”).

⁶² See *Ferens v. John Deere Co.*, 494 U.S. 516, 519 (1990) (holding that a § 1404(a) venue transfer should not deprive parties of state-law advantages of the transferor court forum state regardless of which party initiated the transfer); *Van Dusen v. Barrack*, 376 U.S. 612, 639 (1964) (“A change of venue under § 1404(a) generally should be, with respect to state law, but a change of courtrooms.”).

⁶³ *First Trust N.A. v. Moses & Singer*, No. 99 Civ. 1947, 2000 U.S. Dist. LEXIS 10957 (S.D.N.Y. Aug. 4, 2000).

⁶⁴ *Id.* at *10.

⁶⁵ See, e.g., *Expansion Pointe Props. L.P. v. Procopio, Cory, Hargreaves & Savitch, LLP*, 61 Cal. Rptr. 3d 166, 180 (Cal. Ct. App. 2007) (holding that choice of law provisions in a retainer agreement were enforceable in a legal malpractice action of a former client against its attorneys).

⁶⁶ See 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:8.

⁶⁷ *Id.*

⁶⁸ *Id.*

Jurisdictions that adhere to the traditional approach in deciding choice of law questions apply the law of the place where injury occurred for tort claims,⁶⁹ the law of the place of contract for claims arising from the formation of the contract,⁷⁰ and the law of the place of performance for contract claims arising from the performance of the contract.⁷¹

Many jurisdictions abandoned the traditional choice of law rule in favor of the “most significant relationship” approach of the Restatement (Second) of Conflict of Laws and other modern choice of law methodologies for tort⁷² and contract cases.⁷³ In some

⁶⁹ See RESTATEMENT (FIRST) OF CONFLICT OF LAWS § 378 (1934) (for tort claims “[t]he law of the place of wrong determines whether a person has sustained a legal injury”); see also *Dowis v. Mud Slingers, Inc.*, 621 S.E.2d 413, 419 (Ga. 2005) (reaffirming Georgia’s adherence to the traditional choice of law rule in tort cases); *Simon v. United States*, 805 N.E.2d 798, 804–07 (Ind. 2004) (reaffirming Indiana’s adherence to the traditional choice of law rule in tort cases); Michael Ena, Note, *Choice of Law and Predictability of Decisions in Products Liability Cases*, 35 FORDHAM URB. L.J. 1417, 1420–25 (2007) (discussing application of the traditional choice of law rule in tort cases). The traditional choice of law rule that prescribes use of the law of the place of injury is also known as *lex loci delicti*. *Id.* at 1420.

⁷⁰ See RESTATEMENT (FIRST) OF CONFLICT OF LAWS § 332 (1934) (“The law of the place of contracting determines the validity and effect of a promise . . .”). This rule is also known as *lex loci contractus*. See *State Farm Mut. Auto. Ins. Co. v. Roach*, 945 So. 2d 1160, 1163 (Fla. 2006) (stating that the rule of *lex loci contractus* “provides that the law of the jurisdiction where the contract was executed governs the rights and liabilities of the parties . . .”). See generally E.H. Schopler, *What Law Governs in Determining Whether Facts and Circumstances Operate to Terminate, Breach, Rescind, or Repudiate a Contract*, 50 A.L.R.2d 254 (2008).

⁷¹ See RESTATEMENT (FIRST) OF CONFLICT OF LAWS § 358 (1934) (“The duty for the performance of which a party to a contract is bound will be discharged by compliance with the law of the place of performance . . .”).

⁷² See RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 145 (1971) (“The rights and liabilities of the parties with respect to an issue in tort are determined by the local law of the state which, with respect to that issue, has the most significant relationship to the occurrence and the parties . . .”); see also *First Trust N.A. v. Moses & Singer*, No. 99 Civ. 1947, 2000 U.S. Dist. LEXIS 10957, at *10–18 (S.D.N.Y. Aug. 4, 2000) (applying Mississippi “most significant relationship” choice of law methodology to a legal malpractice claim); Ena, *supra* note 69, at 1428–30 (discussing application of the modern “most significant relationship” choice of law methodology in tort cases).

⁷³ See RESTATEMENT (SECOND) OF CONFLICT OF LAWS §§ 186–88 (1971) (“Issues in contract are determined by the law chosen by the parties . . .,” otherwise “[t]he rights and duties of the parties with respect to an issue in contract are determined by the local law of the state which, with respect to that issue, has the most significant relationship to the transaction and the parties . . .”); see also *Hill, Van Santen, Steadman & Simpson, P.C. v. Axxess Entry Techs., Inc.*, No. 90 C 3854, 1993 U.S. Dist. LEXIS 485, at *3–5 (N.D.

states, however, the applicable choice of law methodology depends on the court's characterization of the action. For example, Florida uses the traditional rule in contract cases⁷⁴ and the modern "most significant relationship" methodology in tort cases.⁷⁵ Therefore, the court's choice of law decision may depend on whether a malpractice claim sounds in tort or in contract.

C. Proving Causation and Damages: "Case Within a Case" and Related Jurisdictional Issues

Most of malpractice claims against patent practitioners arise from missed filing dates, breaches of fiduciary duty, and errors in litigation.⁷⁶ Legal malpractice claims involving substantive errors in patent work are relatively rare.⁷⁷ Although the technical sophistication of the patent law practice increases chances for attorney mistakes, only in a few reported instances have clients realized or proven that their patent attorneys made a substantive error and that the error was a proximate cause of the client's damages.⁷⁸ Patent prosecution errors usually surface during subsequent patent infringement litigation or licensing negotiations.⁷⁹ By that time, a

Ill. Jan. 19, 1993) (applying Illinois's "most significant relationship" choice of law methodology to tort and contract legal malpractice counterclaims of a former client against its attorneys); Symeon C. Symeonides, *Choice of Law in the American Courts in 2006: Nineteenth Annual Survey*, 54 AM. J. COMP. L. 697, 713 (2006) (reporting that by 2006, only ten U.S. states still adhered to the traditional choice of law rule in tort cases, and only twelve states applied it in contract cases).

⁷⁴ See *State Farm Mut. Auto. Ins. Co.*, 945 So. 2d at 1163–64 (reaffirming Florida's adherence to the traditional choice of law rule in contract cases).

⁷⁵ See *Bishop v. Fla. Specialty Paint Co.*, 389 So. 2d 999, 1001 (Fla. 1980) (adopting the "most significant relationship" approach of the Restatement (Second) of Conflict of Laws for tort cases).

⁷⁶ 3 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 24:24; see also Mark Hancock, Malpractice Cases Based on a Missed Patent Filing (June 15, 2006), <http://www.sdma.com/Publications/detail.aspx?pub=4405>.

⁷⁷ 3 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 24:24.

⁷⁸ Oddi, *Patent Attorney Malpractice*, *supra* note 4, at 2–3.

⁷⁹ See, e.g., *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262, 1266 (Fed. Cir. 2007) (clients discovered errors in patent prosecution during subsequent patent infringement litigation); *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1283 (Fed. Cir. 2007) (clients discovered errors in patent prosecution during subsequent licensing negotiations). See *infra* Part III for a detailed discussion of these two cases.

legal malpractice action may be barred by the statute of limitations.⁸⁰

To adjudicate a malpractice claim, the court has to evaluate the underlying action or transaction that gave rise to the malpractice claim.⁸¹ The most common approach is to implement the “case within a case” concept where the outcome of the legal malpractice action depends on the outcome of the underlying case that was never tried or was not tried properly because of the alleged malpractice.⁸² Effectively, the court re-tries the underlying case as a part of the malpractice action to determine if the malpractice plaintiff would have been successful or “what should have happened” but for the attorney’s malpractice.⁸³

For example, in *U.S. Cosmetics Corp. v. Greenberg Traurig, LLP*,⁸⁴ the plaintiffs alleged that Greenberg Traurig, LLP improperly entered into an unauthorized settlement while representing the plaintiffs in a patent infringement action.⁸⁵ The court found that the plaintiffs failed to show that they complied with the requirement of 35 U.S.C. § 287(a) to consistently mark substantially all of the patented product by printing the word “patent” or “pat.” and

⁸⁰ See, e.g., *Immunocept*, 504 F.3d at 1289 (holding that the legal malpractice action was barred by the statute of limitations).

⁸¹ See 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:11.

