

January 2012

# Patent Attorney Malpractice: Case-Within-A-Case-Within-A-Case

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## Recommended Citation

Samuel Oddi, *Patent Attorney Malpractice: Case-Within-A-Case-Within-A-Case*, 6 Akron Intellectual Property Journal 71 (2012).

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## PATENT ATTORNEY MALPRACTICE: CASE-WITHIN-A-CASE-WITHIN-A-CASE

*A. Samuel Oddi\**

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### I. INTRODUCTION: CASE-WITHIN-A-CASE

As literary devices, a “story-within-a story” and a “play-within-a-play” have a long lineage.<sup>1</sup> Shakespeare seems to have been particularly fond of these devices.<sup>2</sup> The legal analog may be seen as the “case-

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\* Giles Sutherland Rich Professor in Intellectual Property, University of Akron School of Law. I would like to thank Dean Martin Belsky and Associate Dean William Jordon, University of Akron School of Law, for the grant of release time to undertake the completion of this article. I would also like to thank Kyle Passmore, Deputy Law Librarian, University of Akron School of Law, for her valuable research assistance, and my research assistant, Angela Cox, J.D. 2013, University of Akron School of Law, for her dedicated assistance in the preparation of this article. Finally, I would like to express my gratitude to my wife, Lorys Oddi, for her rigorous, but always helpful, editorial skills in reviewing numerous drafts of this article.

1. See, e.g., MIGUEL DE CERVANTES SAAVEDRA, *DON QUIXOTE: COMPLETE AND UNABRIDGED* (Walter Starkie trans., Signet Classics, reprint ed. 2009); FYODOR DOSTOEVSKY, *THE BROTHERS KARAMAZOV* (Andrew R. MacAndrew trans., Bantam Classics 1984); THOMAS KYD, *THE SPANISH TRAGEDY* (Charles T. Prouty ed., Harlan Davidson 1951).

2. See Richard L. McGuire, *The Play-within-the-play in 1 Henry IV*, 18 *SHAKESPEARE QUARTERLY* 47, 47 (1967); see also, e.g., WILLIAM SHAKESPEARE, *A MIDSUMMER NIGHT’S DREAM* (Simon & Schuster, reprint ed. 2004); WILLIAM SHAKESPEARE, *HAMLET* (Cyrus Hoy ed.,

within-a-case” (“trial-within-a-trial,” “suit-within-a-suit”) arising in legal malpractice cases.<sup>3</sup> The case-within-a-case terminology seems to be the most commonly used and hence will be used herein.<sup>4</sup> While it is clear that the “case” is the malpractice case,<sup>5</sup> it is not so clear what the “case-within-” is,<sup>6</sup> which is usually referred to as the “underlying case.”<sup>7</sup> Often, it seems to be presumed that the underlying case is limited to

W. W. Norton Co., 2d. ed. 1992); WILLIAM SHAKESPEARE, *THE TAMING OF THE SHREW* (Jonathan Bate and Eric Rasmussen eds., Modern Library, reprint ed. 2010).

3. See 4 RONALD E. MALLIN & JEFFREY M. SMITH, *LEGAL MALPRACTICE* § 36:12 (2011); see also *RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS* § 53 cmt. b (2000); John H. Bauman, *Damages for Legal Malpractice: An Appraisal of the Crumbling Dike and the Threatening Flood*, 61 *TEMP. L. REV.* 1127 (1988) (discussing problems of limiting damages according to the case-within-a-case methodology to failure to obtain a judgment rather than the actual harm resulting from the malpractice); Lawrence W. Kessler, *Alternative Liability in Litigation Malpractice Actions: Eradicating the Law Resort of Scoundrels*, 37 *SAN DIEGO L. REV.* 401 (2000) (examining the development of alternative duty and proof doctrines and advocating for the application of the various doctrines in legal malpractice actions); Joseph H. Koffler, *Legal Malpractice Damages in Trial Within a Trial—A Critical Analysis of Unique Concepts: Areas of Unconscionability*, 73 *MARQ. L. REV.* 40 (1989) (discussing problems of fairness in applying the trial-within-a-trial doctrine in legal malpractice actions and making recommendations to eliminate the fairness problems); Adam J. Myers III, *Misapplication of the Attorney Malpractice Paradigm to Litigation Services: “Suit Within a Suit” Shortcomings Compel Witness Immunity for Experts*, 25 *PEPP. L. REV.* 1 (1997) (analyzing the application of the suit-within-a-suit doctrine in litigation services malpractice suits); Noreen L. Slank, *Suit Within a Suit: A Doctrine Michigan Courts Hate to Love*, 72 *MICH. B. J.* 1174 (1993) (defending the suit-within-a-suit doctrine and classifying it as “the tort system’s most powerful predictor of the correct result in a wide variety of legal malpractice actions.”).

4. See 4 MALLIN & SMITH, *supra* note 3, § 36:6.

5. Malpractice will be used herein as the generic term with the understanding that the malpractice claim may be based on professional negligence, breach of fiduciary duty, breach of contract, fraud, or other theory. See 1 MALLIN & SMITH, *supra* note 3, § 8:1:

Most actions brought by clients against their attorneys are for negligence, fiduciary breach, breach of contract or fraud. Although there are other theories, these bases of liability are familiar, usually easier to establish and provide full relief. Debate about whether legal malpractice is based on contract or tort, and the nature of the tort, usually concerns application of a statute of limitations, or a statute providing a special remedy or damage recovery. Because alternative theories often are based on the same factual allegations as a negligence cause of action, such claims frequently are treated as redundant and are disregarded. In several jurisdictions, however, an action for legal malpractice, though sounding in tort, is an action in contract. (footnotes omitted)

However, negligence will be referred to herein as the default theory in that it is the most commonly relied upon either solely or in combination of one or more of the other theories. See *RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS* §§ 48 cmt. c (2000) (theories of liability: tort and contract), 49 (breach of fiduciary duty); see also A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, 2004 *U. ILL. J.L. TECH. & POL’Y* 1 (discussing the various elements and theories of malpractice cases involving patent attorneys).

6. See *infra* text accompanying notes 21-35.

7. See *BLACK’S LAW DICTIONARY* 245 (9th ed. 2009) (“case-within-a-case rule. *Torts*. The requirement that a legal-malpractice-action plaintiff show that, but for the attorney’s negligence, the plaintiff would have won the case underlying the malpractice action.”).

litigation, which would have involved a trial culminating in a judgment being entered in favor of one of the parties.<sup>8</sup> In many instances, litigation (real or hypothetical), indeed, is the source of the plaintiff's injury and resulting damages as a consequence of an attorney's malpractice.<sup>9</sup> For example, if an attorney should miss a statute of limitations, thus barring the plaintiff from recovering against a party asserting the statute, the plaintiff must prove that, but for the negligence of its attorney, it would have prevailed against that party had the case been tried and gone to judgment.<sup>10</sup>

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8. *See, e.g.,* *Bebo Const. Co. v. Mattox O'Brien, P.C.*, 990 P.2d 78, 83 (Colo. 1999) ("The plaintiff must demonstrate that the claim underlying the malpractice action should have been successful if the attorney had acted in accordance with his or her duties.").

9. The RESTATEMENT (SECOND) OF TORTS §§ 1, 7, 12A (1965) provides separate definitions for "injury," "harm," "damages," and "interest:

§ 7 Injury and Harm

(1) The word "injury" is used throughout the Restatement of this Subject to denote the invasion of any legally protected interest of another.

(2) The word "harm" is used throughout the Restatement of this Subject to denote the existence of loss or detriment in fact of any kind to a person resulting from any cause.

...

12 A. Damages

The word "damages" is used throughout the Restatement of this subject to denote a sum of money awarded to a person injured by the tort of another.

§1. Interest

The word "interest" is used throughout the Restatement of this subject to denote the object any human desire.

Mallen & Smith, however, do not find these definitions useful, stating:

The terms "damages" and "injury" frequently are used interchangeably. There is a difference, however, which can be important. The Restatement (Second) of Torts defines "injury" as "the invasion of any legally protected interest of another" and "damages" as "a sum of money awarded to a person injured by the tort of another." Using those definitions, damages are the monetary value of an injury. The difference in meaning can be significant, if the issue concerns when a statute of limitations commences to run. Often, the date of injury is earlier than the date when the damages are ascertainable or fully developed.

The Restatement's general tort definition of "injury" is vague for use in the context of legal malpractice claims. A more useful and precise definition for a legal malpractice injury is the loss of a right, remedy or interest, or the imposition of a liability. Damages concern the measure of that injury.

1 MALLEN & SMITH, *supra* note 3, § 21.1 (footnotes omitted). The Restatement (Third) of the Law: The Law Governing Lawyers, appears to use the terms "injury" and "damages" interchangeably. *See* RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS § 48 (2000) (using "injury within the meaning of § 53," with § 53 referring to "injury, as determined under generally applicable principles of causation and damages."). For convenience, the terms "injury" and "damages" will be used interchangeably herein unless otherwise indicated.

10. *See, e.g.,* *Basset v. Sheehan*, 184 P.3d 1072, 1077 (N.M. Ct. App. 2008) (granting summary judgment in favor of defendant firm, where plaintiff was unable to show that it would have prevailed against underlying defendant if the statute of limitations for the underlying claim had not been missed).

On the other hand, there are many situations where clients are injured due to the malpractice of attorneys that do not involve being denied a favorable judgment in litigation.<sup>11</sup> An example of this in the context of patent law would be the negligent failure of a patent attorney to file a patent application on behalf of a client in a timely manner to avoid a statutory bar.<sup>12</sup> This situation obviously does not involve litigation; nonetheless, the client has suffered the loss of a patent if it can be established that a patent would have been granted but for the failure of the attorney to file the application in a timely manner.<sup>13</sup> If no patent would have been granted (e.g., because of prior art), the plaintiff would be unable to establish a causal connection between the attorney's negligence and any damage suffered.<sup>14</sup> On the other hand, even if the patent would have been granted, plaintiff will still have to establish in the malpractice case that it suffered damages—perhaps in the form of loss of infringement damages or license royalties.<sup>15</sup>

When the malpractice plaintiff has suffered injury in the form of loss of a favorable judgment as a consequence of the malpractice of its attorney, this type of case-within-a-case will be termed herein as the “judgment” model.<sup>16</sup> According to this model, the malpractice plaintiff must prove that it would have received a more favorable judgment in the underlying case (litigation) but for the malpractice of the attorney.<sup>17</sup> However, this model is only a species of the general class of injuries that may be suffered by clients due to the malpractice of their attorneys.<sup>18</sup>

When the malpractice plaintiff has suffered injury in other than the form of the loss of a favorable judgment as a consequence of the malpractice of its attorney, this type of case-within-a-case will be termed herein as the “non-judgment” model.<sup>19</sup> The plaintiff, of course, bears

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11. See RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS § 53 cmt. b (2000).

12. 35 U.S.C. § 102(b) (2006) (“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[.]”). See, e.g., *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262, 1266 (Fed. Cir. 2007) discussed *infra* text accompanying notes 82-129, where the allegation of malpractice was that plaintiff's patent attorneys had failed to raise the defense of a statutory bar with respect to the patent asserted against plaintiff.

13. See, e.g., *LaBelle v. McGonagle*, No. 07-12097-GAO, 2008 U.S. Dist. LEXIS 63117, at \*6 (D. Mass. Aug. 15, 2008).

14. *Id.*

15. See *ASTech, LLC v. Husick*, 676 F. Supp. 2d 389, 402 (E.D. Pa. 2009).

16. See RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS § 53 cmt. b.

17. *Id.*

18. See *id.*

19. As expressed in the Restatement (Third) of the Law: The Law Governing Lawyers:

the burden of proving it suffered actual damages of a nature other than the loss of a favorable judgment in the underlying case.<sup>20</sup> To further illustrate these models, a more comprehensive definition of the “case-within-” (i.e., the underlying case) may be helpful.

Indeed, “case” has a broader connotation than litigation/trial/suit. The venerable *Black’s Law Dictionary* gives the following definition: “case . . . [a] civil or criminal proceeding, action, suit, or controversy at law or in equity.”<sup>21</sup> Thus, according to this definition, it would be appropriate to consider a “controversy” as being included within the “case-within-” (the underlying case) as well as “proceeding, action, suit” to which “trial” could be added.

Courts, particularly those who are following the judgment model, often refer to “case-within-a-case” as a *doctrine*,<sup>22</sup> *rule*,<sup>23</sup> *requirement*,<sup>24</sup>

A plaintiff may show that the defendant’s negligence or fiduciary breach caused injury other than the loss of a judgment. For example, a plaintiff may contend that, in a previous action, the plaintiff would have obtained a settlement but for the malpractice of the lawyer who then represented the plaintiff. A plaintiff might contend that the defendant in the previous action made a settlement offer, that the plaintiff’s then lawyer negligently failed to inform plaintiff of the offer (see § 20(3)), and that, if informed, plaintiff would have accepted the offer. If the plaintiff can prove this, the plaintiff can recover the difference between what the claimant would have received under the settlement offer and the amount, if any, the claimant in fact received through later settlement or judgment. Similarly, in appropriate circumstances, a plaintiff who can establish that the negligence or fiduciary breach of the plaintiff’s former lawyer deprived the plaintiff of a substantial chance of prevailing and that, due to that misconduct, the results of a previous trial cannot be reconstructed, may recover for the loss of that chance in jurisdictions recognizing such a theory of recovery in professional-malpractice cases generally.

The plaintiff in a previous civil action may recover without proving the results of a trial if the party claims damages other than loss of a judgment. For example, a lawyer who negligently discloses a client’s trade secret during litigation might be liable for harm to the client’s business caused by the disclosure.

RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS § 53 cmt. b.

20. See *ASTech*, 676 F. Supp. 2d at 402.

21. BLACK’S LAW DICTIONARY 243 (9th ed. 2009). The use of this source seems particularly apropos in view of the Federal Circuit’s reliance on it in *Davis v. Brouse McDowell, L.P.A.* for the definition of a “claim” in a malpractice complaint. 596 F.3d 1355, 1360 (Fed. Cir. 2010).

22. See, e.g., *Davis*, 596 F.3d at 1360-61 (citing *Envntl. Network Corp. v. Goodman Weiss Miller, LLP*, 893 N.E.2d 173, 175 (Ohio 2008) and *Vahila v. Hall*, 674 N.E.2d 1164, 1168-69 (Ohio 1997)); see also *Dan Nelson Constr., Inc. v. Nodland & Dickson*, 608 N.W.2d 267, 271 (N.D. 2000).

23. See, e.g., *Bauer v. Dyer*, 782 So. 2d 1133, 1140 (La. Ct. App. 2001); *Young v. Gum*, 649 S.E.2d 469, 473 (N.C. Ct. App. 2007).

24. See, e.g., *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262, 1269 (Fed. Cir. 2007); *Adamasu v. Gifford*, No. 273895, 2008 Mich. App. LEXIS 1034, at \*3 (Mich. Ct. App. May 15, 2008).

or *element*,<sup>25</sup> thus giving the impression that it is mandatory that the malpractice plaintiff prove that it would have prevailed to judgment in the underlying case to recover in the malpractice case. Recognizing that “case” has a broader meaning than “litigation” to include “controversies” may help to avoid this significant limitation to the scope of legal malpractice cases (controversies). Other courts have preferred to categorize “case-within-a-case” as a *methodology*<sup>26</sup> or *analysis*<sup>27</sup> rather than as a *doctrine/rule/requirement/element*. There seems to be considerable merit in this usage because the “case-within-a-case” *methodology* is being used whether the malpractice plaintiff is alleging damages for the failure to obtain a favorable judgment in the underlying litigation (judgment model) or actual damages suffered as a result of malpractice in representation in the underlying controversy (non-judgment model).<sup>28</sup>

In both the judgment and non-judgment models, in the context of a malpractice case based on negligence, the duty and breach elements (constituting negligence) are the same for both the malpractice case and the underlying case (controversy), where malpractice is alleged to have occurred.<sup>29</sup> However, in the “judgment” model, the causation and damage elements are conflated, with the only damage recoverable by the plaintiff being the hypothetical loss of a favorable judgment had the trial been held in the underlying case.<sup>30</sup> Accordingly, the only “cognizable” damage in the “judgment” model is the loss of a favorable judgment in the hypothetical underlying case-within-a-case.<sup>31</sup> There is, of course, no causal relationship between the negligent conduct of the defendant attorney and any damage suffered by the malpractice plaintiff, if damage

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25. See, e.g., *Spaise v. Dodd*, No. A03-1430, 2004 Minn. App. LEXIS 607, at \*22 (Minn. Ct. App. June 1, 2004) (requiring appellant to prove that he would have been successful in the underlying action as an element of his claim in order to recover in his malpractice suit); *Fiedler v. Adams*, 466 N.W.2d 39, 42 (Minn. Ct. App. 1991). *Air Measurement*, 504 F.3d at 1269, uses case-within-a-case “context” (quoted *infra* text at note 478).

26. See, e.g., *Cecala v. Newman*, 532 F. Supp. 2d 1118, 1140 (D. Ariz. 2007); *ASTech, LLC v. Husick*, 676 F. Supp. 2d 389, 400-01 (E.D. Pa. 2009); *Herrington v. Superior Court*, 132 Cal. Rptr. 2d 658, 659 (Cal. Ct. App. 2003).

27. See, e.g., *Stockbridge v. Chedraue*, No. 206942, 1999 Mich. App. LEXIS 417, at \*3 (Feb. 26, 1999); *Apollo Enters., Inc. v. ScripNet, Inc.*, 301 S.W.3d 848, 870 (Tex. App. 2009) (citing *Tex. Logos, L.P. v. Brinkmeyer*, 254 S.W.3d 644, 654 (Tex. App. 2008)).

28. See *ASTech*, 676 F. Supp. 2d at 401-02 (discussing application of the case-within-a-case methodology in both those situations in which the underlying claim involved litigation and those in which it did not).

29. See 4 MALLEN & SMITH, *supra* note 3, § 36:1.

30. RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS § 53 cmt. b (2000).

31. *Id.*

is limited to the loss of a favorable judgment in the underlying case and the plaintiff cannot establish that specific form of damage.

In the “non-judgment” model, the duty-breach-causation elements are the same as in the “judgment” model,<sup>32</sup> however, the damage element is determined by the nature of the damage the malpractice plaintiff pleads it has actually suffered, and such damage is not limited to prevailing in any hypothetical underlying case that would have resulted in a favorable judgment.<sup>33</sup> In other words, the malpractice plaintiff in the “non-judgment” model is not required to prove it would have obtained a judgment in the underlying case, but only that it suffered actual damages causally related to defendant attorney’s negligence in the underlying transaction.<sup>34</sup> These damages may be based on a variety of theories.<sup>35</sup>

In using the “case-within-a-case” methodology, it is important to recognize that the underlying case that precipitated the malpractice claim is not limited to litigation that would have resulted in a favorable judgment for the malpractice plaintiff, but also includes any controversy where, due to the malpractice of the attorney, plaintiff has suffered damages.<sup>36</sup> The judgment and non-judgment models provide an explanatory framework. The elements of a legal malpractice case remain the same in both models, with the understanding that the damage element may be satisfied by the loss of a favorable judgment or other actual damages in the underlying case (controversy).<sup>37</sup>

#### A. *Jurisdiction—Federal or State*

Malpractice cases brought against patent attorneys have a further complication. Malpractice cases traditionally fall within the jurisdiction

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32. See 4 MALLEN & SMITH, *supra* note 3, § 36:1.

33. RESTATEMENT (THIRD) OF THE LAW: THE LAW GOVERNING LAWYERS § 53 cmt. b.

34. *Id.*

35. See 3 MALLEN & SMITH, *supra* note 3, Part IV (damages); see also John C.P. Goldberg, *What Clients Are Owed: Cautionary Observations on Lawyers and Loss of Chance*, 52 EMORY L.J. 1201, 1212-13 (2003) (advocating against the application of the loss-of-chance doctrine in legal malpractice cases); Kessler, *supra* note 3, at 516-17 (advocating for the application of the loss-of-chance doctrine in legal malpractice cases and arguing that calculating the lost settlement value of a case is the best method by which to calculate loss of chance); Polly A. Lord, *Loss of Chance in Legal Malpractice*, 61 WASH. L. REV. 1479 (1986) (discussing the loss-of-chance doctrine and advocating for application of the doctrine in certain legal malpractice cases); *Id.* at 1491-94. (advocating for the application of the loss-of-chance doctrine in legal malpractice actions that meet certain criteria).

36. See *supra* text accompanying notes 29-35.

37. See *supra* text accompanying notes 29-35.



of state courts as state common law causes of action.<sup>38</sup> Cases “arising under” the federal patent statute are within the exclusive jurisdiction of the federal courts.<sup>39</sup> The issue then becomes whether malpractice cases against patent attorneys should fall within the jurisdiction of state courts, which would then be required to resolve questions of patent law, or whether such cases should fall within the exclusive jurisdiction of federal courts, which would then be required to resolve state questions of malpractice law.

For better or worse, depending on one’s point of view, the Court of Appeals for the Federal Circuit has, at least so far, broadly assumed federal subject matter jurisdiction in malpractice cases involving patent attorneys based upon its definition of what constitutes a “substantial question of federal patent law.”<sup>40</sup> The result, essentially, is that federal courts will decide state malpractice issues rather than state courts deciding federal patent law issues, although at least two judges on the Federal Circuit would limit the scope of the court’s jurisdiction but for stare decisis, and there are pockets of resistance in both state and federal courts to this perceived usurpation of historic state jurisdiction over legal malpractice claims.<sup>41</sup>

The Court of Appeals for the Federal Circuit was created by the Federal Court Improvement Act of 1982.<sup>42</sup> The Federal Circuit was granted exclusive jurisdiction under 28 U.S.C. § 1295(a)(1) over “an appeal from a final decision of a district court of the United States . . . in any civil action arising under, or in any civil action in which a party has

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38. See *Minton v. Gunn (Minton I)*, 301 S.W.3d 702, 709 (Tex. App. 2009), *overruled on other grounds by Minton v. Gunn (Minton II)*, 355 S.W.3d 634 (Tex. 2010).

39. 28 U.S.C. § 1338(a) (2006). See *infra* text accompanying note 44 (quoting statute).

40. On the federal subject matter jurisdictional issue, see generally 4 MALLEN & SMITH, *supra* note 3, § 35:4; DONALD CHISUM, CHISUM ON PATENTS §21.02 [1] & Supp (2011 ed.); see also Robert A. Mathews, Annotated Patent Digest § 36:19 (database updated Sept. 2011) (digesting jurisdictional cases involving patent attorney malpractice); Michael Ena, Comment, *Jurisdictional Issues in the Adjudication of Patent Law Malpractice Cases in Light of Recent Federal Circuit Decisions*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 219 (2008) (discussing *Air Measurement/Immunocept* and their implications for patent law practitioners); Christopher G. Wilson, Note, *Embedded Federal Questions, Exclusive Jurisdiction, and Patent-Based Malpractice Claims*, 51 WM. & MARY L. REV. 1237 (2009) (supporting state jurisdiction).

41. See *Byrne v. Wood, Herron & Evans, LLP*, 2011-1012, 2011 U.S. App. LEXIS 23127 (Fed. Cir. Nov. 18, 2011) (discussed *infra* text accompanying notes 267-96); see also *infra* text accompanying notes 402-17, 424-53 (discussing cases challenging the jurisdiction of the Federal Circuit). As stated in *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 666 F. Supp. 2d 749, 752 (E.D. Mich. 2009), *vacated*, 631 F.3d 1367 (Fed. Cir. 2011), “[T]he Federal Circuit appears to impose . . . an all-embracing test, effectively aggregating ever greater swaths of state-law claims into its jurisdictional sweep.”

42. Federal Court Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

asserted a compulsory counterclaim arising under, any Act of Congress relating to patents . . . .”<sup>43</sup> Under § 1338(a), federal district courts are granted “original jurisdiction of any civil action arising under any act of Congress relating to patents. . . .”<sup>44</sup> Prior to this grant of exclusive appellate jurisdiction to the Federal Circuit, appeals from patent decisions of district courts were to the regional court of appeals.<sup>45</sup> Among the reasons given for the creation of the Federal Circuit were to have patent cases decided by the expertise of a specialized court and to provide greater consistency in decisions relating to patents.<sup>46</sup> With this creation of exclusive appellate jurisdiction in the Federal Circuit, questions had to arise of the interfaces of that jurisdiction with the regional federal circuit courts of appeal and with state courts.

This article will first provide a brief history of the jurisdictional controversy between federal courts and between federal courts and state courts. Then, the question will be examined of how the subject matter jurisdictional question has been resolved with respect to patent attorney malpractice cases to the extent it has been to date in the federal and state courts. The manner in which the case-within-a-case doctrine or methodology has been used in deciding the jurisdictional question will also be investigated. In addition, the relevance of the use of the judgment or non-judgment model to determine patent attorney malpractice will be explored. Consideration will also be given to those decisions that have opposed a broad imposition of federal jurisdiction over malpractice cases involving patent attorneys. In conclusion, some general observations will be offered concerning the jurisdictional and substantive issues raised in patent attorney malpractice cases. A detailed discussion of all jurisdictional issues arising in patent attorney malpractice cases, however, will not be undertaken here as the focus of this article is the case-within-a-case methodology in the resolution of the

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43. 28 U.S.C.S. § 1295(a)(1) (Lexis 2011).

44. 28 U.S.C. § 1338(a) (2006).

45. See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U.L. REV. 1, 6-8 (1989) (discussing the divergence among the regional circuits in patent cases as a region for the creation of the Federal Circuit).

46. For the historical background of the creation of the United States Court of Appeals for the Federal Circuit, see JUDICIAL CONFERENCE OF THE UNITED STATES, THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY 1982-1990 (Marion T. Bennett ed., 1991); Federal Circuit 25th Anniversary Edition, 17 FED. CIR. B.J. 123 (2007); Richard H. Seamon, *The Provenance of the Federal Courts Improvement Act of 1982*, 71 GEO. WASH. L. REV. 543 (2003); Randall R. Rader, *Specialized Courts: The Legislative Response*, 40 AM. U. L. REV. 1003 (1991).

basic question of whether there is federal or state jurisdiction over the case.<sup>47</sup>

## B. *Brief History of Jurisdictional Issues*

### 1. United States Supreme Court and “Arising Under” Jurisdiction

In 1988, the Supreme Court, in *Christianson v. Colt Industries Operating Corp. (Christianson IV)*,<sup>48</sup> interpreted § 1338(a) in order to resolve a jurisdictional controversy between the Federal Circuit and the Court of Appeals for the Seventh Circuit and hence to avoid, as Justice Brennan referred to it, “a perpetual game of jurisdictional ping pong.”<sup>49</sup> Both courts denied having jurisdiction.<sup>50</sup> *Christianson* was a former employee of Colt who began to sell M-16 rifle parts in competition with Colt.<sup>51</sup> Colt brought suit in a federal district court against *Christianson* and others for patent infringement, and breach of proprietary information and non-disclosure agreements.<sup>52</sup> After Colt voluntarily dismissed its claims against *Christianson*, he brought antitrust actions under the Clayton and Sherman Acts against Colt, and also included allegations that the Colt patents were invalid for failing to satisfy the enabling and best-made requirement of 35 U.S.C. § 112 of the Patent Act.<sup>53</sup> In the district court, *Christianson* prevailed on antitrust counts against Colt and also had nine of Colt’s patents declared invalid.<sup>54</sup>

Colt appealed to the Federal Circuit; however, the Federal Circuit declined jurisdiction and referred the case to the Seventh Circuit.<sup>55</sup> The Seventh Circuit, *sua sponte*, raised the jurisdictional issue and determined that it did not have subject matter jurisdiction; rather, the Federal Circuit did.<sup>56</sup> The Federal Circuit then “in the interest of justice” proceeded to take the appeal and reversed the district court.<sup>57</sup>

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47. See *infra* text accompanying notes 477-82 (identifying a number of these jurisdiction issues).

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

49. *Id.* at 818-19.

50. *Id.* at 803.

51. *Id.* at 804.

52. *Id.*

53. *Id.* at 805.

54. *Christianson v. Colt Indus. Operating Corp. (Christianson I)*, 613 F. Supp. 330, 331-32 (C.D. Ill. 1985).

55. *Christianson v. Colt Indus. Operating Corp. (Christianson II)*, 798 F.2d 1051, 1055 (7th Cir. 1986).

56. *Id.*

57. *Christianson v. Colt Indus. Operating Corp. (Christianson III)*, 822 F.2d 1544, 1560 (Fed. Cir. 1987), *vacated by* 486 U.S. 800 (1988).

The Supreme Court granted certiorari and resolved the controversy by applying prior “arising under” holdings.<sup>58</sup> The Court concluded:

Linguistic consistency, to which we have historically adhered, demands that § 1338(a) jurisdiction likewise extend 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.*<sup>59</sup>

The Court concluded that neither the antitrust claims nor the state claim arose under patent law, so the jurisdictional issue here depended upon “whether patent law ‘is a necessary element of one of the well pleaded [antitrust] claims.’”<sup>60</sup> As the antitrust claims could be resolved without reference to patent law, the Court held that the Federal Circuit did not have “arising under” jurisdiction.<sup>61</sup>

Thus, there are two prongs to the appellate jurisdiction of Federal Circuit: (1) “primary” jurisdiction where “federal patent statute creates the cause of action”<sup>62</sup> (e.g. patent infringement), and (2) “substantial question” jurisdiction where “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.”<sup>63</sup>

With respect to the interface between state jurisdiction and federal jurisdiction, in 1986, the Supreme Court had held in *Merrell Dow Pharmaceuticals, Inc. v. Thompson*<sup>64</sup> that “a complaint alleging a violation of a federal statute as an element of a state cause of action, when Congress has determined that there should be no private, federal cause of action for the violation, does not state a claim ‘arising under the Constitution, laws, or treaties of the United States,’” that would grant federal jurisdiction under 28 U.S.C. § 1331.<sup>65</sup>

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58. *Christianson IV*, 486 U.S. 800, 807 (1988).

59. *Id.* at 808-09 (emphasis added).

60. *Id.*

61. *Id.* at 812-13. The Court also concluded that in the “interests of justice” trying to resolve a “ping pong” situation did not authorize a court to decide a case in the absence of subject matter jurisdiction. *Id.* at 818.

62. *Id.* at 808-09.

63. *Id.*

64. *Merrell Dow Pharms., Inc. v. Thompson*, 478 U.S. 804 (1986).

65. *Id.* at 817 (citation omitted).

In *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*,<sup>66</sup> decided in 2005, the Court resolved a conflict within the circuits as to whether *Merrell Dow* required a federal cause of action “arising under” the statute in question as a condition for exercising federal jurisdiction.<sup>67</sup> The Court held that it did not when the question involved the interpretation of an Internal Revenue Code provision relating to the notice requirement for quieting title.<sup>68</sup> The Court stated that *Merrell Dow* was not to the contrary,<sup>69</sup> however, it did provide the following qualification:

Because arising-under jurisdiction to hear a state-law claim always raises the possibility of upsetting the state-federal line drawn (or at least assumed) by Congress, the presence of a disputed federal issue and the ostensible importance of a federal forum are never necessarily dispositive; there must always be an assessment of any disruptive portent in exercising federal jurisdiction. . . .

These considerations have kept us from stating a “single, precise, all-embracing” test for jurisdiction over federal issues embedded in state-law claims between nondiverse parties. . . . Instead, the question is, does a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities.<sup>70</sup>

As will be seen by the following decisions of the Federal Circuit defining its subject matter jurisdiction under § 1338(a) in patent attorney malpractice cases, it has laid primary emphasis on *Christianson VI*, liberally interpreting what constitutes a “substantial question of federal patent law” within the context of the “case-within-a-case.”<sup>71</sup>

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66. *Grable & Sons Metal Prod., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308 (2005), *reh'g denied*, 545 U.S. 1158 (2005).

67. *Id.* at 311-12.

68. *Id.* at 319-20.

69. *Id.* at 316.

70. *Id.* at 314.

71. However, more recently in *Laboratory Corp. of America Holdings v. Metabolite (Lab. Corp. IV)*, 599 F.3d 1277 (Fed. Cir. 2010), the Federal Circuit appeared to be giving more deference to *Grable*. See *infra* text accompanying note 221 (discussing this case). Moreover, in the most recent case relating to jurisdiction in a patent malpractice case, *Byrne v. Wood, Herron & Evans, LLP*, 2011-2012, 2011 U.S. App. LEXIS 23127, at \*13, \*15-17 (Fed Cir. Nov. 18, 2011), two judges would revisit the scope of federal jurisdiction. See *infra* text accompanying notes 267-96 (discussing this case).

## 2. Federal Circuit Jurisdiction and Case-Within-a-Case

In a series of cases prior to any case dealing with patent attorney malpractice, the Federal Circuit held that it had jurisdiction based on a substantial question of patent law arising in a number of contexts.<sup>72</sup> In *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*,<sup>73</sup> decided in 1993, the court held that there was federal jurisdiction over a state business disparagement claim that required proof of non-infringement of a patent to resolve the case.<sup>74</sup> Similarly, in *Hunter Douglas, Inc. v. Harmonic Design, Inc.*,<sup>75</sup> decided in 1998, the court found federal jurisdiction over a state law claim of injurious falsehood that required proof of the invalidity of a patent.<sup>76</sup> In 2000, the court in *U.S. Valves, Inc. v. Dray*,<sup>77</sup> held that there was § 1338 jurisdiction over a breach of contract claim that required proof of patent infringement.<sup>78</sup> In 2002, the court held in *University of West Virginia v. VanVoorhies*<sup>79</sup> that there was § 1338 jurisdiction over the issue of whether there was a breach of duty to assign a patent required determination if the disputed patent application was a continuation-in-part application.<sup>80</sup>

It was not, however, until 2007 that the Federal Circuit had an opportunity to address the issue of whether it had subject matter over a state malpractice case involving patent attorneys in two cases, decided on the same day by the same panel.<sup>81</sup> In *Air Measurement Technologies, Inc. v. Akin Gump (Air Measurement)*,<sup>82</sup> plaintiff (AMT) filed a malpractice claim against its former patent firms (defendants) in a Texas state court alleging that, due to the defendants' negligence, plaintiff was "forced . . . to settle the prior litigation far below the fair

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72. *Additive Controls & Measurements Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478-79 (Fed. Cir. 1993); *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998); *U.S. Valves, Inc., v. Dray, Sr.*, 212 F.3d 1368, 1372 (Fed. Cir. 2000); *Univ. of W. Va., Bd. of Trs. v. Vanvoorhies*, 278 F.3d 1288, 1295 (Fed. Cir. 2002).

73. *Additive Controls*, 986 F.2d 476.

74. *Id.* at 478.

75. *Hunter Douglas*, 153 F.3d 1318, *overruled on other grounds by* *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999), *overruled in part by* *Traffix Devices v. Mktg. Displays*, 532 U.S. 23 (2001).

76. *Id.* at 1329.

77. *U.S. Valves*, 212 F.3d 1368.

78. *Id.* at 1372. *Accord* *Scherbatskoy v. Halliburton Co.*, 125 F.3d 288, 291 (5th Cir. 1997) (finding § 1338 jurisdiction and transferring case to Federal Circuit court where proof of breach of contract claim requires proof of infringement). *See* discussion of Fifth Circuit cases, *infra* text accompanying notes 324-40.

79. *Univ. of W. Va., Bd. of Trs. v. Vanvoorhies*, 278 F.3d 1288 (Fed. Cir. 2002).

80. *Id.* at 1295.

81. *See* *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262, 1265 (Fed. Cir. 2007).