⁸² For a detailed discussion of the concept of a “case within a case,” often referred to as a “trial within a trial” or “lawsuit within a lawsuit,” see 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:11–12; John H. Bauman, *Damages for Legal Malpractice: An Appraisal of the Crumbling Dike and the Threatening Flood*, 61 TEMP. L. REV. 1127, 1129–30 (1988) [hereinafter Bauman, *Damages for Legal Malpractice*]; Seymore, *The Competency of State Courts*, *supra* note 5, at 455–58; see also *Katsaris v. Scelsi*, 453 N.Y.S.2d 994, 996 (N.Y. Sup. Ct. 1982) (“A legal malpractice action may be described as a ‘lawsuit within a lawsuit.’ A plaintiff must prove the attorney failed to exercise reasonable care, and also that the plaintiff would have been successful in the underlying action if the attorney had performed properly.” (citing *Parksville Mobile Modular, Inc. v. Fabricant*, 422 N.Y.S.2d 710, 716 (N.Y. App. Div. 1979))).

⁸³ See, e.g., *Ocean Ships, Inc. v. Stiles*, 315 F.3d 111, 119 (2d Cir. 2003) (“Where malpractice is shown to have affected the proceedings, the inquiry shifts to what would have happened if the claim had been decided in the absence of malpractice.”). For a detailed discussion, see 4 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 34:11–12.

⁸⁴ *U.S. Cosmetics Corp. v. Greenberg Traurig, LLP*, No. 04-CV-3697, 2007 WL 980148 (D.N.J. Mar. 28, 2007).

⁸⁵ *Id.* at *1.

the number of the patent on it.⁸⁶ Since the plaintiffs did not show that they would have prevailed or reached a better settlement in the underlying infringement action but for the law firm's alleged negligence, the court granted a summary judgment for the defendant law firm.⁸⁷

Courts have held that to recover in a malpractice case, the plaintiff must prove actual damages resulted from the alleged malpractice.⁸⁸ For example, in *Sherwood Group, Inc. v. Dornbush, Mensch, Mandelstam & Silverman*,⁸⁹ the court granted summary judgment to the defendant law firm since plaintiff's allegations of damages were highly speculative, and the plaintiff failed to show any actual damages.⁹⁰

In a patent prosecution context, a malpractice plaintiff has to show that a patent with a certain commercial value would have issued or that the issued patent would have been more valuable but for the alleged malpractice.⁹¹ In *Igen, Inc. v. White*,⁹² where the plaintiff alleged that it suffered \$150 million in damages because the defendant patent law firm negligently failed to timely file a patent application in Europe, a New York appellate court dismissed the complaint for failure to state a cause of action since the plaintiff could not show any actual harm.⁹³

In a more recent case, the same court held that the trier of fact could find a diminution of value of a worldwide license to manufacture, sell, and sublicense a patented pharmaceutical product

⁸⁶ *Id.* at *2–4 (explaining that to satisfy the constructive notice provision of 35 U.S.C. § 287(a), the patentee must show that substantially all of the patented product being distributed was marked and the marking was substantially consistent and continuous (citing *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1446 (Fed. Cir. 1998))).

⁸⁷ *Id.* at *5.

⁸⁸ 3 MALLEN & SMITH, LEGAL MALPRACTICE, *supra* note 2, § 24:24.

⁸⁹ *Sherwood Group, Inc. v. Dornbush, Mensch, Mandelstam & Silverman*, 594 N.Y.S.2d 766 (N.Y. App. Div. 1993).

⁹⁰ *Id.* at 768.

⁹¹ *See, e.g., Oddi, Patent Attorney Malpractice, supra* note 4, at 44–45.

⁹² *Igen, Inc. v. White*, 672 N.Y.S.2d 867 (N.Y. App. Div. 1998).

⁹³ *Id.* at 869. The court noted: “Plaintiff, the inventor of a technique for producing monoclonal antibodies, seeks to wrest from its former counsel something that, thus far, has eluded it in the marketplace—a monetary return from its patented process.” *Id.* at 868.

where the defendant law firm failed to timely file a patent application in Asia.⁹⁴

In *Kairos Scientific Inc. v. Fish & Richardson, P.C.*,⁹⁵ decided under California law, the plaintiff managed to show that defendant law firm's negligent failure to timely file a Patent Cooperation Treaty ("PCT") application caused the plaintiff thirty million dollars in damages, mostly in licensing fees and royalties, because the issued patent provided protection only in Canada and the United States.⁹⁶

In addition to proving a favorable judgment in the underlying case, the court may require a malpractice plaintiff to show that the judgment would have been collectible⁹⁷ and no other remedies remained available against the underlying defendant.⁹⁸ For example, in *Garretson v. Harold I. Miller*,⁹⁹ a California appellate court affirmed a judgment for the defendant attorney in a legal malpractice case where the plaintiff client failed to establish that a favorable judgment in the underlying case would have been collectible.¹⁰⁰

The outcome of a "case within a case" in a patent-related legal malpractice action may turn on a substantial issue of patent law, which inevitably raises jurisdictional questions related to the congressional grant of exclusive federal jurisdiction over patent claims.¹⁰¹ For example, in *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*,¹⁰² the plaintiff, Vaxiion Therapeutics, Inc. ("Vaxiion"), alleged that Foley & Lardner ("Foley") attorneys,

⁹⁴ *InKine Pharm. Co. v. Coleman*, 759 N.Y.S.2d 62, 63 (N.Y. App. Div. 2003).

⁹⁵ *Kairos Scientific Inc. v. Fish & Richardson, P.C.*, No. 415736, 2003 WL 21960687 (Cal. Super. Ct. July 29, 2003), *aff'd*, Nos. A107085 & A107486, 2006 WL 171921 (Cal. Ct. App. Jan. 24, 2006) (reducing the award by 1.3 million dollars and affirming the modified judgment).

⁹⁶ *Id.* at *19–20, *77.

⁹⁷ For a detailed discussion of the requirement of collectibility, see Bauman, *Damages for Legal Malpractice*, *supra* note 82, at 1135–38.

⁹⁸ *Id.* at 1138–40.

⁹⁹ *Garretson v. Harold I. Miller*, 121 Cal. Rptr. 2d 317 (Cal. Ct. App. 2002).

¹⁰⁰ *Id.* at 326. "California follows the majority rule that a malpractice plaintiff must prove not only negligence on the part of his or her attorney but that careful management of the case-within-a-case would have resulted in a favorable judgment 'and collection of same.'" *Id.* at 321 (citing *Campbell v. Magana*, 8 Cal. Rptr. 32, 33 (Cal. Ct. App. 1960)).

¹⁰¹ See 28 U.S.C. § 1338(a) (2006).

¹⁰² *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*, No. 07CV280, 2008 WL 538446 (S.D. Cal. Feb. 27, 2008).

who prosecuted Vaxiion's patent application, after filing a provisional application in the United States on May 24, 2001, failed to timely file an international application under the PCT.¹⁰³ According to Vaxiion, the filing deadline for the PCT application was May 24, 2002, the day before the Memorial Day weekend.¹⁰⁴ Foley & Lardner filed the PCT application on the next business day, May 28, 2002.¹⁰⁵ Therefore, Vaxiion could only claim priority from a revised provisional application filed nine months later.¹⁰⁶ Meanwhile, unbeknownst to Vaxiion, another group of Foley & Lardner attorneys filed United States and PCT patent applications for EnGene, a Vaxiion competitor.¹⁰⁷ Vaxiion claimed that the competitor's applications covered the same intellectual property as one of its divisional patent applications, and thus, limited Vaxiion's patent protection to the United States.¹⁰⁸

Foley argued that to prove causation and damages, Vaxiion had to show that a valid, enforceable, and more valuable international patent would have issued had the application been filed timely.¹⁰⁹ Defendants also claimed that the court had to conduct an interference proceeding with regards to the claim scope, patentability, and priority of the competing patent applications to determine whether EnGene's and Vaxiion's patent applications cover the same subject matter under 35 U.S.C. § 291 and § 135.¹¹⁰ Therefore, according to Foley, the outcome of the "case within a case" depended on substantial issues of patent law, and the federal district court had subject matter jurisdiction to adjudicate the case despite the absence of

¹⁰³ *Id.* at *1.

¹⁰⁴ *See id.*; Defendant Foley & Lardner LLP's Opposition to Plaintiff Vaxiion Therapeutics, Inc.'s Motion to Remand at 2, *Vaxiion Therapeutics*, 2008 WL 538446 (No. 07CV280), 2007 WL 4596888 [hereinafter Foley's Opposition to the Motion to Remand].

¹⁰⁵ Foley's Opposition to the Motion to Remand, *supra* note 104, at 2.

¹⁰⁶ *See* Notice of Motion for Remand at 2, *Vaxiion Therapeutics*, 2008 WL 538446 (No. 07CV280), 2007 WL 4597081 [hereinafter Vaxiion's Motion for Remand]. Vaxiion learned of EnGene's patent applications when EnGene offered Vaxiion a cross-licensing agreement. *Id.* at 2–3.

¹⁰⁷ *See* Vaxiion's Motion for Remand, *supra* note 106, at 2–3.

¹⁰⁸ *See* Foley's Opposition to the Motion to Remand, *supra* note 104, at 2. Vaxiion had to split its original patent application into twenty-three divisional applications because of a restriction requirement. *See Vaxiion Therapeutics*, 2008 WL 538446, at *1.

¹⁰⁹ *See* Foley's Opposition to the Motion to Remand, *supra* note 104, at 5.

¹¹⁰ *Id.* at 6–9.

diversity between the parties.¹¹¹ The court agreed with the defendants and held that it had jurisdiction to hear the case.¹¹²

Although there are good arguments in favor of exclusive federal jurisdiction over such malpractice actions under 28 U.S.C. § 1338,¹¹³ as discussed in Part II, until recently, federal courts declined jurisdiction in such cases in the absence of diversity of citizenship between the parties. Part II also provides a background for the Part III analysis of recent Federal Circuit decisions in *Air Measurement Technologies*¹¹⁴ and *Immunocept*.¹¹⁵

II. FEDERAL JURISDICTION AND PATENT LAW MALPRACTICE CASES

A. *Jurisdiction of Federal Courts*

Subject matter jurisdiction of federal courts is based on a federal subject matter¹¹⁶ or diversity of citizenship.¹¹⁷ It derives from Article III, Section 2 of the U.S. Constitution, which delineates the outer limits of federal subject matter jurisdiction.¹¹⁸ Congress adopted enabling statutes that define actual jurisdiction of federal courts.¹¹⁹ Therefore, subject matter jurisdiction of federal courts

¹¹¹ *Id.* at 9.

¹¹² See generally *Vaxiion Therapeutics*, 2008 WL 538446. For a further discussion of this case, see *infra* notes 189–96 and accompanying text.

¹¹³ See 28 U.S.C. § 1338(a) (2006).

¹¹⁴ *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007).

¹¹⁵ *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007).

¹¹⁶ See 28 U.S.C. § 1331 (“The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”).

¹¹⁷ See 28 U.S.C. § 1332(a)(1) (“The district courts shall have original jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and is between . . . citizens of different States . . .”); see also 1-1 FEDERAL LITIGATION GUIDE § 1.05 (Lexis 2007) (discussing constitutional and statutory basis for federal subject matter jurisdiction).

¹¹⁸ U.S. CONST. art. III, § 2; see also *Flast v. Cohen*, 392 U.S. 83, 94 (1968) (“The jurisdiction of federal courts is defined and limited by Article III of the Constitution.”).

¹¹⁹ See 28 U.S.C. §§ 1330–69, 1441–53; *Hagens v. Lavine*, 415 U.S. 528, 538 (1974) (noting that federal subject matter “[j]urisdiction is essentially the authority conferred by Congress to decide a given type of case . . .”).

cannot be extended through judicial interpretation, state laws and regulations, or by consent of the parties.¹²⁰

The Supreme Court interpreted the “arising under” language of § 1331 to confer narrower jurisdiction on federal courts than the identical “arising under” language of Article III of the Constitution.¹²¹ For a claim to arise “under the Constitution, laws, or treaties of the United States,” the plaintiff’s well-pleaded complaint must be based on a cause of action created by federal law or the relief sought must necessarily depend on a resolution of a substantial question of federal law.¹²² Plaintiffs cannot defeat or confer federal jurisdiction through the drafting of artful pleadings.¹²³

Generally, state law-based actions, such as legal malpractice cases, with the requisite amount in controversy and diverse parties, are within concurrent jurisdiction of state and federal courts.¹²⁴ With a few exceptions, if filed in a state court, defendants may remove such cases to federal district courts under 28 U.S.C. § 1441.¹²⁵

If a federal court has proper original jurisdiction over a civil case, it has supplemental jurisdiction over all state law claims aris-

¹²⁰ See, e.g., *Am. Fire & Cas. Co. v. Finn*, 341 U.S. 6, 17–18 (1951) (“The jurisdiction of the federal courts is carefully guarded against expansion by judicial interpretation or by prior action or consent of the parties.”).

¹²¹ See *Verlinden B.V. v. Cent. Bank Nig.*, 461 U.S. 480, 494–95 (1983) (“Although the language of § 1331 parallels that of the ‘Arising Under’ Clause of Art. III, this Court never has held that statutory ‘arising under’ jurisdiction is identical to Art. III ‘arising under’ jurisdiction. Quite the contrary is true.”).

¹²² See *Phillips Petroleum Co. v. Texaco, Inc.*, 415 U.S. 125, 127–28 (1974); see also *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 808 (1986) (holding that “the question whether a claim ‘arises under’ federal law must be determined by reference to the ‘well-pleaded complaint’ and that “[a] defense that raises a federal question is inadequate to confer federal jurisdiction”).

¹²³ See *Federated Dept. Stores, Inc. v. Moitie*, 452 U.S. 394, 397 (1981) (“[C]ourts ‘will not permit plaintiff to use artful pleading to close off defendant’s right to a federal forum . . . [and] occasionally the removal court will seek to determine whether the real nature of the claim is federal, regardless of plaintiff’s characterization.’” (quoting 14 CHARLES ALAN WRIGHT ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 3722 (1976))).

¹²⁴ See 28 U.S.C. § 1332 (a)(1) (“The district courts shall have original jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and is between citizens of different States . . .”).

¹²⁵ See 28 U.S.C. § 1441. Nonremovable actions are listed in 28 U.S.C. § 1445 and are not relevant in the legal malpractice context.

ing from the same case or controversy.¹²⁶ The court, however, may decline to exercise its supplemental jurisdiction over a particular claim.¹²⁷

Some types of claims, such as those arising under patent laws, are within exclusive original jurisdiction of federal courts, and state courts lack jurisdiction to hear such matters.¹²⁸

B. Well-Pleaded Complaint Rule and Federal Jurisdiction in Patent Cases

In 1982, to ensure uniformity in the development and application of patent law, Congress created the U.S. Court of Appeals for the Federal Circuit.¹²⁹ The Federal Circuit has exclusive appellate jurisdiction over any final decision of a federal district court where the court had jurisdiction pursuant to 28 U.S.C. § 1338, over appeals from decisions of the Board of Patent Appeals and Interferences (“BPAI”), and over appeals from district court decisions on appeals from BPAI decisions.¹³⁰

¹²⁶ See 28 U.S.C. § 1367(a). The statute provides:

(a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.

Id.

¹²⁷ See 28 U.S.C. § 1367(c). The statute provides:

The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if—(1) the claim raises a novel or complex issue of State law, (2) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction, (3) the district court has dismissed all claims over which it has original jurisdiction, or (4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.

Id.

¹²⁸ See 28 U.S.C. § 1338(a).

¹²⁹ Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

¹³⁰ See 28 U.S.C. § 1295(a)(1), (4).

Congress intended to circumscribe clearly the appellate jurisdiction of the Federal Circuit by the reference to § 1338.¹³¹ In practice, however, this created two jurisdictional conflicts, one between the Federal Circuit and state courts and the other one between the Federal Circuit and other circuit courts.¹³² The Supreme Court attempted to clarify the issue in *Christianson v. Colt Industries Operating Corp.*¹³³ Applying the well-pleaded complaint rule that it used to interpret the scope of federal jurisdiction under Section 1331, the Court held:

[Section] 1338(a) jurisdiction [of the Federal Circuit] likewise extend[s] only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.¹³⁴

The Court also explained that if several alternative theories support a claim, there is no federal patent law jurisdiction unless a patent law question is essential for each of the theories.¹³⁵

Concerned that the Federal Circuit interpreted its “arising under” jurisdiction and the well-pleaded complaint rule too broadly,¹³⁶ in *Holmes Group, Inc. v. Vornado Air Circulation Sys-*

¹³¹ See Emmette F. Hale, III, *The “Arising Under” Jurisdiction of the Federal Circuit: An Opportunity for Uniformity in Patent Law*, 14 FLA. ST. U. L. REV. 229, 238–41 (1986).