82. *Id.*

market value of the patents because the prior litigation defendants were, *inter alia*, able to raise as defenses invalidity (e.g., an on sale bar) and unenforceability (due to inequitable conduct) that would not have existed without attorney error.”<sup>83</sup> Indeed, six infringement cases were settled by AMT “for a total of approximately \$10 million without a judicial determination of infringement, invalidity, or unenforceability of AMT’s patents.”<sup>84</sup> The defendants then removed the case to the Federal District Court for the Western District of Texas.<sup>85</sup> Plaintiff then moved to have the case remanded to state court, which was denied.<sup>86</sup>

The parties then changed their jurisdictional positions, with defendants now moving to have the case remanded to state court, which was opposed by plaintiff AMT.<sup>87</sup> The district court again refused to remand the case.<sup>88</sup> Defendants appealed the jurisdictional issue to the Federal Circuit, which accepted it as presenting an issue of “first impression.”<sup>89</sup> To resolve the question, the Federal Circuit (opinion by Chief Judge Michel, joined by Judges Lourie and Rader) applied the “second prong” of *Christianson* test to determine “whether patent law is a necessary element of [plaintiff’s] malpractice claim.”<sup>90</sup> The court recited the elements of a malpractice case in Texas<sup>91</sup> and concluded that the case-within-a-case “requirement” applied:

Because AMT’s malpractice claim stems in part from unsuccessful prior litigation, AMT must establish that they *would have prevailed* in the prior litigation but for Akin Gump’s negligence that compromised the litigation. *This is called the “case-within-a-case” requirement of the proximate cause element of malpractice.*<sup>92</sup>

As authority for the proposition that the “case-within-a-case requirement” is a component of the “proximate cause” element of a malpractice action, the court cites and quotes from a Texas appellate court case: “Because the plaintiff must establish that the underlying suit would have been won ‘but for’ the attorney’s breach of duty, this ‘suit within a suit’ requirement is necessarily a component of the plaintiff’s

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83. *Id.* at 1266 (citations omitted).

84. *Id.*

85. *Id.*

86. *Id.*

87. *Id.* at 1267.

88. *Id.*

89. *Id.*

90. *Id.* at 1268.

91. *Id.* at 1268-69 (citing *Ballesteros v. Jones*, 985 S.W.2d 485, 489 (Tex. App. 1998)) (emphasis added).

92. *Id.* (emphasis added).

burden on *cause in fact*.”<sup>93</sup> This reliance is not further explained, but the court goes on to conclude:

Because *proof of patent infringement is necessary* to show AMT would have prevailed in the prior litigation, patent infringement is a “necessary element” of AMT’s malpractice claim and therefore apparently presents a substantial question of patent law conferring § 1338 jurisdiction.<sup>94</sup>

While “*proof of patent infringement is necessary* to show AMT would have prevailed in the prior litigation,” it does not follow that “patent infringement is a ‘necessary element’ of AMT’s malpractice claim . . . .”<sup>95</sup> The damages being claimed by AMT in the malpractice claim are not infringement damages, but rather “impaired settlement value” as a consequence of defendants’ alleged malpractice.<sup>96</sup> Thus, the Federal Circuit seems to adopt, without elaboration, the “judgment” model of the case-within-a-case methodology, leading to the same requirements for a finding of federal jurisdiction as for malpractice action where the plaintiff must prove that it would have obtained a judgment in the underlying case.<sup>97</sup> This result will be further explored below.<sup>98</sup>

To buttress its jurisdictional finding the Federal Circuit reasoned:

Indeed, we would consider it illogical for the Western District of Texas to have jurisdiction under § 1338 to hear the underlying infringement suit and for us then to determine that the same court does not have jurisdiction under § 1338 to hear the same substantial patent question in the “*case-within-a-case*” context of a state malpractice claim.<sup>99</sup>

Thus, the logical conclusion would seem to be that, if the underlying case (infringement) would invoke the “first prong” of the “arising under” jurisdiction interpretation of § 1338(a) in *Christianson VI*, then the “second prong” would also be satisfied. It seems clear that *if* plaintiff must prove patent infringement, there is a “significant question of patent law,” but the fact that a district court has jurisdiction over a patent infringement case does not necessarily lead to the conclusion that a finding of patent infringement is the only means by which the patent

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93. *Id.* at 1269 (citing *Ballesteros*, 985 S.W.2d at 489) (emphasis added).

94. *Id.* (citing *Christianson IV*, 486 U.S. 800, 809 (1988)) (emphasis added).

95. *Id.* (emphasis added).

96. *See id.* at 1270-71.

97. *See id.*

98. *See infra* text accompanying notes 119-29.

99. *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262, 1269 (Fed. Cir. 2007) (emphasis added).



owner might have suffered damages as a consequence of patent attorney negligence.<sup>100</sup>

As the court considered proof of infringement as critical to the jurisdiction issue, it also noted that, in addition to proving patent infringement within the “‘case-within-a-case’ *context*,” the plaintiff would have to show that it would have prevailed against the defenses that the prior litigants raised.<sup>101</sup> These defenses included allegations of a statutory bar and inequitable conduct.<sup>102</sup> The court did not consider these as “jurisdiction-defeating defenses contemplated by *Christianson*, . . . for they are part of the malpractice causation element rather than the defenses raised by [defendants] in the current litigation.”<sup>103</sup> However, in the context of whether these defenses had to be valid or merely available, the court states rather cryptically: “To the extent that AMT has to prove or overcome invalidity, invalidity *may* be a substantial question of patent law.”<sup>104</sup> The court then states the ultimate importance of proving infringement for jurisdictional purposes: “Regardless of the defenses AMT would have to address, if any, AMT would certainly have to prove patent infringement; that alone confers § 1338 jurisdiction.”<sup>105</sup> The court does not address the question of whether the defenses themselves would raise a substantial question of patent law justifying the grant of federal jurisdiction.<sup>106</sup> Certainly, the potential invalidity of a patent because of a statutory bar or its unenforceability because of inequitable conduct is as critical to the patent owner as is proving infringement.<sup>107</sup> Indeed, the issue of infringement, of course, depends on the validity and enforceability of the patents being asserted.<sup>108</sup>

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100. See *Christianson IV*, 486 U.S. 800, 811-12 (1988).

101. *Air Measurement*, 504 F.3d at 1270.

102. *Id.* at 1266.

103. *Id.* at 1270.

104. *Id.* (emphasis added).

105. *Id.*

106. *Id.*

107. See 35 U.S.C. § 282 (2006):

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

- (1) Noninfringement, absence of liability for infringement or unenforceability,
- (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
- (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
- (4) Any other fact or act made a defense by this title.

108. *Id.*

The Federal Circuit finally addressed the damage issue, but still within the context of patent infringement.<sup>109</sup> In an attempt to avoid federal jurisdiction, defendants contended that the “impaired settlement value theory . . . is a novel theory of malpractice that does not require the resolution of a substantial question of patent law.”<sup>110</sup> The court dismisses this argument, viewing “the impaired settlement value theory as a theory of damages not a theory of liability for malpractice.”<sup>111</sup> It defined “the impaired settlement value theory as calculat[ing] the difference between the actual settlement amount and the predicted settlement amount absent [of] malpractice.”<sup>112</sup> But then the court goes on without further elaboration: “In addition to computation of damages, AMT must still prove it would have been successful in the underlying litigation but for the alleged errors, which will require proof of patent infringement.”<sup>113</sup> This conclusion begs the question: Why in addition to the computation of damages (presumably according to the loss of settlement value theory) must plaintiff prove infringement? It would appear that the purpose of a settlement is to avoid the expense and uncertainty of the outcome of an infringement trial.<sup>114</sup> The settlement presumably would have occurred prior to any judgment of infringement being reached.<sup>115</sup> Indeed, in this case, the six infringement cases were settled for about \$10 million without any determination of infringement or entering of a judgment to that effect.<sup>116</sup> What plaintiff is claiming is that, because of the negligent handling of the litigation, it was unable to settle the infringement case at a higher value than it would otherwise have had defendants not been negligent.<sup>117</sup> This determination is

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109. *Air Measurement*, 504 F.3d at 1271.

110. *Id.* at 1270.

111. *Id.* at 1271.

112. *Id.* The court presumably accepts this theory of damages based on Texas state law. However, Professor Dobbs observes:

[T]he fact that every case has a settlement value, even if it is very small, does not mean that the plaintiff-client whose case would have been lost even by the best lawyering should recover a settlement value from her malpracticing lawyer. It is convenient to treat these examples in the discussion of remedies, but they suggest that the case with a case puzzle probably has not been finally solved.

DAN B. DOBBS, *THE LAW OF TORTS* § 486 (2000).

113. *Air Measurement*, 504 F.3d at 1271.

114. See Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237, 312 (2006) (finding that “most patent cases settle fairly quickly . . . thereby reducing the actual cost of patent litigation considerably.”).

115. *Id.*

116. *Air Measurement*, 504 F.3d at 1266.

117. *Id.*

independent of any finding of infringement. The value of the settlement would, seemingly, depend on the strength of the patent, which, according to plaintiff, was undermined by defendants' negligence.<sup>118</sup> If plaintiff must prove that the patent was infringed, this eliminates loss of settlement value as a theory of damages.

The confusion is confirmed by the following sentence of the court: "Thus, the impaired settlement value theory does not obviate the 'case-within-a-case' *element* of AMT's claim."<sup>119</sup> Indeed, the case-within-a-case *methodology* is essential to plaintiff's malpractice claim, because, if plaintiff can prove impairment of the settlement value that would not have occurred but for the negligence of defendants, plaintiff would have satisfied the elements of its malpractice case—presuming that the non-judgment model is recognized.<sup>120</sup> Plaintiff may be able to prove that there was a loss of settlement value even if the patents would hypothetically have been found not to be infringed. It would seem, if patents involved in litigation have a settlement value prior to a judgment being entered by a court for infringement, that settlement value may be adversely affected by negligent conduct on the part of plaintiff's attorneys in the infringement litigation. It does not seem justified to presume that a patent has a settlement value only if it would have been infringed.

The final argument raised by defendants in *Air Measurement* against the grant of federal jurisdiction was that "*Grable* adds a new dimension to the *Christianson* test based on the congressionally-

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118. *Id.* at 1271; On settling patent infringement cases, see Kesan & Ball, *supra* note 114, at 243 (footnotes omitted):

There is general agreement that the costs associated with pursuing a patent lawsuit are high. Previous authors have cited legal costs of patent litigation running from \$500,000 to \$3 million per suit or \$500,000 per claim at issue per side. These costs create incentives for the parties to settle their dispute rather than seek a final judgment on the merits. Throughout the case, the parties will be receiving additional information about the strength of their positions through the results of discovery, the court's construction of the patent claims at issue, rulings on motions for summary judgment, rulings on preliminary injunctions, and the like. Economic theory suggests that when it becomes obvious that a patent is very likely to be invalidated, it is in the best interests of the patent holder to offer a cheap license to keep the patent rights intact, and it is in the best interests of the defendant to accept such an offer rather than incur further significant legal costs. Specifically, it is in the interest of the alleged infringer to accept a license if its cost would be less than the cost of continued litigation. Only patent disputes where it is difficult to predict who will win are likely to proceed further to a final determination on the merits.

119. *Air Measurement*, 504 F.3d at 1271 (emphasis added).

120. See *supra* text accompanying notes 19-20 and 26-34.

approved balance between federal and state jurisdiction.”<sup>121</sup> The Federal Circuit rejects this argument, asserting that there is a strong federal interest in adjudicating patent infringement issues in federal courts as patents are issued by a federal agency and also that litigants benefit from the expertise of federal judges in “construction and infringement matters.”<sup>122</sup>

It is not apparent from the reasoning in *Air Measurement* whether the Federal Circuit is adopting a judgment model of the case-within-a-case methodology. The problem faced by plaintiff—now having prevailed on the federal jurisdiction issue—is whether, in order to recover any damages, it must prove infringement of its patents and prevail over the defenses of invalidity as being statutorily barred and unenforceability for inequitable conduct.<sup>123</sup>

If the court is adopting the judgment model, it would result in the introduction of a case-within-a-case methodology in the underlying case (the case-within-) to establish jurisdiction (duty-breach-causation-damages (infringement)).<sup>124</sup> The same case-within-a-case methodology would then be applied to the underlying case to resolve the malpractice (duty-breach-causation-damages (infringement or “impaired settlement value”?)).<sup>125</sup> Hence, the result is the application of the case-within-a-case-within-a-case “approach.”<sup>126</sup> The consequences of this approach would seem to result in “the tail wagging the dog,” with the resolution of the jurisdiction issue seemingly determining the scope of the malpractice case. For jurisdiction, the malpractice plaintiff must prove infringement and must also prove infringement for malpractice damages to be awarded, even though the claimed damage is diminished settlement value, not infringement damages.<sup>127</sup> The court conflates the jurisdictional issue (“substantial question of patent law”) with the malpractice case,<sup>128</sup> while federal “arising under” jurisdiction need only be established by a substantial question of patent law being raised, presumably with respect to any *element* (duty, breach, causation, damage) of the malpractice case.<sup>129</sup>

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121. *Air Measurement*, 504 F.3d at 1271.

122. *Id.* at 1272.

123. *See id.* at 1270-71.

124. *See supra* text accompanying notes 31-35.

125. *See supra* text accompanying notes 31-35.

126. The word “approach” is used here for want of a better term.

127. *Air Measurement*, 504 F.3d at 1271.

128. *Id.*

129. *See infra* text accompanying notes 251-55.

The companion case to *Air Measurement, Immunocept, LLC v. Fulbright & Jaworski, LLP (Immunocept II)*,<sup>130</sup> originated as a malpractice case filed in the same district court in Texas, with plaintiff alleging that the defendant firm had negligently limited the scope of a claim in the patent prosecuted by the firm by using the “closed” transition phrase “consisting of” rather than an “open” transition such as “comprising.”<sup>131</sup> As a consequence, a potential licensee under the patent terminated negotiations.<sup>132</sup> The district court held, *inter alia*, that the malpractice claim was barred by the Texas statute of limitations, and plaintiff appealed.<sup>133</sup> The Federal Circuit (before the same panel as in *Air Measurement*) raised the subject matter jurisdiction issue *sua sponte*, and both sides briefed this issue, agreeing that there was federal jurisdiction over the case.<sup>134</sup> The Federal Circuit also agreed, affirming the finding of § 1338 jurisdiction.<sup>135</sup>

In finding jurisdiction, the court reasoned that, because plaintiff’s malpractice case was based on the allegation of a claim drafting error, it could not “prevail without addressing claim scope.”<sup>136</sup> The court then easily found jurisdiction: “Because patent claim scope defines the scope of patent protection, . . . we surely consider claim scope to be a substantial question of patent law.”<sup>137</sup>

Thus, determining it had jurisdiction, the court proceeded to affirm the district court’s holding that plaintiff’s claim was barred by the Texas statute of limitations.<sup>138</sup> Texas follows a discovery rule in legal

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130. *Immunocept, LLC v. Fulbright & Jaworski, LLP (Immunocept II)*, 504 F.3d 1281 (Fed. Cir. 2007), *reh’g denied*, 2006-1432, 2007 U.S. App. LEXIS 26823 (Fed. Cir. Nov. 9, 2007).

131. *Id.* at 1283. See DONALD CHISUM, CHISUM ON PATENTS § 8:06[b][1][ii][A]-[C] (2011) (discussing “open” and “closed” transitional terms. In particular, see *id.* note 47 (citation omitted):

Quoting treatise, “Some information pertaining to patent claim drafting is in order. There are three parts to a claim: the preamble, the transition and the body. The transition is the part with which we currently are concerned.”; Three categories or transition: “Generally, there are three categories of transitions. . . . An open-ended transition is recognized by use of the term ‘comprising’ or the phrase ‘which comprises.’ . . . A closed-ended transition employs either the phrase ‘consisting of’ or the phrase ‘which consists of.’ . . . Finally, the intermediate transition, sometimes referred to as nearly closed-ended, is identified by either the phrase ‘consisting essentially of’ or ‘which consists essentially of.’ . . . The intermediate transition excludes ‘additional, unspecified components that would affect the basic and novel characteristics of the product defined in the balance of the claim.’”

132. *Immunocept II*, 504 F.3d at 1283.

133. *Id.* at 1284.

134. *Id.*

135. *Id.* at 1286.

136. *Id.* at 1285.

137. *Id.*

138. *Id.* at 1288.

malpractice cases.<sup>139</sup> The court quotes from a decision of the Texas Supreme Court indicating that, under the discovery rule, the statute of limitations begins to run when a “client discovers or should have discovered through the exercise of a reasonable care and diligence facts establishing the elements of a cause of action.”<sup>140</sup> In this case, after the patent issued including the alleged claim drafting error, plaintiff retained an attorney from another patent law firm to obtain additional patent protection in the same technical area.<sup>141</sup> Within the scope of his assignment and prior to the critical date for triggering the statute of limitations, plaintiff’s attorney reviewed the patent in question, including the file history, prior art, and claim scope.<sup>142</sup> On the basis of this finding, the court concluded that the reviewing attorney knew or should have known of the drafting error prior to the critical time and imputed this knowledge to plaintiff as of that date; hence plaintiff’s claim was barred.<sup>143</sup>

It is interesting to note that there is no mention of case-within-a-case, and only the following reference to patent infringement: “As a determination of patent infringement serves as the basis of § 1338 jurisdiction over related state law claims, so does a determination of claim scope. After all, claim scope determination is the first step of a patent infringement analysis.”<sup>144</sup> There is, however, no indication that the court would require the plaintiff in *Immunocept II* to prove patent infringement by a prospective licensee or otherwise.<sup>145</sup> Because the court decides the case on the statute of limitation issue, it does not reach the damage issue.<sup>146</sup> The damages alleged by the plaintiff as reported in the district court opinion are: “lost profits, lost royalties, loss of time and money expended, and other remedial costs.”<sup>147</sup> The plaintiff clearly is not claiming that its damages are based on its failure to prove infringement because of the error in claiming.<sup>148</sup> The plaintiff lost an opportunity to license the patent because of the claiming error<sup>149</sup> (not

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139. *See id.* at 1286.

140. *Id.* (citing *Apex Towing Co. v. Tolin*, 41 S.W.3d 118, 121 (Tex. 2001)).

141. *Id.* at 1283.

142. *Id.* at 1286.

143. *Id.* at 1287-88.

144. *Id.* at 1285 (citation omitted).