¹³² In a jurisdictional conflict between the Federal Circuit and a state court, the court has to determine whether a particular claim falls under the exclusive jurisdictional grant of 28 U.S.C. § 1338. In a jurisdictional conflict that implicates appellate jurisdiction of the Federal Circuit and a regional circuit court, the court has to decide whether the district court where the appeal originated had original subject matter jurisdiction under § 1338 or under some other source of federal jurisdiction. For a detailed treatment of these issues, see John Donofrio & Edward C. Donovan, *Christianson v. Colt Industries Operating Corp.: The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions*, 45 AM. U. L. REV. 1835 (1996) [hereinafter Donofrio & Donovan, *The Application of Federal Question Precedent*].

¹³³ *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988).

¹³⁴ *Id.* at 808–09.

¹³⁵ *Id.* at 810.

¹³⁶ For a theoretical basis for such an interpretation, see, for example, Donofrio & Donovan, *The Application of Federal Question Precedent*, *supra* note 132.

tems, Inc.,¹³⁷ the Supreme Court held that the well-pleaded complaint rule does not allow a counterclaim for patent infringement to serve as a basis for the exclusive appellate jurisdiction under § 1295(a)(1).¹³⁸ The Court was concerned that a broad interpretation of the “arising under” jurisdiction would destroy a plaintiff’s control over removal jurisdiction and the appellate forum for the claim and would unnecessarily complicate the application of the well-pleaded complaint doctrine.¹³⁹

One of the consequences of the *Holmes* decision is that regional circuits and state courts have to decide more patent law claims. Some commentators expressed concern that this may have a negative impact on the uniformity in the application of patent law—the same concern that led to the creation of the Federal Circuit.¹⁴⁰

Three years later, in *Grable and Sons Metal Products, Inc. v. Darue Engineering and Manufacturing*,¹⁴¹ the Supreme Court cautioned that “[a] federal issue will ultimately qualify for a federal forum only if federal jurisdiction is consistent with congressional judgment about the sound division of labor between state and federal courts”¹⁴² According to the Court, “federal jurisdiction demands not only a contested federal issue, but a substantial one, indicating a serious federal interest in claiming the advantages thought to be inherent in a federal forum.”¹⁴³ Thus, to determine existence of federal “arising under” jurisdiction, courts have to answer the following question: “[D]oes a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congression-

¹³⁷ *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002).

¹³⁸ *Id.* at 830–31.

¹³⁹ *Id.* at 831–32.

¹⁴⁰ See, e.g., C.J. Alice Chen, *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 18 BERKELEY TECH. L.J. 141, 157 (2003); Christopher A. Cotropia, *Counterclaims, the Well-Pleaded Complaint, and Federal Jurisdiction*, 33 HOFSTRA L. REV. 1, 50 (2004); Christopher A. Cotropia, “*Arising Under*” *Jurisdiction and Uniformity in Patent Law*, 9 MICH. TELECOMM. TECH. L. REV. 253, 311 (2003).

¹⁴¹ *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308 (2005).

¹⁴² *Id.* at 313.

¹⁴³ *Id.*

ally approved balance of federal and state judicial responsibilities?"¹⁴⁴

The federal jurisdictional framework discussed in this section informed federal and state court jurisdictional rulings examined below and formed the basis for the two Federal Circuit decisions discussed in Part III.

C. Subject Matter Jurisdiction Over Patent Law Malpractice Cases Before the Federal Circuit Decisions in Air Measurement¹⁴⁵ and Immunocept¹⁴⁶

Traditionally, federal courts found no jurisdiction in legal malpractice cases absent diversity of citizenship.¹⁴⁷ As discussed in Part I, the outcome of some patent law malpractice cases may depend on a substantial question of patent law. Nevertheless, since such cases arise under state law, in compliance with the well-pleaded complaint rule and the Supreme Court decisions in *Christianson* and *Holmes*, in the absence of diversity, federal courts declined jurisdiction over patent law malpractice claims.¹⁴⁸

For example, in *Adamasu v. Gifford, Krass, Groh, Sprinkle, Anderson & Citkowski, P.C.*,¹⁴⁹ where the plaintiff sued patent attorneys in a state court for the alleged legal malpractice in patent prosecution, the defendants did not succeed in their attempt to remove the case to a federal court.¹⁵⁰ The prosecution history of the patent in question was long and involved several continuation, con-

¹⁴⁴ *Id.* at 314.

¹⁴⁵ *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007).

¹⁴⁶ *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007).

¹⁴⁷ *See, e.g.*, *Commonwealth Film Processing, Inc. v. Moss & Rocovich, P.C.*, 778 F. Supp. 283 (W.D. Va. 1991) (no federal jurisdiction in a legal malpractice action against patent attorney who allegedly failed to demonstrate adequate knowledge of patent law); *Voight v. Kraft*, 342 F. Supp. 821 (D. Idaho 1972) (no federal jurisdiction in a legal malpractice action where the defendant attorneys allegedly advised the plaintiff to pursue a patent for a device that was not patentable).

¹⁴⁸ *See supra* Part II.B for a discussion of the well-pleaded complaint rule and the Supreme Court decisions in *Christianson* and *Holmes*.

¹⁴⁹ *Adamasu v. Gifford, Krass, Groh, Sprinkle, Anderson & Citkowski, P.C.*, No. 05-70389, 2005 U.S. Dist. LEXIS 37769 (E.D. Mich. July 25, 2005).

¹⁵⁰ *Id.* at *11.

tinuation in part, and divisional applications.¹⁵¹ The plaintiff filed the original patent application in November 1982.¹⁵² In an attempt to qualify for a patent duration of seventeen years from the date of issue and effectively extend the life of the patent, on June 7, 1995, the plaintiff filed a patent application that claimed priority from his November 1982 application.¹⁵³ In December 1996, the PTO rejected the new application and seven months later declared the application abandoned for failure to respond to the rejection.¹⁵⁴ In 2000, the plaintiff retained the defendant attorneys to revive the 1995 patent application.¹⁵⁵ The defendants filed a petition for revival under 37 C.F.R. § 1.137(b), requisite terminal disclaimer, and a Continued Prosecution Application Request Transmittal under 37 C.F.R. § 1.53(d).¹⁵⁶ The PTO granted the petition to revive “solely for the purposes of continuity” and deemed the 1995 application abandoned in favor of the continued prosecution application filed in 2000.¹⁵⁷ As a result, according to the plaintiff, the patent that issued in 2001 had the duration of twenty years from the date of filing of his earliest application in 1982.¹⁵⁸ The plaintiff also

¹⁵¹ See U.S. Patent No. 6,314,368, at [62] (filed June 7, 1995).

¹⁵² *Id.* at [62].

¹⁵³ *Id.*; see also 35 U.S.C. § 154(c)(1) (2006) (“[T]he term of a patent . . . that results from an application filed [before June 8, 1995] shall be the greater of the 20-year term [from the filing of the original application], or 17 years from grant, subject to any terminal disclaimers.”). The June 8, 1995, deadline resulted from the United States acceding to the Trade-Related Aspects of Intellectual Property Rights (“TRIPs”) Agreement in 1994, which required that “[t]he term of [patent] protection available shall not end before the expiration of a period of twenty years counted from the filing date.” Agreement on Trade-Related Aspects of Intellectual Property Rights art. 33, Apr. 15, 1994, 1869 U.N.T.S. 229, 33 I.L.M. 1197, available at http://www.wto.org/English/docs_e/legal_e/27-trips.pdf; see also Uruguay Round Amendments Act, Pub. L. No. 103-465, § 531, 108 Stat. 4809, 4973-90 (1994). For a discussion of the TRIPs Agreement and its effect on U.S. patent law, see, for example, Kenneth J. Burchfiel, *U.S. GATT Legislation Changes Patent Term*, 77 J. PAT & TRADEMARK OFF. SOC’Y 222 (1995); Charles E. Van Horn, *Effects of GATT and NAFTA on PTO Practice*, 77 J. PAT & TRADEMARK OFF. SOC’Y 231 (1995).