145. *See id.* at 1284-85.

146. *Id.* at 1289.

147. *Immunocept, LLC v. Fulbright & Jaworski, LLP (Immunocept I)*, No. A-05-CA-334-SS, 2006 U.S. Dist. LEXIS 96912, at \*4 (W.D. Tex. Mar. 24, 2006).

148. *Id.*

149. *Immunocept II*, 504 F.3d at 1286.

unlike AMT's loss of opportunity to settle the underlying case at a higher level).<sup>150</sup> The prospective licensee presumably desired broader patent protection to exploit the invention.<sup>151</sup> The causation element of the case-within-a-case would appear to be: But for the negligence in drafting the claims, the plaintiff would have licensed the patent and would have profited from this whether or not anyone infringed the broadened patent. Hence, the case-within-a-case methodology would be satisfied by loss of revenue from the failure to license, rather than by any hypothetical infringement by the potential licensee, with the proviso that the broader claim was found to be otherwise patentable.<sup>152</sup>

While not explicit, it would appear that the court in *Immunocept II* is recognizing the "non-judgment" model by basing jurisdiction on the free-standing issue of claim-scope independent of any requirement that plaintiff prove infringement of claims of a non-negligently drafted scope.<sup>153</sup> There is no indication that the plaintiff would have to prove a judgment against anyone for infringement or otherwise, but plaintiff would only have to prove "lost profits, lost royalties, loss of time and money expended, and other remedial costs."<sup>154</sup> With this understanding, that this is a non-judgment underlying case, jurisdiction may be seen as arising from the issue of claim-scope, raising a substantial question of patent law necessary for the resolution of the malpractice case. In the context of the malpractice case, the issue of claim-scope would seem to fall within the breach (standard of care) element of whether a reasonable patent attorney would have employed an "open" rather than a "closed" transition, presuming the drafting attorney had a duty to include claims of "reasonable" scope and that such claims with "open" transition would have been granted to establish the causation element to the loss of the license agreement. Thus, it may be inferred that the breach element in the malpractice case raised a significant question of patent law sufficient to grant federal jurisdiction independent over any requirement that infringement be established.

*Touchcom, Inc. v. Bereskin & Parr*,<sup>155</sup> decided in 2009 by the Federal Circuit (opinion by Judge Laurie, joined by Judges Gaharsa and Prost), dealt with the issue of personal jurisdiction:

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150. See *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Field, L.L.P.*, 504 F.3d 1262, 1266 (Fed. Cir. 2007).

151. See *Immunocept II*, 504 F.3d at 1283.

152. See *supra* text accompanying notes 32-37.

153. *Immunocept II*, 504 F.3d at 1285-86.

154. See *Immunocept I*, No. A-05-CA-334-SS, 2006 U.S. Dist. LEXIS 96912, at \*4 (W.D. Tex. Mar. 24, 2006).

155. *Touchcom, Inc. v. Bereskin & Parr*, 574 F.3d 1403 (Fed. Cir. 2009).

The question presented in this case is one of first impression, viz., whether the act of filing an application for a U.S. patent at the USPTO is sufficient to subject the filing attorney to personal jurisdiction in a malpractice claim that is based upon that filing and is brought in federal court.<sup>156</sup>

The plaintiff retained a Canadian intellectual property firm to obtain patent protection in Canada and other countries, including the United States.<sup>157</sup> The defendant firm filed a Canadian patent application, which included the source code required in the invention to enable it, and the Canadian patent subsequently issued.<sup>158</sup> However, the source code was omitted from the Patent Cooperation Treaty (PCT) application that was filed in the United Kingdom and, subsequently, in the national phase in the United State Patent & Trademark Office (USPTO), located in Alexandria, Virginia.<sup>159</sup> The plaintiff sought to enforce the U.S. patent, which subsequently issued, but it was held invalid due to “indefiniteness” based on the absence of the source code.<sup>160</sup> Plaintiff then brought a malpractice action against the Canadian firm in the District Court for the Eastern District of Virginia, which dismissed the case for lack of personal jurisdiction over the defendant firm who had not entered Virginia.<sup>161</sup>

The Federal Circuit reversed on the basis of Federal Rule of Civil Procedure 4(k)(2).<sup>162</sup> The first requirement of this rule is that plaintiff’s claim arises under federal law.<sup>163</sup> In this instance, the court easily finds “arising under” jurisdiction stating:

Just as in *Immunocept*, this case concerns state malpractice claims that involve analysis of patent claims and proof of invalidity. Touchcom will be required to show that, had appellees not omitted a portion of the source code from its application, the resulting U.S. patent would not have been held invalid.<sup>164</sup>

The court cites Virginia law as requiring proof of “but for” causation “by conducting a trial within trial.”<sup>165</sup> Thus, for the plaintiff to prevail in the

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156. *Id.* at 1409.

157. *Id.* at 1407.

158. *Id.*

159. *Id.* at 1408.

160. *Id.*

161. *Id.*

162. *Id.* at 1418.

163. *Id.* at 1412.

164. *Id.* at 1413.

165. *Id.* (citing *White v. Morano*, 452 S.E.2d 856, 858 (Va. 1995)).



malpractice case, it would have to prove that, but for the absence of the source code, the patent would not have been found invalid and would have been infringed.<sup>166</sup> *Immunocept* does “involve analysis of patent claims,” but does not require “proof of invalidity” for plaintiff to prevail because the plaintiff alleges damage not because the “closed” transition claims were invalid, but because they were too narrow for successful licensing.<sup>167</sup> In *Touchcom*, however, the judgment model is followed, as the plaintiff is claiming that it would have obtained a favorable judgment of infringement but for the negligent conduct of the defendants in failing to include the source code rendering the patent invalid.<sup>168</sup> As the subject matter jurisdiction and malpractice cases have common elements, case-within-a-case-within-a-case appears to be explanatory.<sup>169</sup>

In *Davis v. Brouse McDowell, L.P.A.*,<sup>170</sup> decided on March 2, 2010, the Federal Circuit (opinion by Judge Moore, joined by Judges Newman and Bryson) for the first time considered in certain issues of substantive patent malpractice law in addition to the jurisdictional issue.<sup>171</sup> The case arose in 2003, when the plaintiff contacted the defendant patent attorney, who then was employed by the defendant patent law firm, concerning patent protection on her inventions, including international patent protection.<sup>172</sup> The attorney responded, providing general information with respect to the PCT, but did not mention the “absolute novelty” rule applicable in many foreign countries regarding public use novelty bars.<sup>173</sup> It appears that the plaintiff publicly used her inventions in 2005.<sup>174</sup>

On January 20, 2006, the plaintiff filed two provisional applications in the PTO.<sup>175</sup> She did not contact the defendant attorney again until five days before the critical date for the filing of non-provisional and PCT applications.<sup>176</sup> The patent attorney advised plaintiff that he was going on vacation the following day and would not return until Monday (the last date to file), and that she should forward to him immediately

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166. *See id.*

167. *Immunocept II*, 504 F.3d 1281, 1285 (Fed. Cir. 2007), *reh'g denied*, 2006-1432, 2007 U.S. App. LEXIS 26823 (Fed. Cir. Nov. 9, 2007).

168. *Touchcom*, 574 F.3d at 1408.

169. *See supra* text accompanying notes 122-29.

170. *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355 (Fed. Cir. 2010).

171. *Id.* at 1357.

172. *Id.*

173. *Id.*

174. *Id.* at 1357-58.

175. *Id.* at 1357.

176. *Id.* at 1358.

information concerning these applications.<sup>177</sup> The attorney returned on Monday and proceeded to prepare three non-provisional applications based upon plaintiff's provisional applications and was able to file these applications with the PTO on that day.<sup>178</sup> However, he did not file any PCT applications.<sup>179</sup> The attorney explained to the plaintiff that she would be unable to obtain patent protection in Europe under the PCT and that it was not worth spending the money to file the PCT applications.<sup>180</sup> Subsequently, the defendant attorney withdrew his representation of the plaintiff, and thereafter the U.S. patent applications were abandoned.<sup>181</sup> As a consequence, plaintiff asserts "that because her inventions lacked patent protection her investors withdrew their funding, particularly leaving her unable to operate the website as a business."<sup>182</sup>

A complaint was filed by plaintiff against the patent firm and the patent attorney in an Ohio state court alleging malpractice in failing to file PCT applications based upon plaintiff's inventions.<sup>183</sup> Subsequently, plaintiff amended this complaint to allege "defendants committed malpractice by failing to file the three PCT applications *as well as by other omissions*."<sup>184</sup> Shortly thereafter, defendants removed the action to the federal district court maintaining that the "other omissions" in the amended complaint would include claiming negligence in preparing and then filing the U.S. applications, which thus raised substantial questions of patent law under § 1338(a).<sup>185</sup> Plaintiff testified during her "deposition that these 'other omissions' related largely to [the attorney's] alleged negligence in preparing and filing the U.S. applications."<sup>186</sup> After discovery, defendants moved for summary judgment of dismissal, which was granted by the district court.<sup>187</sup> Plaintiff appealed to the Federal Circuit.<sup>188</sup>

The Federal Circuit first dealt with the subject matter jurisdiction question.<sup>189</sup> To resolve this question, the court reasoned that, because

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177. *Id.*

178. *Id.*

179. *Id.*

180. *Id.*

181. *Id.*

182. *Id.*

183. *Id.* at 1358-59.

184. *Id.* at 1359 (emphasis added).

185. *Id.*

186. *Id.* at 1360.

187. *Id.* at 1359.

188. *Id.*

189. *Id.*

the legal malpractice claim arose under Ohio law, the court must determine “whether patent law is a ‘necessary element’ of a *claim* presented in her complaint.”<sup>190</sup> Plaintiff’s contention was that she was using alternative theories for the single claim of legal malpractice and hence federal jurisdiction should be denied under *Christianson VI*, which held “a claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories.”<sup>191</sup> The court, however, rejected the single claim theory, quoting the definition of a claim “as broadly defined” in *Black’s Law Dictionary* as the “aggregate of operative facts giving rise to a right enforceable by a court.”<sup>192</sup> Accordingly, the court concluded that the plaintiff made two claims: The first claim is with respect to the failure to file the PCT applications, with the court concluding, “It is undisputed that Ms. Davis’s allegations relating to the PCT applications do not raise any issue of U.S. patent law.”<sup>193</sup> However, the second claim for “other omissions,” which plaintiff maintained was due to negligence in the “preparation and filing of the U.S. applications” does.<sup>194</sup> With respect to the “other omissions” claim as authorizing federal jurisdiction, the court turned to what it refers to as “Ohio’s ‘case-within-a-case’ doctrine,” stating, “This doctrine applies in certain malpractice cases to require the plaintiff to prove that she would have been successful in the underlying matter but for the alleged malpractice.”<sup>195</sup> The court then discussed two Ohio cases, *Vahila v. Hall*<sup>196</sup> and *Environmental Network Corp. v. Goodman Weiss Miller, L.L.P.*<sup>197</sup>

In *Vahila*, the plaintiffs’ allegation of negligence was that the defendants had not fully disclosed to them various proposed plea bargains and settlement arrangement and had caused the plaintiffs to enter into them due to duress and coercion.<sup>198</sup> The Ohio Supreme Court found one of its previous cases, *Krahn v. Kinney*,<sup>199</sup> particularly relevant, where the defendant attorney had failed to disclose a plea bargain to a client where criminal charges would have been dismissed, and the court held that the fact that the client may not have prevailed in

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190. *Id.* (emphasis added).

191. *Id.* at 1360 (quoting *Christianson VI*, 486 U.S. 800, 810 (1988)).

192. *Id.* (quoting BLACK’S LAW DICTIONARY 264 (8th ed. 2004)).

193. *Id.*

194. *Id.*

195. *Id.*

196. *Vahila v. Hall*, 674 N.E.2d 1164 (Ohio 1997).

197. *Envtl. Network Corp. v. Goodman Weiss Miller, L.L.P.*, 893 N.E.2d 173 (Ohio 2008).

198. *Vahila*, 674 N.E.2d at 1169.

199. *Krahn v. Kinney*, 538 N.E.2d 1058 (1989).

the underlying case did not preclude recovery in a malpractice case against the attorney.<sup>200</sup> In rejecting imposing a mandatory requirement on a malpractice plaintiff, the *Vahila* court stated:

In this regard, we reject any finding that the element of causation in the context of a legal malpractice action can be replaced or supplemented with a rule of thumb requiring that a plaintiff, in order to establish damage or loss, prove in every instance that he or she would have been successful in the underlying matter(s) giving rise to the complaint.<sup>201</sup>

As policy justification for this holding, the court stated: “[W]e cannot endorse a blanket proposition that requires a plaintiff to prove, in every instance, that he or she would have been successful in the underlying matter. Such a requirement would be unjust, making any recovery virtually impossible for those who truly have a meritorious legal malpractice claim.”<sup>202</sup> The Federal Circuit, however, qualifies the breadth of this justification by quoting from *Vahila*: “[T]he requirement of causation often dictates that the merits of the malpractice action depend upon the merits of the underlying case. Naturally, a plaintiff in a legal malpractice action may be required, depending on the situation, to provide some evidence of the merits of the underlying claim.”<sup>203</sup>

The Federal Circuit then turns to a 2008 decision of the Ohio Supreme Court, *Environmental Network*,<sup>204</sup> and relies upon how that court distinguished *Vahila*:

In *Environmental Network*, the appellees alleged that their attorneys had coerced them into settling the case. As their sole claim for recovery, the appellees argued that they would have obtained a better result if the case had been tried to conclusion. . . . The court observed that “unlike the plaintiffs in *Vahila*, who sustained losses regardless of whether their underlying case was meritorious,” the appellees could prove causation and damages only if they established that “they would have succeeded in the underlying case and that the judgment would have been better than the terms of the settlement.”<sup>205</sup>

The Federal Circuit then concluded that the plaintiff’s malpractice case here is analogous to the issue in *Environmental Network*, stating,

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200. *Vahila*, 674 N.E.2d at 1167-68.

201. *Id.* at 1168.

202. *Id.* at 1170.

203. *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1369 (Fed. Cir. 2010) (quoting *Vahila*, 674 N.E. at 1170).

204. *Envtl. Network Corp. v. Goodman Weiss Miller LLP*, 893 N.E.2d 173 (Ohio 2008).

205. *Davis*, 596 F.3d at 1361 (quoting *Envtl. Network*, 893 N.E.2d at 177-78).

“Unless plaintiff would have received patents on her inventions if the applications had been competently drafted, that is, unless her inventions were patentable, the patent attorney’s negligence would not have caused her to suffer any damages.”<sup>206</sup> This conclusion is consistent with the plaintiff’s allegation of damages: “[B]ecause her inventions lacked patent protection her investors withdrew their funding, leaving her unable to operate The IP-Exchange as a business.”<sup>207</sup>

Accordingly, the Federal Circuit court concluded that, because the plaintiff would have had to prove that she would have obtained patents on her inventions but for the attorney’s negligence, this raised a substantial question of federal patent law and granted subject matter jurisdiction to the court under § 1338(a).<sup>208</sup> This analysis of jurisdiction would appear to raise the substantial question of patent law in the causation element of the malpractice claim. The court does not address the damage element, apparently presuming damage from the failure to obtain patents.<sup>209</sup> Thus, it would appear that the court is following a non-judgment model, leaving it to plaintiff to prove actual damages of a non-judgment type in the malpractice case but resolving the jurisdictional question on the causation element, raising a significant question of patent law.<sup>210</sup>

With respect to evidentiary questions, the Federal Circuit applied the law of the regional circuit, in this case the Sixth Circuit, which uses an abuse of discretion standard.<sup>211</sup> Plaintiff’s patent expert had stated in a deposition that he had not undertaken a patentability analysis; however, in support of a motion for partial summary judgment, the expert had stated that “the patentability of an invention can be and routinely is performed without knowing what claims will eventually be made . . . [or] issue in a patent on that invention.”<sup>212</sup> On the basis of

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206. *Id.*

207. *Id.* at 1358. However, had damages been framed in terms that the funding was withdrawn because of the abandonment of the applications and the loss of patent pending status, *Vahila* would seem to raise the question whether the ultimate patentability of plaintiff’s inventions was necessary for recovery. *Id.* If so, then federal jurisdiction could be questioned unless there is a substantial question of patent law raised without a determination of patentability. *Id.* Certainly, patent applications may have value even if they ultimately prove unpatentable. *Id.* A classic example of this is *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), where the U.S. Supreme Court held that the licensor of the patent application on a keyholder could continue to receive royalties even after the application had been abandoned.

208. *Davis*, 596 F.3d at 1361-62.

209. *Id.* at 1361.

210. *Id.* at 1361-62.

211. *Id.* at 1362.

212. *Id.*

such a patentability analysis, the expert concluded that plaintiff's inventions were patentable.<sup>213</sup> The district court struck this section from the expert's affidavit, and the Federal Circuit affirmed on the basis that this was not an abuse of discretion based on the inconsistent deposition testimony and the failure to include any patentability opinion in his original expert report.<sup>214</sup>

In affirming the grant of a summary judgment, the Federal Circuit also followed the law of the regional circuit and quotes from a Sixth Circuit case: “[c]onclusory statements unadorned with supporting facts are insufficient to establish a factual judgment.”<sup>215</sup> In the *Davis* case, the plaintiff's expert patent attorney had not undertaken a patentability study of the U.S. application but had only opined that the plaintiff would have been granted patents but for defendant patent attorney's negligence.<sup>216</sup> The court found these statements to be conclusory and affirmed the grant of summary judgment for failure to introduce evidence sufficient to raise a material issue of fact.<sup>217</sup> By deciding the summary judgment issue on the causation element of the malpractice case, the court avoided the damage element, which could be a significant obstacle in this and many cases.<sup>218</sup> It should also be noted that the court also held that “the case-within-a-case *doctrine* applies to [plaintiff's] malpractice claim relating to the PCT applications.”<sup>219</sup> Because plaintiff's expert offered no evidence concerning the patentability of these applications, the grant of summary judgment by the district court was appropriate. Presumably, federal jurisdiction over the “PCT claim”

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213. *Id.*

214. *Id.*

215. *Id.* at 1364 (quoting *Alexander v. CareSource*, 576 F.3d 551, 560 (6th Cir. 2009)).

216. *Id.* at 1362.

217. *Id.* at 1364.

218. As stated in *MALLEN & SMITH, supra* note 3, § 21:3 (speculative damages):

The rule is that an attorney is not liable for a damage claim that is remote or speculative. A related, but different issue, is whether the causal relationship between the alleged error and damages is speculative. The test of whether damages are remote or speculative has nothing to do with the difficulty in calculating the amount but concerns the more basic question of whether there are any damages, which focuses on the fact of damages, rather than the amount. Analytically, the inquiry is for causation, *i.e.* whether the attorney's conduct caused any injury.

Thus, there must be the fact of present injury. The mere possibility, or even probability, that the plaintiff will sustain an injury at some time does not alter the speculative nature of the damage claim, and, therefore, does not support a cause of action for legal malpractice for that damage claim. Of course, the plaintiff can pursue those damages claims that are not speculative.

See A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, 2004 U. ILL. J.L. TECH. & POL'Y 1, 44-49 (2004) (discussing the damage element in patent attorney malpractice cases).

219. *Davis*, 596 F.3d at 1363 (emphasis added).

was based upon supplemental jurisdiction under 28 U.S.C. § 1367(a),<sup>220</sup> parasitic to the “other omissions” claim arising under § 1338(a).

On March 11, 2010, nine days after *Davis* was decided, the Federal Circuit in a split decision, *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc. (Lab. Corp. IV)*,<sup>221</sup> (opinion by Judge Gaharsa, joined by Judge Moore, Judge Dyk dissenting) seemingly backed somewhat away from a broad interpretation of what constituted a significant question of federal patent law in a licensing case.<sup>222</sup> Metabolite, the licensor, had prevailed in a previous case against LabCorp, the licensee, with a holding that the licensed patent had been infringed by the licensee’s medical assays and hence the license was breached and terminated.<sup>223</sup> This decision was affirmed by the Federal Circuit.<sup>224</sup> LabCorp then outsourced the assays to be performed by a licensed third party under the patent and brought a declaratory judgment against Metabolite to confirm the legality of this under the judgment in effect.<sup>225</sup> The district court granted a summary judgment to LabCorp on the basis that the license had been terminated,<sup>226</sup> and Metabolite appealed to the Federal Circuit, moving for dismissal or transfer of the appeal to the Tenth Circuit for lack of subject matter jurisdiction.<sup>227</sup>

The majority of the court agreed with the licensor that it did not have jurisdiction based on its interpretation of *Grable*:

Accordingly, the Supreme Court’s decision in *Grable*, addressing general federal question jurisdiction refined the *Christianson* two-part test for § 1338 jurisdiction by requiring a determination of whether “a state-law claim necessarily raise[s] a stated federal issue, *actually disputed and substantial*, which a federal forum may entertain without

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220. 28 U.S.C. § 1367(a) (2006) (“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.”).

221. *Lab. Corp. IV*, 599 F.3d 1277 (Fed. Cir. 2010).

222. *See id.* at 1279.

223. *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings (Lab. Corp. I)*, 370 F.3d 1354, 1372 (Fed. Cir. 2004).

224. *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings (Lab. Corp. II)*, No. 99-CV-870, 2001 WL 34778749 (D. Colo. Dec. 3, 2001).

225. *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc. (Lab. Corp. III)*, 571 F. Supp. 2d 1199, 1204 (D. Colo. 2008).

226. *Id.* at 1215.

227. *Lab. Corp. IV*, 599 F.3d 1277, 1278 (Fed. Cir. 2010).

disturbing any congressionally approved balance of federal and state judicial responsibilities.<sup>228</sup>

With respect to *Air Measurement* and *Immunocept*, the court concluded:

Such cases are distinguishable because the instant matter does not present a “case[-]within[-]a[-]case.” Here, it is undisputed that the post-trial conduct falls within the scope of the [licensed] patent. While the finding of breach is based on a finding of infringement, the district court would not have to conduct an infringement analysis because [the original case] established infringement and neither party contests that decision.<sup>229</sup>

The dissent disagreed that there was no “actually disputed and substantial” federal question in that there had not been a determination by the court that outsourced assays are covered by the patent and the *res judicata* effect of the prior decision, and, moreover, once jurisdiction has been established, it is not deprived of jurisdiction because the federal issue becomes undisputed.<sup>230</sup>

In any event, upon transfer from the Federal Circuit, the Tenth Circuit affirmed the grant of summary judgment<sup>231</sup> concluding:

On appeal, Metabolite advances several arguments suggesting that the License Agreement was never properly terminated:

Regardless of the strength of these arguments, we conclude that Metabolite is estopped from making them. What Metabolite once called a “termination,” it now attempts to relabel a mere “breach.” But the first jury found termination, at Metabolite’s urging and to LabCorp’s detriment, and that finding binds us. Metabolite cannot have its cake and eat it too. Exercising jurisdiction pursuant to 28 U.S.C. § 1291, we affirm.<sup>232</sup>

Needless to say, no question of patent law, substantial or not, was involved in this resolution, and certainly there was no need for the use of case-within-a-case methodology.

In April 2010, the Federal Circuit (opinion by Judge Bryson, joined by Judges Archer and Prost) also declined jurisdiction in *Clearplay, Inc. v. Abecassis*,<sup>233</sup> which involved a dispute over a license agreement

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228. *Id.* at 1282 (emphasis added).

229. *Id.* at 1284.

230. *See id.* at 1287-90 (Dyk, J., dissenting).

231. *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc. (Lab. Corp. V)*, 410 Fed. App’x 152, 160 (10th Cir. 2011).

232. *Id.* at 152-53.

233. *Clearplay, Inc. v. Abecassis*, 602 F.3d 1364 (Fed. Cir. 2010).



entered into by the parties to settle a patent infringement suit.<sup>234</sup> Shortly after the settlement, the licensor asserted that the licensee had violated the agreement and filed a motion in the same district court as the patent case was filed to enforce the agreement.<sup>235</sup> The licensor also notified several retailers selling the licensee's products that they were not licensed and their sale would constitute infringement.<sup>236</sup> The licensor then brought a diversity action in the same district court, accusing the licensor of "tortious interference with a contractual relationship, tortious interference with potential advantageous business relationships, breach of the license agreement, breach of the covenant of good faith and fair dealing, and violation of Florida's Deceptive and Unfair Trade Practices Act."<sup>237</sup> The district court held that the license agreement was valid and enforceable and granted the licensee a preliminary injunction enjoining the licensor from advising the licensee's customers to the contrary.<sup>238</sup> The licensor then appealed to the Federal Circuit and the licensor asserted that this court did not have jurisdiction and the appeal should be to the Eleventh Circuit.<sup>239</sup>

The Federal Circuit agreed with the licensee that it did not have jurisdiction over this appeal.<sup>240</sup> The court reasoned:

While it is true that questions of patent infringement are addressed at various points in the communications that are at issue in [the licensee's] complaint, and while it is possible that patent law issues could arise in the course of litigating any one of [the licensee's] claims, it is equally clear that none of those claims necessarily turns on an issue of patent law. That is, in the case of each asserted claim, there is at least one theory of relief that would not require the resolution of a patent law issue.<sup>241</sup>

The court then makes clear the limits and specificity of its jurisdiction:

*Christianson* embraces a distinctly non-holistic approach to "arising under" jurisdiction. *It is not enough that patent law issues are in the air.* Instead, resolution of a patent law issue must be necessary to

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234. *Id.* at 1364.

235. *Id.* at 1364-65.

236. *Id.* at 1365.

237. *Id.*

238. *Id.* at 1365-66.

239. *Id.* at 1366.

240. *Id.*

241. *Id.* at 1368.

every theory of relief under at least one claim in the plaintiff's complaint. And that is not so in this case.<sup>242</sup>

The emphasis on the inadequacy of patent law issues that are floating somewhere out there “in the air” is reminiscent of famous admonition of Justice Cardozo in *Palsgraf v. Long Island Railroad Co.*: “Proof of negligence in the air, so to speak, will not do.”<sup>243</sup> In the context of patent attorney malpractice, the case-within-a-case methodology should aid in the identification of specific patent law issues within the required elements of the malpractice cause of action and hence filter them out of the “air.”<sup>244</sup>

In *Carter v. ALK Holdings, Inc. (Carter II)*,<sup>245</sup> decided in May 2010, the Federal Circuit (opinion by Judge Dyk, joined by Chief Judge Michel, Judge Newman concurring and dissenting in part) expanded its jurisdictional net to include malpractice claims based upon breach of fiduciary duty in addition to those based upon professional negligence.<sup>246</sup> The federal district court had imposed sanctions under Rule 11 of the Federal Rules of Civil Procedure on a law firm for pleading a federal cause of action based upon breach of fiduciary duty under “the Patent Act, the Code of Federal Regulations [‘CFR’], and the Manual of Patent Examining Procedure [‘MPEP’].”<sup>247</sup> The underlying rationale for the allegation of breach of fiduciary duty was the conflict created by defendant firm in representing both the plaintiff and another party with respect to the same invention.<sup>248</sup> The district court had concluded that, because no federal cause of action exists for breach of fiduciary duty under federal patent law, the CFR or the MPEP, it did not have jurisdiction.<sup>249</sup> The Federal Circuit rejected this view of “arising under” jurisdiction limited to the first prong of *Christianson* and held:

Here, the determination of [the patent attorney’s] compliance with the MPEP and the CFR is a necessary element of [the plaintiff’s] malpractice cause of action because the CFR and the MPEP establish [the patent attorney’s] expected fiduciary duties to his clients. Count

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242. *Id.* at 1369 (emphasis added).

243. *Palsgraf v. Long Island R.R. Co.*, 162 N.E. 99, 99 (N.Y. 1928) (citing SIR FREDERICK POLLOCK, *POLLOCK’S LAW OF TORTS* 455 (11th ed. 1920)). Justice Cardozo had also used this quotation earlier in *Martin v. Herzog*, 126 N.E. 814, 816 (N.Y. 1920) in the context of causation.

244. *See supra* text accompanying notes 32-37.

245. *Carter v. ALK Holdings, Inc. (Carter II)*, 605 F.3d 1319 (Fed. Cir. 2010).

246. *See id.* at 1325.

247. *Carter v. ALK Holdings, Inc. (Carter I)*, 510 F. Supp. 2d 1299, 1307 (N.D. Ga. 2007).

248. *Carter II*, 605 F.2d at 1322.

249. *Id.*

VIII [breach of fiduciary duty] thus involves a substantial question of federal patent law and is not frivolous.<sup>250</sup>

It may be noted that there is no mention of any case-within-a-case or of causation or of damages suffered by the plaintiff.<sup>251</sup> Pure and simple, this is a subject matter jurisdiction case.<sup>252</sup> The Federal Circuit finds the substantial question of patent law in the fiduciary duty and its breach elements.<sup>253</sup> This analysis should also follow when the basis of the malpractice action is negligence, where plaintiff must allege a duty owed and a breach of that duty.<sup>254</sup> Hence, a substantial question of patent law for jurisdiction purposes can arise, according to the foregoing interpretation of *Immunocept* and *Carter*, with respect to any element of the malpractice case. However, in all instances, the plaintiff in the malpractice case on whatever theory (negligence, breach of fiduciary duty, breach of contract, fraud) must prove it suffered actual damages causally related to the alleged malpractice by the defendant patent attorney, i.e. the case-within-a-case methodology, within a non-judgment model.<sup>255</sup>

In January 2011, the Federal Circuit (opinion by Judge Bryson, joined by Judges Newman and Prost) decided *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*,<sup>256</sup> where the facts of the case were quite similar to *Air Measurement*.<sup>257</sup> Warrior sued a competitor for infringement of its patent in federal district court.<sup>258</sup> The competitor defended on the ground that the patent was unenforceable because of inequitable conduct.<sup>259</sup> The trial was bifurcated, with the inequitable conduct defense being tried first.<sup>260</sup> The infringement case was settled prior to a decision on inequitable conduct.<sup>261</sup> Thus, the infringement issue was never litigated.<sup>262</sup> Warrior then filed a malpractice action in a

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250. *Id.* at 1325 (footnote omitted).

251. *See id.* at 1323-25.

252. *See id.* at 1325.

253. *See id.*

254. *See* RESTATEMENT (THIRD) OF LAW GOVERNING LAW: THE LAW GOVERNING LAWYERS § 49 cmt. c (2000) (“Most rules applicable to negligence actions also apply to actions for breach of fiduciary duty.”).

255. *See* *ASTech, LLC v. Husick*, 676 F. Supp. 2d 389, 402 (E.D. Pa. 2009).

256. *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C. (Warrior II)*, 631 F.3d 1367 (Fed. Cir. 2011).

257. *See id.* at 1369-70.

258. *Id.* at 1369.

259. *Id.*

260. *Id.*

261. *Id.*

262. *Id.*

Michigan state court against its patent attorneys, alleging damages on the basis of “diminished settlement value” and also because of failure to timely pay maintenance fees on the patent, which resulted in its lapse.<sup>263</sup> By stipulation, the malpractice case was dismissed from the state court and refiled in the federal district court.<sup>264</sup> Seemingly directly contrary to *Air Measurement*, the district court held that it did not have jurisdiction, concluding: “[T]he issues implicated in the underlying disputes—maintenance fees and timeliness of reinstatement proceedings—do not appear to be matters of importance in the development of patent law.”<sup>265</sup> No mention was made by the court of the inequitable conduct defense as perhaps raising a significant question of patent law.

The Federal Circuit reversed the district court following *Air Measurement* stating:

If the accused products do not infringe the ‘216 patent, then the availability of the inequitable conduct defense did not proximately cause any harm to Warrior. That is, to prove the proximate cause and injury elements of its tort claim, Michigan law requires Warrior to show that it would have prevailed on its infringement claim against STX and would have been entitled to an award of damages as a result.<sup>266</sup>

This rationale is indeed the same as *Air Management*, ignoring that the underlying case had been settled and the damages claimed by Warrior were for diminished settlement value.<sup>267</sup> If the Federal Circuit had dealt with the malpractice case for jurisdictional purposes as a “non-judgment” one rather than as a “judgment” one requiring that the malpractice plaintiff Warrior prove infringement of its patent, federal jurisdiction would be justified on the inequitable conduct issue, which, if established, would render the patent unenforceable—surely a substantial question of patent law.<sup>268</sup> The evident use of the “case-within-a-case-within-a-case” for jurisdiction thus forces the plaintiff to prove infringement even though it is not claiming infringement damages but rather loss of settlement value damages.

As of the date of this writing, the most recent case decided by the Federal Circuit in November 2011 is *Byrne v. Wood, Herron & Evans*,

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263. *Id.*

264. *Id.*

265. *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C. (Warrior I)*, 632 F. Supp. 2d 694, 699 (E.D. Mich. 2009).

266. *Warrior II*, 631 F.3d at 1372.

267. *See supra* text accompanying notes 119-29.

268. *See supra* text accompanying notes 168-69.

*LLP*,<sup>269</sup> as an unpublished or nonprecedential opinion.<sup>270</sup> (Opinion by Judge O'Malley, joined by Judge Gaharsa, Judge Lourie joining Sections I, III, and IV but concurring only in result of Section II.) Plaintiff Byrne obtained a patent for an improvement in a string weed trimmer, which included a guide having a "generally planar . . . surface."<sup>271</sup> After negotiations broke down with Black & Decker, plaintiff brought an infringement action in the U.S. District Court for the Eastern District of Kentucky.<sup>272</sup> The court granted a directed verdict against plaintiff, finding that Black & Decker's trimmer did not contain a generally planar surface.<sup>273</sup> The Federal Circuit affirmed this decision, although on a different construction of the "planar" limitation.<sup>274</sup> Plaintiff then filed a malpractice action against defendant patent attorneys in a Kentucky state court.<sup>275</sup> Defendant attorneys removed the case to the same district court,<sup>276</sup> which held that it had jurisdiction citing *Air Measurement*.<sup>277</sup> Plaintiff argued that he could

269. *Byrne v. Wood, Herron & Evans, LLP*, No. 2011-1012, 2011 U.S. App. LEXIS 23127 (Fed. Cir. Nov. 18, 2011).

270. Federal Rule of Appellate Procedure 32.1 provides that:

A court may not prohibit or restrict the citation of federal judicial opinions, orders, judgments, or other written dispositions that have been:

- (i) designated as "unpublished," "not for publication," "non-precedential," "not precedent," or the like; and
- (ii) issued on or after January 1, 2007.

FED. R. APP. P. 32.1. The Federal Circuit Local Rule 32.1(d) states that:

The court may refer to a nonprecedential disposition in an opinion or order and may look to a nonprecedential disposition for guidance or persuasive reasoning, but will not give one of its own nonprecedential dispositions the effect of binding precedent. The court will not consider nonprecedential dispositions of another court as binding precedent of that court unless the rules of that court so provide.

FED. CIR. R. 32.1(d). Other federal circuit courts have also generally held that unpublished opinions have no binding precedential value aside from their reasoning and analysis. *See, e.g., Doe v. Princess Cruise Lines, Ltd.*, 657 F.3d 1204, 1215 n.10 (11th Cir. 2011) ("[W]e are not bound by this Court's unpublished decisions"); *In re Grant*, 635 F.3d 1227, 1232 (D.C. Cir. 2011) ("[U]npublished orders like those the amicus cites may be considered persuasive authority, but they do not constrain a panel of the court from reaching a contrary conclusion in a published opinion after full consideration of the issue."); *United States v. Keith*, 559 F.3d 499, 505 (6th Cir. 2009) (Although unpublished decisions do not have precedential authority . . . they may be considered for their persuasive value in our analysis) (citations omitted).

271. *Byrne*, 2011 U.S. App. LEXIS 23127, at \*2.

272. *Byrne v. Black & Decker Corp.*, No. 2004-262 (WOB), 2006 U.S. Dist. LEXIS 24104, at \*6 (E.D. Ky. Apr. 27, 2006), *aff'd*, 235 Fed. App'x 741.