¹⁵⁴ *Adamasu*, 2005 U.S. Dist. LEXIS 37769, at *3.

¹⁵⁵ *Id.* at *3-4.

¹⁵⁶ *Id.* at *4.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.* at *5; see also 37 C.F.R. § 1.137(d)(2) (2007) (“Any terminal disclaimer pursuant to paragraph (d)(1) of this section must also apply to any patent granted on a continuing utility or plant application filed before June 8, 1995 . . . that contains a specific reference under 35 U.S.C. 120, 121, or 365(c) to the application for which revival is sought.”).

claimed that defendants' filing of the continued prosecution application was an error that shortened the patent term and resulted in a loss of over five million dollars in royalties and licensing fees.¹⁵⁹

The defendants filed a notice of removal with the U.S. District Court for the Eastern District of Michigan, arguing that the court had jurisdiction under 28 U.S.C. §§ 1331 and 1338 because the plaintiff's right to relief necessarily required determination of the scope of the claims in his patent.¹⁶⁰ According to the defendants, to prove causation and damages, the plaintiff had to show that "any company that would have paid him royalties or licensing fees [was] selling or ha[d] sold a product that infringed his patent."¹⁶¹ Applying the well-pleaded complaint rule, the court treated the case as a state tort action that did not arise under patent laws and granted plaintiff's motion to remand the case to a state court.¹⁶²

State courts reached similar conclusions even in cases that arguably turned on substantial issues of patent law. For example, in *New Tek Manufacturing, Inc. v. Beehner*,¹⁶³ the Supreme Court of Nebraska reviewed an appeal from a summary judgment for the defendant patent attorney John A. Beehner ("Beehner") in a legal malpractice action.¹⁶⁴ To render a decision, the state district court, as a part of "case within a case" proceedings, held an elaborate *Markman* hearing¹⁶⁵ on claim construction to determine whether the plaintiff would have been successful in a hypothetical infringement action but for the attorney's professional negligence.¹⁶⁶ Since the plaintiff asserted a state law cause of action and sought

¹⁵⁹ *Id.* at *5.

¹⁶⁰ *Id.* at *6.

¹⁶¹ *Id.*

¹⁶² *Id.* at *8–11. "The complaint alleges one cause of action, namely legal malpractice, which is a state-law tort claim." *Id.* at *9. It is likely that defendants' handling of their notice to remove contributed to the court's decision. As the court pointed out, the defendants failed to file "a copy of all process with the notice of removal" in compliance with 28 U.S.C. § 1446(a), their notice of removal contained typographical errors in citations and did not follow court's motion practice guidelines. *Id.* at *6–7. In addition, defendants' filing of a sur-reply did not follow the court's local rules. *Id.* at *7.

¹⁶³ *New Tek Mfg., Inc. v. Beehner (New Tek)*, 702 N.W.2d 336 (Neb. 2005).

¹⁶⁴ *Id.* at 342.

¹⁶⁵ *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (holding that claim construction "is exclusively within the province of the court.").

¹⁶⁶ *New Tek*, 702 N.W.2d at 346.

remedies under state law, the Supreme Court of Nebraska found no basis for federal jurisdiction and held that patent law questions were merely incidental to the case.¹⁶⁷ The state's highest appellate court, however, disagreed with the state district court's patent claim construction and reversed the summary judgment.¹⁶⁸

In *Delta Process Equipment, Inc. v. New England Insurance Co.*,¹⁶⁹ the Court of Appeals of Louisiana found federal jurisdiction under 28 U.S.C. § 1338(a) in a patent law malpractice case where the defendant attorney failed to timely file a patent application, and the issued patent was therefore invalid because of the on-sale statutory bar of 35 U.S.C. § 102(b).¹⁷⁰ Upon rehearing, however, the court reversed itself and held that under *Christianson*, the plaintiff's right to relief did not "necessarily depend on resolution of a substantial question of federal patent law"¹⁷¹

In a few legal malpractice cases, federal courts denied plaintiffs' motions to remand to state courts. For example, in *Chance v. Sullivan*,¹⁷² clients sued their former attorneys in a state court alleging, inter alia, a breach of fiduciary duty and malpractice in reaching a settlement agreement in the underlying federal litigation.¹⁷³ The defendants removed the malpractice action to the same federal district court where they litigated the underlying action.¹⁷⁴ The court denied plaintiffs' motion to remand and held that it had federal question jurisdiction over the case because federal issues dominated the case and alternatively to protect the integrity of the court's prior settlement order.¹⁷⁵

Within the last few years, courts' treatment of patent law malpractice cases started to change. In 2003, the U.S. District Court

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 354–55. The court refused to consider Beehner's purported cross-appeal beyond the issue of subject matter jurisdiction because, in filing his cross-appeal, Beehner failed to comply with the requirements of NEB. CT. R. PRAC. 9D(4) (2001).

¹⁶⁹ *Delta Process Equip., Inc. v. New England Ins. Co.*, 560 So. 2d 923 (La. Ct. App. 1990).

¹⁷⁰ *See id.* at 923–24; *see also* 35 U.S.C. § 102(b) (2006).

¹⁷¹ *Delta Process*, 560 So. 2d at 926 (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988)).

¹⁷² *Chance v. Sullivan*, 993 F. Supp. 565 (S.D. Tex. 1998).

¹⁷³ *Id.* at 567.

¹⁷⁴ *Id.* at 566.

¹⁷⁵ *Id.* at 568.

for the Western District of Texas denied plaintiff's motion to remand a patent law malpractice action to the state court where the plaintiffs originally filed it.¹⁷⁶ The plaintiffs alleged that one of the defendants, Gary Hamilton, failed to timely file a patent application and did not properly disclose relevant prior art to the PTO while prosecuting patent applications for the plaintiffs.¹⁷⁷ This malfeasance, according to the plaintiffs, forced them to settle the subsequent infringement litigation for significantly less than would have been otherwise possible.¹⁷⁸

The court held that in order to prevail, the plaintiffs had to establish that they would have prevailed in the underlying infringement action, but for Hamilton's negligence that afforded the alleged infringers the defenses of on-sale bar and patent invalidity.¹⁷⁹ Thus, according to the court, the plaintiffs' right to relief "necessarily depend[ed] on resolution of a substantial question of federal patent law"¹⁸⁰ In denying plaintiffs' motion to remand, the court distinguished *Commonwealth Film Processing*¹⁸¹ and *Voight*¹⁸² as cases where the parties conceded all substantial patent law questions.¹⁸³

In 2005, another federal district court in Texas, without mentioning the *Air Measurement* decision, denied a motion to remand a patent law malpractice case to a state court. In *Groteapproach, Ltd. v. Reynolds*,¹⁸⁴ the U.S. District Court for the Northern District of Texas found that it had subject matter jurisdiction to hear the case under 28 U.S.C. § 1338(a) and the well-pleaded complaint

¹⁷⁶ See *Air Measurement Techs., Inc. v. Hamilton*, No. SA-03-CA-0541, 2003 U.S. Dist. LEXIS 16391, at *2 (W.D. Tex. Sept. 5, 2003). For the subsequent appellate history of this case, see *infra* Part III.A.

¹⁷⁷ *Id.* at *2.

¹⁷⁸ *Id.* at *2-3.

¹⁷⁹ *Id.* at *12-13.

¹⁸⁰ *Id.* at *13 (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)).

¹⁸¹ *Commonwealth Film Processing, Inc. v. Moss & Rocovich, P.C.*, 778 F. Supp. 283 (W.D. Va. 1991); see also *supra* note 147 and accompanying text.

¹⁸² *Voight v. Kraft*, 342 F. Supp. 821 (D. Idaho 1972); see also *supra* note 147 and accompanying text.

¹⁸³ *Air Measurement*, 2003 U.S. Dist. LEXIS 16391, at *10-12.