273. *Id.* at \*12-15, \*18.

274. *Byrne*, 235 Fed. App'x at 746.

275. *Byrne v. Wood, Herron & Evans, LLP*, No. 2: 08-102-DCR, 2008 U.S. Dist. LEXIS 61962 (E.D. Ky. Aug. 13, 2008).

276. *Id.* at \*2.

277. *Id.* at \*12-13.

have been granted claims without the “planar” limitation and offered an affidavit by the inventor Byrne setting forth the technical basis for this.<sup>278</sup> However, the district court granted defendant attorney’s motion for summary judgment, *sua sponte*, concluding that plaintiff inventor did not qualify as a person of ordinary skill in the art and hence his affidavit did not satisfy the requirement of technical expert testimony.<sup>279</sup> Plaintiff appealed to the Federal Circuit, which reversed the district court finding that it had “abused its discretion in striking Byrne’s affidavit without identifying the relevant level of skill in the art and without considering that inventors normally possess at least ordinary skill in the field of invention . . .”<sup>280</sup>

Judge O’Malley joined by Judge Gajarsa, however, was not willing to let the matter rest with the reversal. In Section II of the opinion, the subject matter jurisdiction question was resurrected.<sup>281</sup> Plaintiff had argued in his brief that “legal malpractice cases that involve only *hypothetical patent claims*” should not be subject to § 1338 federal jurisdiction.<sup>282</sup> This argument, however, was abandoned by plaintiff in his reply brief as being precluded by Federal Circuit precedent.<sup>283</sup> Judges O’Malley and Gajarsa nonetheless, *sua sponte*, found merit in this argument but agreed the court was bound by its precedent.<sup>284</sup>

As precedent, *Davis v. Brouse McDowell, L.P.A.*<sup>285</sup> is cited with the following parenthetical: “(finding jurisdiction over a legal malpractice action involving missed deadlines in which no patent actually issued.)”<sup>286</sup> It should be noted that jurisdiction in *Davis* was not granted because of “missed deadlines,” but rather, as explained above,<sup>287</sup> because of “other omissions,” including the patent attorney’s “alleged negligence in preparing and filing the U.S. applications.”<sup>288</sup> The “missed deadlines” in *Davis* were with respect to PCT applications, which the court held that it did not have § 1338 jurisdiction: “It is

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278. *Byrne v. Wood, Herron & Evans, LLP*, No. 2: 08-102-DCR, 2009 U.S. Dist. LEXIS 66557 (E.D. Ky. July 30, 2009).

279. *Id.* at \*16-17.

280. *Byrne v. Wood, Herron & Evans, LLP*, 2011-1012, 2011 U.S. App. LEXIS 23127, at \*1 (Fed. Cir. Nov. 18, 2011).

281. *Id.* at \*5-6.

282. *Id.* at \*5 (emphasis added).

283. *Id.*

284. *Id.* at \*5-6. Judge Lourie only concurred in the result of Section II.

285. *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355 (Fed. Cir. 2010).

286. *Byrne*, 2011 U.S. App. LEXIS 23127, at \*13.

287. See text accompanying notes 170-220.

288. *Davis*, 569 F.3d at 1360-62.

undisputed that Ms. Davis's allegations relating to the PCT applications do not raise any issue of U.S. patent law."<sup>289</sup>

Judge O'Malley then concludes:

Although we must adhere to our precedent, we believe this court should re-evaluate the question of whether jurisdiction exists to entertain a state law malpractice claim involving the validity of a *hypothetical* patent, for the reasons discussed below.<sup>290</sup>

It is not apparent why Judge O'Malley replaced "*hypothetical patent claims*" with "*validity of a hypothetical patent*."<sup>291</sup>

The basis for plea for reevaluation of the jurisdictional scope is the Supreme Court's decision in *Grable*.<sup>292</sup> The basic question raised in *Grable* was whether the assumption of federal jurisdiction would "disturb[] any congressionally approved balance of federal and state judicial responsibilities."<sup>293</sup> The majority reasons that the balance is

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289. *Id.* at 1360.

290. *Byrne*, 2011 U.S. App. LEXIS 23127, at \*5 (emphasis in original).

291. Are these terms being used interchangeably? Or is "hypothetical patent" intended to include "hypothetical patent claims" as a species of the generic "hypothetical patent"? Other questions also are raised. For example, *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262 (Fed. Cir. 2007) (discussed *supra* text accompanying notes 82-129) would appear to fall within the *Byrne* exception because for the plaintiff to prevail, the court would have to determine whether the patents would have been enforceable had the defenses been asserted claims and would have been infringed. It would also appear that federal jurisdiction would be denied in *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007) (discussed *supra* text accompanying notes 130-54) because it involved the construction of a hypothetical claim including an open transition compared to the actual claim that included a closed transition phrase. *Touchcom, Inc. v. Bereskin & Parr*, 574 F.3d 1403 (Fed. Cir. 2009) (discussed *supra* text accompanying notes 155-69) may be seen as involving a hypothetical patent including the source code that allegedly was negligently not included in the patent held to be invalid. *Davis*, 596 F.3d 1355 (discussed *supra* text accompanying notes 170-220) also would involve a hypothetical patent which did not issue because of the alleged malpractice of the defendant attorney. *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319 (Fed. Cir. 2010) (discussed *supra* text accompanying notes 245-55) does not seem to involve a hypothetical patent or patent claim because the case-within-a-case methodology is not reached, with federal jurisdiction being based on the interpretation of the CFR and the MPEP on a conflict of interest allegation of violation of the attorney's fiduciary duty to the client. In *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 631 F.3d 1267 (Fed. Cir. 2011) (discussed *supra* text accompanying notes 256-68), the last jurisdictional case decided by the Federal Circuit prior to *Byrne*, an actual patent was involved in the underlying infringement case, which was settled prior to reaching the infringement issue. In the malpractice case, the issue to be decided was whether the actual patent was infringed and, if so, whether it was unenforceable because of inequitable conduct. Does this make it a hypothetical patent or hypothetical claim because the actual patent could not now be infringed by the litigation defendant, who was licensed under the settlement? On the other hand, a finding of inequitable conduct in the malpractice case could have some bearing on the actual patent if still in force.

292. *Byrne*, 2011 U.S. App. LEXIS 23127, at \*6. See *supra* text accompanying notes 66-70 for discussion of *Grable*.

293. *Byrne*, 2011 U.S. App. LEXIS 23127, at \*5.

likely to be disturbed by federal courts deciding malpractice cases involving “hypothetical claims” and that such determinations tend to be “factbound and situation-specific,” involving “only *application* and not *interpretation* of patent law,” and having “little or no bearing on other cases.”<sup>294</sup>

To support further its application of *Grable*, the court cites two federal district court cases that find limited federal interest in cases where no patent issued<sup>295</sup> and quoted, evidently with approval, from *Minton v. Gunn (Minton I)*,<sup>296</sup> a Texas state appellate court, “[W]e believe the Federal Circuit misapplied United States Supreme Court precedent by disregarding the federalism analysis that the Supreme Court has applied to restrict the scope of ‘arising under’ jurisdiction to a ‘small and special category’ of cases . . . .”<sup>297</sup> The *Byrne* panel did not have access to the Texas Supreme Court’s decision in *Minton II*, reversing the appellate court. A detailed analysis of the Texas Supreme Court’s opinion in *Minton II* appears below.<sup>298</sup>

Byrne then petitioned for en banc rehearing by the Federal Circuit.<sup>299</sup> This was denied with Judge Dyk writing an opinion supporting the denial, with whom Judges Newman and Lourie joined; Judges Bryson, Linn, Prost, and Reyna also were in favor of denial; Judges O’Malley dissented from the denial of the petition, writing an opinion joined by Judge Wallach; in addition, Chief Judge Rader and Judge Moore dissented from the denial. Thus, rehearing was denied by a vote of seven to four.

Judge Dyk supported denial of the petition asserting that the court’s prior decisions in upholding federal jurisdiction were fully consistent with *Christiansen* and “within the meaning of *Grable*,” concluding: “In so holding, we have recognized the strong federal interest in patent law uniformity as manifested by Congress’s decision to give exclusive jurisdiction to the federal district courts and on appeal to this court.” He so concludes: “The existence of these issues necessarily makes the issues ‘substantial’ within the meaning of *Christianson*, . . . and indicates a ‘serious federal interest’ in federal adjudication within the

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294. *Id.* at \*5 (citing *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 700-01 (2006)).

295. *Id.* at \*6 (citing *Genelink Biosciences, Inc. v. Colby*, 722 F. Supp. 2d 592, 598-99 (D.N.J. 2010); *Roof Tech. Servs., Inc. v. Hill*, 679 F. Supp. 2d 749, 754 (N.D. Tex. 2010)).

296. *Minton I*, 301 S.W.3d 702 (Tex. Ct. App. 2009), *rev’d*, 355 S.W.3d 634.

297. *Byrne*, 2011 U.S. App. LEXIS 23127, at \*16-17 (quoting *Minton I*, 301 S.W.3d at 709).

298. *Minton II*, 355 S.W.3d 634 (Tex. 2011). *See infra* text accompanying notes 379-97.

299. *Byrne v. Wood, Herron & Evans, LLP*, No. 2011-1012, 2012 U.S. App. LEXIS 6021 (Fed. Cir. Mar. 22, 2012) (per curiam).



meaning of *Grable* . . .”<sup>300</sup> In addition, Judge Dyk raises the federal interest in regulating attorney practice before the PTO and the federal courts in patent matters, concluding: “There is a substantial federal interest in preventing state courts from imposing incorrect patent law standards for proceedings that will exclusively occur before the PTO and the federal courts.”<sup>301</sup>

In her vigorous twenty-eight page dissent to the denial of en banc rehearing, Judge O’Malley would appear to set the stage for a petition for certiorari to the Supreme Court signaling: “Rather than force the Supreme Court to correct our jurisdictional mistakes, we should take this opportunity to do so ourselves.”<sup>302</sup>

Her argument basically is that the Federal Circuit’s “reading of *Christianson* is wrong,”<sup>303</sup> and that the following four elements from *Grable* must be satisfied before federal jurisdiction may be asserted:

[W]hether: (1) a federal issue is a necessary element of a state law claim; (2) a federal issue is actually disputed; (3) a federal issue is substantial; and (4) exercising federal jurisdiction will disturb the balance of federal and state judicial responsibilities. In choosing to exercise jurisdiction over malpractice claims arising out of patent matters, we have ignored the latter two parts of the inquiry.<sup>304</sup>

With regard to resolving the “substantiality” element, Judge O’Malley offers the following “considerations”<sup>305</sup>:

As to substantiality of the federal issue, the Supreme Court, and regional circuit courts applying Supreme Court decisions, have identified certain considerations that affect whether a federal issue is “substantial”: (1) if the issue is a “pure question of law,” rather than one that is “fact-bound and situation-specific”; (2) the federal government’s interest in the issue, including whether it implicates a federal agency’s ability to vindicate its rights in a federal forum and whether resolution of the issue would be controlling in numerous other

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300. *Id.* at \*4.

301. *Id.* at \*7.

302. *Id.* at \*10 (O’Malley, J., dissenting). Subsequently, Judge O’Malley dissented in a similar denial of en banc rehearing in *Memorylink Corp. v. Motorola, Inc.*, No. 2010—1533, 2012 LEXIS U.S. App. 7292 (Fed. Cir. Apr. 11, 2012).

303. *Id.* at \*9.

304. *Id.* at \*9-10 (citing *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 314 (2005)).

305. Citing in support of these considerations: *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 700-01 (2006) (analyzing *Grable*, 545 U.S. at 313); *Adventure Outdoors, Inc. v. Bloomberg*, 552 F.3d 1290, 1299-1301 (11th Cir. 2008); *Mikulski v. Centerior Energy Corp.*, 501 F.3d 555, 570 (6th Cir. 2007) (en banc).

cases; and (3) if resolution of the federal issue is dispositive of the case at hand.<sup>306</sup>

She then applies these considerations in the context of patent attorney malpractice and finds that such cases generally (1) involve the application of facts to a particular rule of patent law;<sup>307</sup> (2) do not involve a federal agency's powers;<sup>308</sup> or (3) have no bearing on other cases, and state issues must still be resolved in the case.<sup>309</sup>

After this analysis, Judge O'Malley concludes: "In other words, the [AMT] panel equated substantiality with whether the federal issue would actually need to be resolved in the context of the state law claim. As the discussion above demonstrates, the analysis in *AMT* is not only incomplete, it is incorrect."<sup>310</sup>

She then turns to the "federalism" issue: "Our case law conflicts with Supreme Court precedent in another way as well. As noted above, *Grable* also requires courts to consider whether a state law claim is one 'which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities.'"<sup>311</sup> She frames the problem in terms of finding federal jurisdiction in every malpractice case involving a question of patent law: "As the Fifth Circuit noted in *Singh*, the argument for extending federal jurisdiction over malpractice claims involving a federal issue 'reaches so broadly that it would sweep innumerable state-law malpractice claims into federal court.'"<sup>312</sup> Such extension, she asserts, would conflict with *Grable*. However, as will be discussed below,<sup>313</sup> *Singh* involved trademark malpractice, and the Fifth Circuit has subsequently found federal jurisdiction in a patent malpractice case, *USPPS, Ltd. v. Avery Dennison Corp.*<sup>314</sup> Judge O'Malley dismisses *USPPS*: "The Fifth

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306. *Byrne*, 2012 U.S. App. LEXIS 6021 at \*29.

307. "In short, the patent-related malpractice claims over which we have extended our jurisdictional reach require only application of patent laws to the facts of a case, and they do not implicate the 'validity, construction, or effect' of the patent laws." *Id.* at \*31.

308. "Unlike in *Grable*, these cases also do not present situations that require courts to determine whether an action of a federal agency complied with a federal statute." *Id.* at \*33-34. However, if validity of a patent is involved in a malpractice case, the compliance of the PTO with the patent statute is likely to be in issue.

309. The duty and breach issues will generally require the application of state malpractice law. *See id.* at \*9.

310. *Id.* at \*37.

311. *Id.* at \*38 (citing *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005)).

312. *Id.* at \*39 (citing *Singh v. Duane Morris LLP*, 538 F.3d 334, 340 (5th Cir. 2008)).

313. *See* text accompanying notes 327-34.

314. *USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 280-82 (5th Cir. 2011).

Circuit's analysis in *USPPS* is erroneous for the same reasons our case law is incorrect. The *USPPS* case also demonstrates that our case law continues to upset the federalism balance by extending federal question jurisdiction to cases even beyond those asserting traditional malpractice claims.”<sup>315</sup>

To reach the proper balance between federal and state interest, Judge O'Malley maintains that: “But we must be mindful of the fact that the patent issues in these cases are only incidental to the state law tort claim, and that states have at least an equally strong interest in adjudicating allegations of attorney negligence. Accordingly, simply reciting a federal interest in patent law uniformity is not enough.”<sup>316</sup> To buttress this conclusion, she quotes from the dissent in a Texas Supreme Court case, *Minton v. Gunn*<sup>317</sup>: “under the Federal Circuit's approach, the federalism element is simply an invocation of the need for uniformity in patent law.”<sup>318</sup> The majority of the Texas Supreme Court, however, applied the four prongs of the “*Grable test*,” paying particular attention to “substantiality” and “federalism,” and found federal jurisdiction in the patent malpractice case. The *Minton* case will be discussed below.

Judge O'Malley concludes her dissent with a rather cryptic sentence: “Today, we have missed an important opportunity to correct our case law and to acknowledge that our reading of *Christianson*, even if once arguably justified, can no longer be so.”<sup>319</sup> According to her analysis of *Christianson* in view of *Grable*, it is not apparent how *Air Measurement (AMT)* and *Immunocept* and their progeny could be “once arguably justified.” Nonetheless, it does appear that her reading of *Christianson* and *Grable* would divest federal courts from jurisdiction in substantially, if not all, patent attorney malpractice cases and sweep them back into state courts.

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315. *Byrne*, 2012 U.S. App. LEXIS 6021 at \*27 n.5. In *USPPS*, the Fifth Circuit transferred the appeal to the Federal Circuit. 647 F.3d at 275-76. In a per curiam decision, the Federal Circuit affirmed the district court's grant of summary judgment in favor of the defendant, Avery Dennison. *USPPS, Ltd. v. Avery Dennison Corp.*, No. 2011-1525, 2012 WL 1292886, at \*1. Judge Prost concurred indicating that “Our jurisdiction over this case is not disputed . . .” *Id.* at \*7. Stating that their concurrence was based on Federal Circuit precedent and indicating that the precedent should be revisited, Judge O'Malley concurred in the decision, and Judge Mayer joined. *Id.*

316. *Id.* at \*46.

317. *Minton II*, 355 S.W.3d 634, 652 (Tex. 2011).

318. *Byrne*, 2012 U.S. App. LEXIS 6021 at \*46 (quoting *Minton II*, 355 S.W. at 652 (Guzman, J., dissenting)).

319. *Id.* at \*50-51 (emphasis added).

The use of a “hypothetical patent claim” or “hypothetical patent” categorization as a surrogate for jurisdictional determination as suggested in the panel decision in *Byrne* appears to be abandoned in the en banc dissent in favor of a generalized exclusion of patent attorney malpractice cases from federal jurisdiction on the basis “substantiality” and “federalism.” In a footnote, Judge O’Malley refers to the problem of “hypotheticality” in the context of the case-within-a-case analysis of a patent malpractice case:

In virtually every patent-related malpractice action that requires a “case[-]within[-]a[-] case” analysis, there will be a hypothetical patent issue raised—i.e., in a world where no malpractice occurred, would the patentee have fared better, for example, in its patent application or infringement suit? In that sense, the patent issue in any malpractice action will involve only an academic inquiry into what likely would have happened absent the attorney negligence, and the answer will affect only the result of the state law claim, not the rights or scope of any live patent.<sup>320</sup>

Of course, all legal malpractice cases involving a case-within-a-case analysis are inherently hypothetical, because the aggrieved client is alleging a hypothetical better outcome that did not occur but for the alleged malpractice of its attorney.

### 3. Synopsis of Federal Circuit Jurisdictional Cases

A number of conclusions may be seen as following from an analysis of the foregoing Federal Circuit cases relating to jurisdiction in patent attorney malpractice cases. First, the court has taken an expansive view of its jurisdiction and the scope of what constitutes a significant question of federal patent law as stated in *Christianson*.

Second, the court has not generally considered *Grable* as placing any significant limitation on its jurisdiction as having a “disruptive portent in exercising federal jurisdiction,” in that there is strong federal interest in resolving patent issues by a specialized court. Nonetheless, as seen in the license cases (*Lab. Corp.* and *Clearplay*), the patent issue must be “*actually disputed and substantial.*” Recently in *Byrne*, two judges would reconsider the jurisdictional issue. In the denial of rehearing en banc, the number of judges voting to rehear was increased to four, with seven not wishing to hear the case en banc.<sup>321</sup> The *Byrne*

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320. *Id.* at 24-26 n.4.

321. The outcome of an en banc rehearing of the jurisdiction issues is far from clear considering the prior positions of the judges currently sitting on the Federal Circuit as summarized

case may provide a good vehicle for the Supreme Court to address the jurisdiction issue in malpractice cases involving questions of patent law.<sup>322</sup>

Third, to resolve the jurisdiction issue, the Federal Court employs the case-within-a-case methodology; however, the application does not appear to be so far in an entirely coherent manner. In certain cases it appears to be following the judgment model, while in others the non-judgment model. For example, in *Air Measurement* and *Warrior Sports*, the underlying cases (infringement) had been settled prior to any judgment being entered of infringement, and plaintiffs were claiming damages based on “diminished settlement value,”<sup>323</sup> yet the court appears to require a finding of infringement to establish jurisdiction over the malpractice cases. With these cases may be compared *Touchcom*, where plaintiff is claiming loss of an infringement judgment, and the court appropriately finds jurisdiction.

On the other hand, in *Immunocept*, the court finds jurisdiction in the malpractice case without reference to infringement and no indication of what damages would have to be proven in the malpractice case. Jurisdiction in *Davis* is found on the basis that plaintiff would have to prove in the malpractice case that a patent would have been granted, but there is no mention of damages in the form of a judgment. Also, in *Carter*, based on breach of fiduciary duty as raising a federal issue under

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here: Chief Judge Michel, who wrote the opinions in *AMT* and *Immunocept*, has retired; Judge Gaharsa has assumed senior status, had joined Judge O’Malley on the panel in *Byrne* urging the revisiting of the jurisdictional issue, had written the opinion in *Lab. Corp.*, and joined in *Touchcom*; Chief Judge Rader dissented from the denial in *Byrne* but concurred in both *AMT* and *Immunocept*; Judge Newman was for denial in *Byrne*, joined in *Davis* and *Warrior Sports* and concurred and dissented in part in *Carter*; Judge Lourie was for denial in *Byrne*, joined in *AMT* and *Immunocept* and wrote the opinion in *Touchcom*; Judge Bryson was for denial in *Byrne*, wrote the opinions in *Clearplay* and *Warrior Sports*, and joined in *Davis*; Judge Linn was for denial in *Byrne*; Judge Dyk wrote the opinion denying rehearing in *Byrne*, wrote an opinion in *Carter*, and dissented in *Lab. Corp.*; Judge Prost was for denial in *Byrne*, and joined in *Warrior Sports*; Judge Moore dissented from the denial and joined in *Carter*, but wrote the opinion in *Davis*; Judge O’Malley wrote the dissent from the denial of rehearing in *Byrne*; Judge Reyna was for denial in *Byrne*; Judge Wallach joined in dissenting from the denial in *Byrne*.

322. Certiorari was denied by the Supreme Court in two cases that would have raised the federal jurisdictional issue: *Landmark Screens, LLC v. Morgan*, 131 S. Ct. 1472 (2011), and *Davis v. Brouse McDowell, L.P.A.*, 131 S. Ct. 118 (2010). A petition for writ of certiorari has been filed in *Minton II*, Supplemental Brief in Support of Petition for a Writ of Certiorari at 2, *Gunn v. Minton*, No. 11-1118, 2012 U.S. S. Ct. Briefs LEXIS 1404, at \*3 (Tex. Dec. 16, 2011) (citing the Federal Circuit’s denial of rehearing and the accompanying opinions in *Byrne* as evidence of “just how misguided the Federal Circuit’s jurisdiction standard is” and how “the Federal Circuit is not going to correct the problem itself.”).

323. See *Warrior II*, 631 F.3d 1367 (Fed. Cir. 2011); *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262, 1266 (Fed. Cir. 2007).

the CFR and MPEP, there is no mention of possible damages in the malpractice case. Thus, *Immunocept*, *Davis*, and *Carter*, while employing the case-within-a-case methodology, appear to follow the non-judgment model.

## II. THE CASE-WITHIN-A-CASE METHODOLOGY IN FEDERAL AND STATE COURTS

By and large there has been wide, if not universal, acceptance of *Air Measurement* and *Immunocept* in both federal district and state courts. In this section, some exemplary cases will be reviewed with an end to ascertaining the manner in which case-within-a-case methodology is used to determine jurisdiction and in resolving the malpractice case. Relevant details of these and other cases relating to the methodology used and whether the judgment or non-judgment model is adopted are included in the Appendix.

### A. Federal Circuit Versus Regional Circuit Tension

In addition to *Christianson*, an example of the tension that may arise between the appellate jurisdiction of the Federal Circuit under § 1338 and regional court of appeals with respect to controversies involving intellectual property, including malpractice cases, arose in three cases decided by the Fifth Circuit. In the first case, *Scherbatskoy v. Halliburton Co.*,<sup>324</sup> decided in 1997, and not involving malpractice, the Fifth Circuit held that it had authority to determine whether the district court had jurisdiction under § 1338(a)<sup>325</sup> and then concluded that the Federal Circuit had exclusive appellate jurisdiction under § 1295 because the resolution of the underlying patent license dispute would require a determination of whether the licensed patent was infringed.<sup>326</sup>

The second case, *Singh v. Duane Morris LLP*,<sup>327</sup> decided in 2008, was a trademark attorney malpractice case, where plaintiff filed suit in a Texas state court, alleging that the defendant attorney had “mistakenly failed at trial to introduce available evidence that would have successfully established secondary meaning.”<sup>328</sup> The defendant removed the case to the federal district court, which held it had

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324. *Scherbatskoy v. Halliburton Co.*, 125 F.3d 288 (5th Cir. 1997).

325. *Id.* at 291.

326. *Id.*

327. *Singh v. Duane Morris LLP*, 538 F.3d 334 (5th Cir. 2008).

328. *Id.* at 337.

jurisdiction and then dismissed plaintiff's malpractice claim.<sup>329</sup> On appeal, the Fifth Circuit vacated the judgment of the district court on the basis that it did not have jurisdiction.<sup>330</sup> In its application of *Grable*, the court posits:

[F]ederal question jurisdiction exists where (1) resolving a federal issue is necessary to resolution of the state-law claim; (2) the federal issue is actually disputed; (3) the federal issue is substantial; and (4) federal jurisdiction will not disturb the balance of federal and state judicial responsibilities. Although the first and second elements are probably satisfied in this case, the third and fourth are not.<sup>331</sup>

The court concluded that the federal issue was not substantial enough to warrant federal jurisdiction and that the extension of "federal jurisdiction over this state-law malpractice claim would upend the balance between federal and state judicial responsibilities" in violation of the directive of *Grable*.<sup>332</sup> Moreover, the court declined to extend *Air Measurement* because it did not consider the federal/state balance issue of *Grable* and because *Air Measurement* was a patent case involving exclusive federal jurisdiction, and this case involved trademark law.<sup>333</sup> The court, however, did qualify its holding:

It is possible that the federal interest in patent cases is sufficiently more substantial, such that it might justify federal jurisdiction. But we need not decide the question before the Federal Circuit, because it is not before us. We conclude only that jurisdiction does not extend to malpractice claims involving trademark suits like this one.<sup>334</sup>

In the third case, *USPPS, Ltd. v. Avery Dennison Corp.*,<sup>335</sup> decided in 2011, the Fifth Circuit was directly faced with the issue of federal jurisdiction in a patent malpractice case, with the issue being finally raised by the court in the third appeal in this case:

This suit, involving state-law claims of fraud and breach of fiduciary duty in connection with a patent application, reaches us for a third time. We most recently reversed the district court's dismissal of the case as time-barred at the pleading stage and remanded for further factual development.

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329. *Id.*

330. *Id.* at 336.

331. *Id.* at 338.

332. *Id.* at 339.

333. *Id.* at 340.

334. *Id.*

335. *USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274 (5th Cir. 2011).

...  
We requested supplemental briefing on the issue of whether exclusive appellate jurisdiction rests in the United States Court of Appeals for the Federal Circuit under 28 U.S.C. §§ 1295(a) and 1338(a). After reviewing the record, we conclude that this case raises a substantial issue of patent law such that we lack jurisdiction over the appeal, and we order the appeal transferred to the Federal Circuit.<sup>336</sup>

In so holding, the court followed Federal Circuit precedent (in particular *Air Measurement, Immunocept*, and *Davis*):

Without a valid patent—and indeed, without also showing other personalized postage stamps would have *infringed* on its patent (another substantial question of patent law that likely would have to be decided)—USPPS has no injury. USPPS’s claims therefore depend upon resolving at least one issue of patent law in its favor.<sup>337</sup>

The court also recognized the policy rationale of the strong federal interest in having uniformity in patent law questions and conformity “both to *Singh*’s requirement of balancing the federal and state interests involved and *Scherbatskoy*’s implicit recognition of the special federal interest in patent law.”<sup>338</sup> In determining that the Federal Circuit had jurisdiction, the Fifth Circuit used case-within-a-case methodology in finding significant questions of patent law being raised in the resolution of the malpractice case to establish any injury on the part of the plaintiff.<sup>339</sup> However, presumably, it will now be up to the Federal Circuit to decide the statute of limitations question under Texas law before it will be able to consider any patent law questions.<sup>340</sup>

## B. Courts following *Air Measurement/Immunocept*

### 1. U.S. District Courts

*Tomar Electronic, Inc. v. Watkins*,<sup>341</sup> decided in 2009 by the U.S. District Court for the District of Arizona, provides an example of the application of the “judgment” model to the jurisdictional issue, where the plaintiff (Tomar) in the malpractice case could prevail against the

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336. *Id.* at 275-76.

337. *Id.* at 281.

338. *Id.* at 282.

339. *Id.* at 281.

340. *See id.* at 284.

341. *Tomar Elec. Inc., v. Watkins*, No. 2:09-cv-00170-PHX-ROS, 2009 U.S. Dist. LEXIS 95573 (D. Ariz. July 23, 2009).



defendant patent attorneys whether the hypothetical judgment would be found to be of infringement or non-infringement of a competitor's patent.<sup>342</sup> In the underlying infringement case, a default judgment of infringement was entered against Tomar as a sanction for misconduct during the litigation, which included damages for infringement of approximately \$7.3 million and an injunction on the sale of certain of Tomar's products.<sup>343</sup> Tomar filed a malpractice action against the defendant attorneys in an Arizona state court that was removed to federal court by defendant attorneys.<sup>344</sup> In one count of the malpractice case, Tomar claimed that the default judgment would not have been entered but for the negligence of the defendant attorneys.<sup>345</sup> Thus, for plaintiff Tomar to prevail in the malpractice case, it would have to establish that the patent was not infringed, invalid, or unenforceable, which raised a substantial question of patent law justifying federal jurisdiction.<sup>346</sup> In another count, Tomar alleged that defendant attorneys were negligent in the preparation of a "patent infringement opinion letter," which evidently gave an opinion that Tomar did not infringe the patent in the underlying litigation.<sup>347</sup> The court reasoned that, if the patent was not infringed, then the opinion letter was correct and the defendants were not negligent.<sup>348</sup> However, the infringement judgment was entered as a sanction not on the merits; thus, the question of the correctness of the opinion raised a substantial question of patent law.<sup>349</sup>

The defendant attorneys are thus placed in the rather precarious position of having to defend, in one count, that the patent was infringed, valid, and enforceable, while, in the other count, that the opinion letter was correct and the patent was not-infringed, invalid, and/or unenforceable.<sup>350</sup> This consequence illustrates one of the perils of having the same counsel giving the patent clearance opinion and representing the accused infringer in the infringement litigation.<sup>351</sup>

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342. *See id.* at \*5-16.

343. *Id.* at \*2.

344. *Id.* at \*3.

345. *Id.* at \*14.

346. *Id.* at \*14-15.

347. *Id.* at \*15.

348. *Id.* at \*15-16.

349. *Id.*

350. *See id.* at \*14-16.

351. Probably the most serious issue raised by having the same lawyer or firm providing the opinion and also acting as trial counsel is the potential disqualification of trial counsel under the Akron Bar Association's *Model Rules of Professional Responsibility*:

Rule 3.7 Lawyer As Witness

(a) A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a

In *Max-Planck-Gesellschaft Zur Foerderung der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC*,<sup>352</sup> decided in 2009 by the U.S. District Court for Massachusetts, plaintiff asserted two claims against defendant attorneys: (1) conflict of interest for joint representation of co-owners of applications before the PTO and seeking removal from such representation, and (2) malpractice on a variety of grounds relating to prosecution and seeking money damages.<sup>353</sup> The court refused to remand the case to the state court upon motion by the malpractice plaintiff, holding that substantial questions of patent law were raised.<sup>354</sup> The court based its jurisdictional finding on the causation element of the malpractice claim,<sup>355</sup> stating: “Although the Court finds that removal was appropriate under § 1338(a) because of the legal malpractice claim, that analysis only applies to Max-Planck’s request for money damages, which necessitates an analysis of the ‘causation’ element.”<sup>356</sup> However, the court goes on to conclude that if money damages had not been sought, plaintiff’s seeking a judgment requiring defendant attorneys to cease prosecuting the co-owned application and representing the co-owners would be a matter of state jurisdiction “because there is no federal preemption in the area of ethical rules for patent prosecution before the USPTO.”<sup>357</sup>

This case was decided prior to *Carter*, discussed above, where the Federal Circuit found a determination of whether defendant attorney’s conduct complied with the MPEP and the CFR as a “necessary element” of the malpractice claim and hence raised a significant federal question.<sup>358</sup> Evidently, Max-Planck based its breach of fiduciary duty

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necessary witness unless:

- (1) the testimony relates to an uncontested issue;
  - (2) the testimony relates to the nature and value of legal services rendered in the case; or
  - (3) disqualification of the lawyer would work substantial hardship on the client.
- (b) A lawyer may act as advocate in a trial in which another lawyer in the lawyer's firm is likely to be called as a witness unless precluded from doing so by Rule 1.7 or Rule 1.9.

Another issue that may arise with respect to a lawyer or firm acting in dual capacities is the potential waiver of attorney-client privilege or the work-product privilege usually in the context of relying upon the advice of counsel to avoid a charge of willful infringement. See DAVID HRICIK & MERCEDES MEYER, PATENT ETHICS: PROSECUTION 197-209 (2009) (discussing both issues and relevant cases).

352. *Max-Planck-Gesellschaft Zur Foerderung der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC*, 661 F. Supp. 2d 125 (D. Mass. 2009).

353. *Id.* at 127.

354. *Id.*

355. *Id.* at 130.

356. *Id.*

357. *Id.*

358. See *Carter v. Alk Holdings, Inc.*, 605 F.3d 1319, 1324 (Fed. Cir. 2010).

claim on Massachusetts ethical rules.<sup>359</sup> In any event, the district court found federal jurisdiction in the malpractice count based on errors of prosecution, with a general allegation of money damages being sufficient, thus indicating the application of the non-judgment model.<sup>360</sup>

In *ASTech International, LLC v. Husick*,<sup>361</sup> decided by the U.S. District Court for the Eastern District of Pennsylvania in 2009, the question of federal jurisdiction was not raised<sup>362</sup> where the alleged malpractice of the defendant attorneys was permitting two provisional applications to be abandoned for failure to pay the filing fees and misrepresenting the continued pendency of the applications.<sup>363</sup> Defendants moved for summary judgment on a variety of grounds, including the statute of limitations and the inability of plaintiffs to prove actual damages.<sup>364</sup> Plaintiff argued that actual damages only had to be proved when the case-within-a-case involved litigation,<sup>365</sup> citing *Hackers, Inc. v. Palmer*,<sup>366</sup> a Pennsylvania decision involving legal malpractice.<sup>367</sup> The court disagreed and drew a distinction between case-within-a-case “methodology” and “terminology”: “Instead, both of those cases have merely recognized that the ‘case-within-a-case’ terminology (as opposed to methodology) is inappropriate where the alleged malpractice arises outside the context of litigation because, in such cases, there is technically no ‘case’ to be proven.”<sup>368</sup>

It is not apparent from the foregoing analysis of *Air Measurement* that the Federal Circuit had “merely recognized . . . the ‘case[-]within[-]a[-]case’ terminology,” as it stated that case-within-a-case was a “*requirement*” and required plaintiff to establish infringement for jurisdiction as opposed to diminished settlement value, which was claimed as actual damages.<sup>369</sup> The district court, however, makes the important recognition that: “Regardless of whether the method of proof is characterized as ‘case-within-a-case,’ ‘transaction-within-a-case,’ or

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359. See *Max-Planck*, 661 F. Supp. 2d at 129.

360. See *id.* at 127.

361. *ASTech Int’l, LLC v. Husick*, 676 F. Supp. 2d 389 (E.D. Pa. 2009).

362. *Id.* at 389.

363. *Id.* at 395.

364. *Id.* at 396.

365. *Id.* at 401-02.

366. *Hackers, Inc. v. Palmer*, 79 Pa. D. & C.4th 485 (Pa. Ct. Com. Pl. 2006).

367. *Id.* at 485.

368. *ASTech*, 676 F. Supp. 2d at 402.