¹⁸⁴ *Groteapproach, Ltd. v. Reynolds*, No. 3:04-CV-2735-BF, 2005 U.S. Dist. LEXIS 16362, at *2 (N.D. Tex. Aug 9, 2005).

rule of *Christianson*.¹⁸⁵ The plaintiff, Groteapproach, Ltd., alleged that the defendant attorney negligently missed a filing deadline for a patent application.¹⁸⁶ The court reasoned that in order to prevail, the plaintiff “must necessarily prove that it possessed something patentable, and also that the deadline under 35 U.S.C. § 102(b) was missed.”¹⁸⁷ Therefore, the success of the plaintiff’s malpractice claim necessarily depended “on a resolution of substantial questions of federal patent law,” and the court had “arising under” jurisdiction over the case.¹⁸⁸

In February of 2007, the U.S. District Court for the Southern District of California also had to consider plaintiff’s motion to remand a patent law malpractice case to a state court.¹⁸⁹ The plaintiff in *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*¹⁹⁰ sued its former attorneys alleging negligence, dual representation of adverse interests, breach of contract, interference with prospective economic advantage, and constructive fraud.¹⁹¹ Relying on district court decisions in *Air Measurement* and *Groteapproach*, the defendant argued that the federal district court had subject matter jurisdiction to hear the case since its adjudication necessarily required “resolution of . . . substantial question[s] of federal patent law. . . .”¹⁹²

In support of its motion to remand, Vaxiion cited 1897 and 1916 Supreme Court cases and claimed that the case only involved a breach of contract and “a matter of science” that did not impli-

¹⁸⁵ *Id.* at *3 (citing *Christianson*, 486 U.S. at 808–09).

¹⁸⁶ *Id.* at *1.

¹⁸⁷ *Id.* at *3. 35 U.S.C. § 102(b) (2006) provides: “A person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States”

¹⁸⁸ *Id.* (quoting *Christianson*, 486 U.S. at 808–09).

¹⁸⁹ See Vaxiion’s Motion for Remand, *supra* note 106.

¹⁹⁰ *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*, No. 07CV280-IEG, 2008 WL 538446 (S.D. Cal. Feb. 27 2008); see also *supra* Part I.C (discussing this case).

¹⁹¹ See Foley’s Opposition to the Motion to Remand, *supra* note 104, at 2.

¹⁹² *Id.* at 3–9 (quoting *Christianson*, 486 U.S. at 808–9). When the defendant removed the case to a federal court, *Air Measurement* and *Groteapproach* appeals were pending before the Federal Circuit.

cate federal patent law.¹⁹³ Unable or unwilling to counter legal arguments in the *Air Measurement* and *Groteapproach* decisions, Vaxiion moved to strike defendant's citation of those two cases as not published, and thus, not citable in the Ninth Circuit.¹⁹⁴

Judge Irma E. Gonzalez agreed with the defendants, and on April 12, 2007, denied Vaxiion's motions.¹⁹⁵ As of the time of this writing, the case is still pending before the U.S. District Court for the Southern District of California.¹⁹⁶

Cases discussed in this section show that, in the absence of clear rules defining outer limits of federal subject matter jurisdiction, courts had to rely on general guidelines of Supreme Court cases and persuasive authority of their sister courts' decisions.¹⁹⁷ To provide guidance on jurisdictional issues, the Federal Circuit accepted jurisdiction over appeals from district court decisions in two legal malpractice cases against patent attorneys where the district courts asserted "arising under" jurisdiction over state actions.¹⁹⁸ The final part of the Comment discusses those two cases.

¹⁹³ See Vaxiion's Motion for Remand, *supra* note 106, at 3–4; Plaintiff's Reply in Support of Motion to Remand at 2–3, *Vaxiion Therapeutics*, 2008 WL 538446 (No. 07CV280), 2007 WL 4597055.

¹⁹⁴ Plaintiff's Reply in Support of Motion to Strike at 2–3, *Vaxiion Therapeutics*, 2008 WL 538446 (No. 07CV280), 2007 WL 4597078. Apparently, Vaxiion's counsel could not even find *Air Measurement* and *Groteapproach* decisions until Foley's counsel provided copies of the two decisions. See Defendant Foley & Lardner LLP's Opposition to Plaintiff Vaxiion Therapeutics, Inc.'s Motion to Strike at 2 n.1, *Vaxiion Therapeutics*, 2008 WL 538446 (No. 07CV280), 2007 WL 4597084.

¹⁹⁵ See *Vaxiion Therapeutics*, 2008 WL 538446, at *2.

¹⁹⁶ See *Vaxiion Therapeutics*, 2008 WL 538446, for docket information.

¹⁹⁷ See, e.g., *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, No. SA-03-CA-0541, 2006 U.S. Dist. LEXIS 96914, at *10–14 (W.D. Tex. Sep. 29 2006).

¹⁹⁸ See *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 206 F. App'x 980, 980 (Fed. Cir. 2006) (granting permission to appeal).

III. EXCLUSIVE FEDERAL JURISDICTION OF PATENT LAW
MALPRACTICE CASES: FEDERAL CIRCUIT DECISIONS IN *AIR
MEASUREMENT*¹⁹⁹ AND *IMMUNOCEPT*²⁰⁰

A. *Air Measurement Technologies, Inc. v. Akin Gump Strauss
Hauer & Feld, LLP*

On October 15, 2007, the Federal Circuit decided two cases where it held that federal courts have exclusive jurisdiction over state law legal malpractice cases that necessarily depend on a resolution of a substantial question of federal patent law.²⁰¹

In *Air Measurement*, discussed in the previous section, after two years of discovery, the defendants, who originally removed the case to the federal court, filed a motion to remand.²⁰² The plaintiffs, Air Measurement Technologies, Inc (“AMT”), opposed.²⁰³ The court denied defendants’ motion to remand and granted its motion to permit interlocutory appeal to the Federal Circuit.²⁰⁴

According to the district court, the controlling question of law on appeal was: “Whether a Texas state-law legal malpractice claim arising out of underlying patent prosecution and patent litigation necessarily raises a question of federal patent law, actually disputed and substantial, that a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities.”²⁰⁵ Granting the motion, the district court emphasized a lack of controlling authority on point, “the need for clarity in jurisdictional rules, and the amount of resources frequently required to litigate complex patent-related cases.”²⁰⁶

The certified question presented an issue of first impression to the Federal Circuit.²⁰⁷ Writing for the court, Chief Judge Michel

¹⁹⁹ *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007).

²⁰⁰ *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007).

²⁰¹ *See id.* at 1284; *Air Measurement*, 504 F.3d at 1265.

²⁰² *Air Measurement*, 2006 U.S. Dist. LEXIS 96914, at *5.

²⁰³ *Id.*

²⁰⁴ *Id.* at *17.

²⁰⁵ *Id.* at *16.

²⁰⁶ *Id.* at *17.

²⁰⁷ *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262, 1267 (Fed. Cir. 2007).

started his analysis with the application of the well-pleaded complaint rule of *Christianson* and *Holmes*.²⁰⁸ Since proof of patent infringement was necessary to show that AMT would have prevailed in the underlying litigation but for the attorneys' malpractice, patent infringement was a necessary element of plaintiffs' malpractice claim, and therefore, this presented "a substantial question of patent law conferring § 1338 jurisdiction."²⁰⁹ Citing *Grable*, Judge Michel stated that it would be "illogical" for a district court "to have jurisdiction under § 1338 to hear the underlying infringement suit and . . . not have jurisdiction under § 1338 to hear the same substantial patent question in the 'case within a case' context of a state malpractice claim."²¹⁰ This interpretation was consistent with post-*Christianson* Federal Circuit cases, where the court held that "patent infringement presents a substantial question of federal patent law conferring 'arising under' jurisdiction."²¹¹

To prevail in its "case within the case," in addition to infringement, AMT had to show that it would have prevailed over the defenses of patent invalidity and unenforceability in the underlying litigation but for its attorneys' malpractice.²¹² This, according to Judge Michel, also presented a substantial question of federal patent law sufficient to confer "arising under" jurisdiction.²¹³

Turning to the federalism analysis under *Grable*, Judge Michel observed that "[t]here is a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency" and that litigants would "benefit from federal judges who have experience in claim construction and infringement matters."²¹⁴ In adopting 28 U.S.C. § 1338, Congress decided the federal versus state jurisdictional issue in favor of ensuring uniformity of federal patent law.²¹⁵ Therefore, under *Grable*, patent infringement, being a necessary element of this legal malpractice claim, presented a substantial issue of patent law

²⁰⁸ *Id.* at 1267–69.

²⁰⁹ *Id.* at 1269.

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² *Id.* at 1270.

²¹³ *Id.* at 1273.

²¹⁴ *Id.* at 1272.

²¹⁵ *See id.*

sufficient to confer federal jurisdiction.²¹⁶ In an apparent attempt to limit the scope of its holding, the court, in conclusion, stated:

[W]e hold that at least where, as here, establishing patent infringement is a necessary element of a malpractice claim stemming from alleged mishandling of patent prosecution and earlier patent litigation, the issue is substantial and contested, and federal resolution of the issue was intended by Congress, there is “arising under” jurisdiction under § 1338.²¹⁷

*B. Immunocept, LLC v. Fulbright & Jaworski, LLP*²¹⁸

In *Immunocept*, the plaintiffs (“Immunocept”) appealed from a summary judgment where the U.S. District Court for the Western District of Texas held that Immunocept’s legal malpractice claim was foreclosed by the Texas two-year statute of limitations and that the plaintiffs could not recover under Texas law because the alleged damages were too speculative.²¹⁹ Immunocept claimed that Fulbright’s patent attorney, who prosecuted one of Immunocept’s patents, erroneously used the restrictive “consists of” transitional phrase instead of open-ended “comprises,” thus rendering the patent too narrow in scope and practically worthless.²²⁰ Immunocept appealed to the Federal Circuit, and the appellate court ordered both parties to address the issue of whether the district court had “arising under” jurisdiction over the malpractice claim under 28 U.S.C. § 1338(a).²²¹

In an opinion by Chief Judge Michel, the court stated that since claim drafting errors were the sole basis for the legal malpractice suit, they constituted an essential element of the malpractice cause of action.²²² Therefore, Immunocept could not prevail without as-

²¹⁶ *See id.*

²¹⁷ *Id.*

²¹⁸ *Immunocept, LLC v. Fulbright & Jaworski, LLP*, No. A-05-CA-334-SS, 2006 U.S. Dist. LEXIS 96912 (W.D. Tex. Mar. 24, 2006).

²¹⁹ *Id.* at *4.

²²⁰ *Id.* at *3 (quoting Plaintiff’s Motion for Partial Summary Judgment at 2).

²²¹ *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1282–83 (Fed. Cir. 2007).

²²² *Id.* at 1285.

certaining the scope of the patent claims.²²³ Further, since claim construction was a question of law that determined the scope of patent protection and could involve complex concepts of patent law, it represented a substantial question of federal law.²²⁴

Relying on its holding in *Air Measurement* and applying similar analysis, the court held that where the “determination of claim scope is a necessary, substantial, and contested element of a malpractice claim stemming from patent prosecution, there is ‘arising under’ jurisdiction under § 1338.”²²⁵

C. Patent Law Malpractice Cases After *Air Measurement* and *Immunocept*

It is difficult to predict how courts will interpret the Federal Circuit decisions in *Air Measurement* and *Immunocept* and whether future cases will limit their effect.²²⁶ Some industry observers and practicing attorneys have expressed concerns that these decisions may lead to a wide variety of legal malpractice lawsuits, not only those that involve substantial questions of patent law, being tried in federal courts instead of state courts.²²⁷

For example, E. Joshua Rosenkranz, who represented Akin Gump attorneys in the *Air Measurement* case and who argued the case before the Federal Circuit, believes that the Federal Circuit decision in *Air Measurement* “could lead to a deluge of state law legal malpractice suits being filed in federal courts.”²²⁸ Rosenkranz even suggests that since there was federal jurisdiction in *Air Measurement*, then all patent malpractice cases, as well any other

²²³ *Id.*

²²⁴ *Id.*

²²⁵ *Id.* at 1289.

²²⁶ For some early comments on the two Federal Circuit decisions, see Hinshaw & Culbertson LLP, Federal Circuit Finds Exclusive Federal Jurisdiction of Legal Malpractice Cases Arising From Patent Matters (Nov. 13, 2007), <http://www.hinshawlaw.com/federal-circuit-finds-exclusive-federal-jurisdiction-of-legal-malpractice-cases-arising-from-patent-matters-11-13-2007>.

²²⁷ See, e.g., Brenda Sapino Jeffreys & John Council, *Federal Circuit: Legal-Mal Suits With Patent Infringement Elements Belong in Federal Court*, TEX. LAWYER, Oct. 22, 2007, <http://www.law.com/jsp/article.jsp?id=1192784614514>.

²²⁸ *Id.*

malpractice cases “in any matter involving a federal law or a federal agency” must be tried in federal courts.²²⁹

In contrast, Paul Storm and Chris Kling, partners in the Dallas law firm Storm LLP who represented AMT in *Air Measurement*, do not believe that the Federal Circuit decision in *Air Measurement* will have broad implications.²³⁰ The holding in *Air Measurement*, according to Kling, requires a “fairly unique fact pattern” to keep a patent law malpractice lawsuit in a federal court.²³¹

Regardless of which predictions prove to be more accurate, there are important public policy reasons for the uniform development and application of patent law.²³² Discussing adjudication of patent-related matters in state courts, many commentators and academic writers expressed concerns about possible fragmentation of patent law and the competency of state courts to decide substantial patent-related issues—including legal malpractice cases that necessarily turn on substantial questions of patent law.²³³ The *Air Measurement* and *Immunocept* decisions asserted exclusive federal jurisdiction over such cases.

²²⁹ *Id.*

²³⁰ *Id.*

²³¹ *Id.*

²³² See, e.g., S. Rep. No. 97-275, at 5 (1981), as reprinted in 1982 U.S.C.C.A.N. 11, 15 (expressing congressional intent to “increase doctrinal stability in the field of patent law” through the establishment of the Court of Appeals for the Federal Circuit and to reduce or eliminate the widespread forum-shopping in the patent law area).

²³³ See, e.g., Mark J. Henry, *State Courts Hearing Patent Cases: A Cry for Help to the Federal Circuit*, 101 DICK. L. REV. 41, 51 (1996) [hereinafter Henry, *State Courts Hearing Patent Cases*] (reviewing a number of improperly decided state patent-related cases and arguing that state courts are incapable of adjudicating patent cases properly); Seymour, *The Competency of State Courts*, supra note 5, at 475 (arguing that legal malpractice cases that necessarily turn on substantial issues of patent law should be tried in federal courts); Dutch D. Chung, Note, *The Preclusive Effect of State Court Adjudication of Patent Issues and the Federal Courts’ Choice of Preclusion Laws*, 69 FORDHAM L. REV. 707, 755 (2000) (warning that through artful pleading plaintiffs can avoid federal jurisdiction and that “potentially shaky interpretation of state court judges on patent issues will surely frustrate Congress’ intent to remove incentives for forum shopping that had plagued the nation prior to the creation of the [Court of Appeals for the Federal Circuit]”).

Many commentators pointed out that complex patent cases present substantial challenges to the courts.²³⁴ Federal courts are better prepared to adjudicate questions of patent law, and their decisions are subject to the appellate review by the Federal Circuit.²³⁵ At the same time, there is no doubt that federal courts are competent and experienced in the adjudication of state law claims, including state law claims arising from attorneys' malfeasance that implicate laws of multiple states and pose complex choice of law issues.²³⁶

Trying legal malpractice cases involving substantial questions of patent law in federal courts will serve the Congressional intent of bringing uniformity into the U.S. patent law jurisprudence.²³⁷ In this respect, the two Federal Circuit decisions will alleviate, albeit in a limited way, the negative impact of the Supreme Court holding in *Holmes* on the consistent application of patent law.²³⁸

Meanwhile, litigants in patent law malpractice cases have already started to take advantage of the *Air Measurement* and *Immunocept* decisions. Two days after the Federal Circuit rendered the decisions, defendants in *Berger v. Seyfarth Shaw, LLP*²³⁹ relied on them to remove their case to a federal court.²⁴⁰ In *Berger*, two inventors of snowboard bindings alleged that their attorneys' mistakes in patent prosecution and in subsequent patent infringement litigation caused them more than seventy five million dollars in damages.²⁴¹

²³⁴ See generally John Shepard Wiley, Jr., *Taming Patent: Six Steps for Surviving Scary Patent Cases*, 50 UCLA L. REV. 1413 (2003) (explaining why trying complex patent cases may present substantial challenges to the courts).

²³⁵ See, e.g., *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1284 (Fed. Cir. 2007).

²³⁶ See *supra* Parts I.A and I.B for a discussion of how different states approach legal malpractice claims and related choice of law issues.

²³⁷ See *supra* note 232.

²³⁸ See *supra* Part II.B (discussion of the *Holmes* case).

²³⁹ *Berger v. Seyfarth Shaw, LLP*, No. C 07-05279, 2008 WL 683425 (N.D. Cal. Mar. 7, 2008).

²⁴⁰ *Id.* at *2; see also Zusha Elinson, *\$75 Million Suit Says Seyfarth Bungled IP Case*, RECORDER, Oct. 22, 2007, <http://www.law.com/jsp/article.jsp?id=1192784618782> [hereinafter Elinson, *\$75 Million Suit*] (discussing *Berger*, 2008 WL 683425).

²⁴¹ *Berger*, 2008 WL 683425, at *1-2; see also Elinson, *\$75 Million Suit*, *supra* note 240.

In *Chopra v. Townsend, Townsend and Crew LLP*,²⁴² the plaintiff filed a legal malpractice action against his patent attorneys in a federal district court and relied on *Air Measurement* and *Immunocept* to show that the court had jurisdiction to hear the case.²⁴³ The plaintiff claimed that the attorneys “failed to respond to Office Actions from the United States Patent and Trademark Office, . . . abandoned his patent applications,” and thus, gave a plaintiff’s competitor an opportunity to obtain patents that cover the same technology.²⁴⁴

Despite predictions that all patent-related legal malpractice cases will be tried in federal courts, some federal district courts refused jurisdiction in such cases if all patent law issues had been resolved in the underlying actions.²⁴⁵ For example, in *Taylor v. Kochanowski*,²⁴⁶ the plaintiff alleged that his attorneys made procedural errors in his patent infringement case against Daimler Chrysler and one of its suppliers.²⁴⁷ The court emphasized that, in the underlying patent infringement action, the judge found as a matter of law that the patent in question was not infringed, and on appeal, the Federal Circuit affirmed the decision.²⁴⁸ Since no substantial questions of federal patent law remained at issue in this legal malpractice action, the court granted plaintiff’s motion to remand the case to a state court.²⁴⁹

Similarly, in *Porta Stor, Inc. v. Pods, Inc.*,²⁵⁰ the U.S. District Court for the Middle District of Florida dismissed a patent law malpractice action for lack of subject matter jurisdiction because,

²⁴² *Chopra v. Townsend, Townsend & Crew LLP*, 2008 U.S. Dist. LEXIS 13471 (D. Col. 2008).

²⁴³ *Id.* at *1–2.

²⁴⁴ *Id.*

²⁴⁵ *See, e.g., Eddings v. Glast*, No. 3:07-CV-1512-L, 2008 U.S. Dist. LEXIS 48589 (N.D. Tex. June 24, 2008) (declining federal jurisdiction over a patent law legal malpractice case where the plaintiffs alleged that procedural errors of their attorneys led to a higher judgment against them in the underlying patent case and where plaintiffs’ theory of recovery did not depend on a substantial issue of patent law).

²⁴⁶ *Taylor v. Kochanowski*, 2008 U.S. Dist. LEXIS 20430 (E.D. Mich. 2008).

²⁴⁷ *Id.* at *2–3.

²⁴⁸ *Id.* at *5–6.

²⁴⁹ *Id.* at *6–8.

²⁵⁰ *Porta Stor, Inc. v. Pods, Inc.*, No. 2:04-CV-0331, 2008 U.S. Dist. LEXIS 22449 (M.D. Fla. Mar. 21, 2008).

in the underlying patent infringement action, the court found accused device's non-infringement of the patent in question, and no unresolved questions of federal patent law were left for the court to decide.²⁵¹

Moreover, in *New Tek Manufacturing, Inc. v. Beehner*,²⁵² discussed in Part II.C, after remand and another appeal, the Supreme Court of Nebraska reasserted its jurisdiction over this patent law malpractice action.²⁵³ The court acknowledged the Federal Circuit decisions in *Air Measurement* and *Immunocept* delivered after the first appeal, stated that the case arose entirely under state law, and proceeded with the analysis of the doctrine of equivalents and the application of the prosecution history estoppel under federal patent law.²⁵⁴ In affirming summary judgment for the defense, the court determined that the prosecution history estoppel would have barred the underlying patent infringement claim.²⁵⁵

On the other hand, there are indications that the effect of the Federal Circuit decisions in *Air Measurement* and *Immunocept* may spread beyond patent law malpractice cases. In *Nash v. Correct Care Solutions, LLC*,²⁵⁶ a wrongful death action that included violation of civil rights claims under 42 U.S.C. § 1983, the court cited *Air Measurement* in denying plaintiff's motion to reconsider its previous decision to deny plaintiff's motion to remand that was issued before the Federal Circuit decision in *Air Measurement*.²⁵⁷

D. Good News for Patent Attorneys and Their Insurance Carriers

Federal Circuit decisions in *Air Measurement* and *Immunocept* may be good news for patent law practitioners and their insurance

²⁵¹ *Id.* at *27–28.

²⁵² *New Tek Mfg., Inc. v. Beehner (New Tek)*, 702 N.W.2d 336 (Neb. 2005).

²⁵³ *New Tek Mfg., Inc. v. Beehner (New Tek I)*, 751 N.W.2d 135, 144 (Neb. 2008).

²⁵⁴ *Id.* at 144–51.

²⁵⁵ *Id.* at 151.

²⁵⁶ *Nash v. Correct Care Solutions, LLC (Nash)*, No. 07-4065-JAR, 2007 U.S. Dist. LEXIS 79402 (D. Kan. Mar. 7, 2007).

²⁵⁷ *Id.* (denying a motion to reconsider the order denying a motion to remand); *see also* *Nash v. Correct Care Solutions, LLC (Nash I)*, No. 07-4065-JAR-JPO, 2007 U.S. Dist. LEXIS 75874 (D. Kan. Sept. 12, 2007) (denying a motion to remand). Later the plaintiff amended the complaint by removing claims under federal law, and the court granted a motion to remand. *See Nash v. Correct Care Solutions, LLC (Nash II)*, No. 07-4065-JAR, 2007 U.S. Dist. LEXIS 82926 (D. Kan. Nov. 6, 2007).

carriers. On average, federal court litigation is more expensive, takes more attorney time, has lower recovery to legal fees ratio, and gives defendants better chances of success than similar litigation in a state court.²⁵⁸

Some solo legal practitioners and small law firms who represent plaintiffs in legal malpractice suits already expressed concerns about the necessity to litigate legal malpractice cases in federal courts.²⁵⁹ The prospect of litigating their patent law malpractice suits in federal courts can compel plaintiffs to settle or may even discourage some potential plaintiffs from pursuing their malpractice claims altogether.

CONCLUSION

Although the long-term effects of the Federal Circuit decisions in *Air Measurement* and *Immunocept* are uncertain, the decisions will definitely contribute to the uniformity and consistency in the patent law area. Litigants in patent law malpractice cases will benefit from the experience of federal courts in adjudicating complex matters of patent law. The decisions will also benefit patent law practitioners and their malpractice insurance carriers since defendants in such actions have better chances of success in federal courts.

²⁵⁸ See, e.g., Henry, *State Courts Hearing Patent Cases*, *supra* note 233, at 51 (noting that plaintiffs prevail more often in state courts than in federal courts); Ted D. Lee & Ann Livingston, *The Road Less Traveled: State Court Resolution of Patent, Trademark, or Copyright Disputes*, 19 ST. MARY'S L.J. 703, 704 (1988) (noting that, in general, plaintiffs have better chances to win in state courts, and that state court litigation requires less attorney's time, costs less, and has higher yields than similar litigation in federal courts); Elinson, *\$75 Million Suit*, *supra* note 240 (reporting that attorneys who defend lawyers in legal malpractice suits often prefer to remove malpractice cases to federal courts and that federal courts are more willing than state courts to dismiss malpractice cases on summary judgments).

²⁵⁹ See, e.g., Elinson, *\$75 Million Suit*, *supra* note 240.