369. See *supra* text accompanying notes 81-127.

‘patent-prosecution-within-a-case,’ Pennsylvania courts have been very clear that plaintiffs in all malpractice actions must prove actual loss.”<sup>370</sup>

In other words, in the malpractice case, the case-within-a-case methodology should be used whether the damage claimed is due to the loss of a favorable judgment or other cognizable actual damages. As discussed above, this methodology is also appropriate for analyzing the jurisdictional issue.<sup>371</sup>

*Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar & Christensen, P.A.*,<sup>372</sup> decided by the U.S. District Court for Minnesota in 2009, provides an example in a litigation situation of the application of the case-within-a-case methodology without imposing a requirement that the malpractice plaintiff establish that it would have prevailed in the underlying case, but only that it would have obtained a more favorable outcome.<sup>373</sup> The malpractice plaintiff had been found to infringe a patent, and a judgment of \$24 million was entered against it.<sup>374</sup> Plaintiff then brought a malpractice case in a state court against its former attorneys in the infringement case, who removed the case to the District Court,<sup>375</sup> which applied *Air Measurement* in finding federal jurisdiction:

[T]he resolution of the legal malpractice action—which is governed by Minnesota state law that imposes the same “but for” causation requirement as did the law of the state at issue in *Air Measurement Technologies*—will inevitably involve the determination of whether Rockwood could have obtained a better outcome in the underlying infringement litigation (at least by being held liable for lesser damages if not by obtaining a verdict of non-infringement or of invalidity).<sup>376</sup>

The court thus applied the case-within-a-case methodology to define damage as being a more favorable outcome, rather than requiring a judgment of non-infringement.<sup>377</sup> Hence, the plaintiff could have been held to be an infringer and still recover, if it could establish that its infringement damages would have been less but for the negligence of its attorneys.<sup>378</sup>

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370. *ASTech*, 676 F. Supp. 2d at 402.

371. See *supra* text accompanying notes 32-37.

372. *Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar & Christensen, P.A.*, No. 09-2493 (DWF/FLN), 2009 U.S. Dist. LEXIS 119349 (D. Minn. Dec. 22, 2009).

373. *Id.* at \*10-11.

374. *Id.* at \*1.

375. *Id.* at \*2.

376. *Id.* at \*10-11.

377. *Id.* at \*16-17.

378. *Id.* at \*13-14.

## 2. State Courts

A number of state courts seem quite willing to accept the broad federal subject matter jurisdiction claim over patent malpractice cases as laid out in *AirMeasurement/Immunocept*. A leading case among these is the recent decision of the Texas Supreme Court in *Minton v. Gunn*, decided in December 2011.<sup>379</sup> The case is of particular interest because of its analysis of the federal/state jurisdiction balance under *Grable*.

The case originated with plaintiff Minton filing a malpractice claim in a Texas court against its former patent attorneys for failure to assert the “experimental use” exception against an “on-sale” statutory bar in a patent infringement suit.<sup>380</sup> The court granted a summary judgment against the plaintiff.<sup>381</sup> Plaintiff in his appeal argued that the state court did not have subject matter jurisdiction.<sup>382</sup> The majority of the Texas appellate court agreed, holding:

The federal issue here is not substantial. Although significant to plaintiffs claim, the issue of whether there was evidence of experimental use of the technology at issue is predominantly one of fact, with little or no precedential value. Therefore resolution of the issue will not require ‘resort to the experience solicitude and hope of uniformity that a federal forum offers.’ The courts of this state are perfectly capable of deciding cases such as this.<sup>383</sup>

The court declined to follow *Air Measurement* and *Immunocept*, concluding that the Federal Circuit’s decisions are not binding on the Texas court,<sup>384</sup> and relied upon *Singh*, a Fifth Circuit trademark malpractice case, discussed above.<sup>385</sup> Moreover, the court concluded that the Federal Circuit had misapplied Supreme Court precedent with regard to “arising under” jurisdiction.<sup>386</sup>

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379. *Minton II*, 355 S.W.3d 634 (Tex. 2011).

380. *Minton I*, 301 S.W.3d 702, 706 (Tex. App. 2009), *rev’d*, 355 S.W.3d 634 (Tex. 2011).

381. *Id.* at 707.

382. *Id.* at 708.

383. *Id.* at 709.

384. *Id.* at 710.

385. *See id.* at 708 (citing *Singh v. Duane Morris LLP*, 538 F.3d 334, 338 (5th Cir. 2008)).

386. *Minton I*, 301 S.W.3d at 709. The dissenting judge asserted that the majority elected to rely upon *Singh*, a trademark malpractice case, while disregarding *Air Measurement* and *Immunocept*, which were directly on point. *Id.* at 721-22. Moreover, the majority is seen as “put[ting] the cart before the horse” by looking at the state court’s summary judgment evidence, rather than referring to the jurisdictional issue under the well-pleaded complaint doctrine. *Id.* at 723.

To resolve the jurisdictional issue, the Texas Supreme Court adopts what it calls the “Grable test,”<sup>387</sup> which was set out in *Singh* interpreting *Grable*: “In other words, federal question jurisdiction exists where (1) resolving a federal issue is necessary to resolution of the state-law claim; (2) the federal issue is actually disputed; (3) the federal issue is substantial; and (4) federal jurisdiction will not disturb the balance of federal and state judicial responsibilities.”<sup>388</sup> The court finds the first prong of the test to be satisfied because the experimental use exception as a matter of federal patent law must be resolved to determine whether the patent was time-barred in order to resolve the state-law malpractice claim.<sup>389</sup> The second prong was found to be satisfied, as the viability of the experimental use exception as a matter of federal law was certainly disputed by the parties in the context of the malpractice case.<sup>390</sup> Whether the third prong of the Grable test—the substantiality of the experimental use issue—is satisfied is considered by the court to be a closer question.<sup>391</sup> However, it concludes that this issue is substantial enough to justify federal jurisdiction, reasoning that the “experimental use exception presented here is more similar to the substantial federal issue presented in *Grable* [construction of a federal tax statute] than the insubstantial issue presented in *Empire* [federal law preempting state law on reimbursement of benefits but state law determining entitlement to reimbursement].”<sup>392</sup> The court considers the final *Grable* element—whether the federal-state jurisdictional balance will be upset—“perhaps the most important.”<sup>393</sup> To conclude that this element had been

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387. *Minton II*, 355 S.W.3d 634, 642 (Tex. 2011).

388. *Singh*, 538 F.3d at 338 (citing *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 314 (2005)).

389. *Minton II*, 355 S.W.3d at 642.

390. *Id.* at 642-43.

391. *Id.* at 643.

392. *Id.* In the paragraph following this quotation, the court cites a number of federal and state court decisions following *Grable* and supporting federal jurisdiction. *Id.* at 643-44. These include: *USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 280-82 (5th Cir. 2011); *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 631 F.3d 1367, 1372 (Fed. Cir. 2011); *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1361-62 (Fed. Cir. 2010); *Immunocept II*, 504 F.3d 1281, 1285 (Fed. Cir. 2007), *reh’g denied*, 2006-1432, 2007 U.S. App. LEXIS 26823 (Fed. Cir. Nov. 9, 2007); *U.S. Valves, Inc. v. Dray*, 212 F.3d 1368, 1372 (Fed. Cir. 2000); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 477-78 (Fed. Cir. 1993); *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP*, 107 Cal. Rptr. 3d 373, 381 (Cal. Ct. App. 2010). It is interesting to note, however, that the parenthetical following the *Davis* citation “(holding that a state-based legal malpractice action presented a substantial federal patent issue where no patent had actually issued because of the attorney’s alleged failure to timely file the patent application)” inaccurately reports the jurisdictional base in *Davis* as did the Federal Circuit in *Byrne* (discussed supra text accompanying notes 285-89).

393. *Minton II*, 355 S.W.3d at 644.

satisfied, the court relies heavily upon the public policy underlying federal court jurisdiction over patents issued by a federal agency, including the public interest in having expert and uniform application of patent law.<sup>394</sup>

While the court makes clear that it is not bound by decisions of the Federal Circuit,<sup>395</sup> it concludes: “We agree with the Federal Circuit that when the validity of a patent is questioned, even if within the context of a state-based legal malpractice claim, the federal government and patent litigants have an interest in the uniform application of patent law by courts well-versed in that subject matter.”<sup>396</sup> Nonetheless, it would appear that this agreement should be considered within the context of the satisfaction of the elements of the Grable test, which would appear to offer some scope of state jurisdiction with respect to insubstantial issues of patent law.<sup>397</sup>

*TattleTale Portable Alarm Systems, Inc. v. Calfee, Halter & Griswold, LLP*,<sup>398</sup> decided by the Court of Appeals of Ohio, Tenth Appellate District, in 2009, affirmed for lack of subject matter

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394. *Id.* at 644-45.

395. *Id.* at 640.

396. *Id.* at 646.

397. As stated by the court:

In the future, just as Minton has done, any state litigant asserting a legal malpractice action to recover for damages resulting from his patent attorney’s negligence in patent prosecution or litigation must also satisfy all four elements of the *Grable* test to place his claim under exclusive federal jurisdiction. In the context of state-based legal malpractice claims, plaintiffs will not always be able to meet such a burden. *See, e.g., Holmes Grp., Inc.*, 535 U.S. at 831 (holding a patent-law counterclaim cannot serve as the basis for “arising under” jurisdiction); *Thompson v. Microsoft Corp.*, 471 F.3d 1288, 1291-92 (Fed. Cir. 2006) (finding the state-law claim of unjust enrichment did not arise under § 1338 jurisdiction because the plaintiff could prevail on the claim by showing the defendant’s unauthorized use of proprietary information without proving inventorship under U.S. patent laws); *Roof Tech. Servs. v. Hill*, 679 F. Supp. 2d 749, 754 (N.D. Tex. 2010) (explaining that a state legal malpractice action involving an attorney’s “failure to meet deadlines and communicate with [his] client” and in which “[p]atent issues are merely floating on the periphery,” did not trigger exclusive federal patent jurisdiction); *Genelink Biosciences, Inc. v. Colby*, 722 F. Supp. 2d 592, 601 (D.N.J. 2010) (holding that where a state malpractice claim was based on missed deadlines, and not on the validity of the actual patent itself, there was no patent issue triggering exclusive federal patent law jurisdiction); *E-Pass Techs., Inc. v. Moses & Singer, LLP*, 117 Cal. Rptr. 3d 516, 521 (Cal. Ct. App. 2010) (finding no federal-question jurisdiction where the ultimate question in the legal malpractice claim was not the attorney’s negligence in the prosecution of the patent, but rather “that the defendant attorneys knew or should have known that [the plaintiff] did not have sufficient evidence to support the claims” they asserted on its behalf in the underlying litigation.).

*Minton II*, 355 S.W.3d at 646-47.

398. *TattleTale Portable Alarm Sys., Inc. v. Calfee*, No. 08AP-693, 2009 Ohio App. LEXIS 1217 (Ohio Ct. App. Mar. 26, 2009).

jurisdiction the dismissal by the state trial court of plaintiff's malpractice claim against the defendant patent firm for failure to pay maintenance fees on one of plaintiff's patents, resulting in the lapse of the patent and the termination of a licensing agreement by a third party.<sup>399</sup> Plaintiff contended that its malpractice claim only "tangentially" related to patents and did "not involve patent infringement, comparison of patent applications, or scope of a particular patent," as required by *Immunoccept* for federal jurisdiction to arise.<sup>400</sup> The court, however, refused to so limit *Immunoccept*: "While *Immunoccept* noted that claims for patent infringement, comparison of patent applications, and patent scope involve a substantial question of federal patent law and confer Section 1338 jurisdiction, it did not hold, despite appellant's assertion to the contrary, that these are the *only* claims that confer such jurisdiction."<sup>401</sup>

The defendant firm argued that "each of the key elements of appellant's professional negligence claim, i.e., duty, breach of duty, causation, and damages, turn on interpretation of federal patent law."<sup>402</sup> The court agreed that "whether or not the patent had lapsed, and whether or not revival/reinstatement should have been sought, require the construction and interpretation of federal patent law."<sup>403</sup> This would require a resolution in the malpractice action of the duty-breach (negligence) element. Moreover, the court included the damage element: "Also, damages in the case *sub judice* cannot be determined without a determination of patent scope."<sup>404</sup> Causation would follow in that: But for any negligence in the lapse of the patent and its revival, no damages would have been sustained by plaintiff. Damages in the form of lost royalties under the license would imply the application of the non-judgment model.<sup>405</sup> Plaintiff has re-filed the malpractice claim in the U.S. District Court for the Southern District of Ohio, where it is currently pending.<sup>406</sup>

*Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP*,<sup>407</sup> decided in 2010 by the California Court of Appeal, Sixth Appellate

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399. *Id.* at \*3-4.

400. *Id.* at \*8-9.

401. *Id.* at \*11.

402. *Id.* at \*9.

403. *Id.* at \*12.

404. *Id.*

405. See *supra* text accompanying notes 32-35.

406. See *TattleTale Portable Alarm Sys., Inc. v. Calfee, Halter & Griswold, LLP*, 276 F.R.D. 573 (S.D. Ohio 2011).

407. *Landmark Screens, LLC v. Morgan*, 107 Cal. Rptr. 3d 373 (Cal. Ct. App. 2010).



District, applied *Air Measurement* and *Immunocept* retroactively.<sup>408</sup> Defendant patent attorneys were retained by Landmark to secure patent rights relating to an electronic billboard, with an application being filed in January 2002.<sup>409</sup> During the course of the prosecution of the basic application, the PTO restricted the application to certain claims and defendants filed a divisional application for the other claims.<sup>410</sup> However, as asserted by plaintiff, the divisional application was improperly filed, resulting in plaintiff's being unable to receive protection on all of its inventions.<sup>411</sup> Plaintiff alleged that defendants concealed from it the problems with the divisional application until November 2, 2005.<sup>412</sup> Then, plaintiff filed a malpractice action in the Santa Clara Superior Court against defendants on November 30, 2005, and in its first amended complaint, alleging "legal malpractice, negligence, and breach of fiduciary duty," *inter alia*, resulting in the loss of "valuable and pioneering patent rights."<sup>413</sup> In its answer, one of the defendant patent firms raised the defense of lack of state subject matter jurisdiction.<sup>414</sup> More than two years later, defendants filed a demurrer, arguing that plaintiff's malpractice claim raised substantial questions of patent law and hence fell within the exclusive federal jurisdiction under § 1338.<sup>415</sup> The Superior Court granted the demurrer.<sup>416</sup> Plaintiff immediately filed a malpractice action in federal district court, which added two further counts of breach of contract and fraud.<sup>417</sup> The federal court, however, dismissed the complaint as being time barred under the California statute of limitations except with respect to the fraud count, granting plaintiff leave to amend to plead equitable estoppel against the statute of limitations defense.<sup>418</sup> Subsequently, the district court refused to dismiss the fraud claim on the basis of fraudulent concealment.<sup>419</sup>

The California Court of Appeals sustained the demurrer of the Superior Court, finding that there was a substantial question of patent law, applying the reasoning of *Air Measurement* and *Immunocept*<sup>420</sup> and

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408. *Id.* at 378-81.

409. *Id.* at 375.

410. *Id.*

411. *Id.* at 376.

412. *Id.*

413. *Id.*

414. *Id.*

415. *Id.*

416. *Id.*

417. *Id.* at 376-77.

418. *Id.* at 377.

419. *Id.*

420. *Id.* at 383.

concluding that: “To recover from respondents, Landmark would have to prove that but for their failure to disclose (or intentional concealment of) [defendant attorneys’] negligence in filing the ’916 divisional application, it would not have lost ‘valuable and pioneering patent rights.’”<sup>421</sup>

The court was not swayed by the “injustice” argument made by plaintiff:

Landmark protests that affirmance of the judgment here would leave it without a remedy. We cannot provide relief from that predicament. As the district court noted in rejecting Landmark’s claim of legal disability, at the time Landmark filed this action there was sufficient authority suggesting that federal court would be the proper forum for resolution of the issues raised. (*See, e.g., Holiday Matinee, Inc. v. Rambus, Inc.*<sup>422</sup> . . . [substantial patent law issues raised in allegations of unfair royalty charges, threatened patent infringement litigation, and baseless lawsuits].) Pennie & Edmonds alerted Landmark to the issue of subject matter jurisdiction in its answer, only two months after the first amended complaint was filed. Like the district court, we are not convinced that Landmark was deprived of its ability to file a timely action in federal court.<sup>423</sup>

*Holiday Matinee*, decided by this court in 2004, was not a malpractice case, but a consumer class action case based on California statutes.<sup>424</sup> *Air Measurement* and *Immunocept* were not decided until 2007, and none of the defendant law firms moved to remove the state malpractice case to federal court while the statute of limitations was running.<sup>425</sup>

After Landmark’s petition for review by the California Supreme Court was denied,<sup>426</sup> Landmark petitioned for a writ of certiorari to the U.S. Supreme Court, which was also denied.<sup>427</sup> Certiorari was also denied in *Davis*, discussed above.<sup>428</sup> If any inference can be drawn from the denial of certiorari, it may be that the Court is not prepared, at least at this time, to get into the fray of federal/state jurisdictional issues as far as patent malpractice cases may lead. This situation may change as

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421. *Id.* at 381.

422. *Holiday Matinee, Inc. v. Rambus, Inc.*, 13 Cal. Rptr. 3d 766, 776 (Cal. Ct. App. 2004).

423. *Landmark*, 107 Cal. Rptr. 3d at 384.

424. *Holiday*, 13 Cal. Rptr. 3d at 767.

425. *Landmark*, 107 Cal. Rptr. 3d at 384.

426. *Landmark Screens, LLC v. Morgan*, No. S182516, 2010 Cal. LEXIS 6858 (Cal. July 14, 2010).

427. *Landmark Screens, LLC v. Morgan*, 131 S. Ct. 1472 (2011).

428. *Davis v. Brouse McDowell, L.P.A.*, 131 S. Ct. 118 (2010).

conflicting decisions mount within both federal and state courts, as seen in the cases discussed herein and included in the Appendix.

*B. Courts not following or distinguishing  
Air Measurement/Immunocept*

1. U.S. District Courts

A number of federal district courts have not been eager to embrace the broad scope of *Air Measurement/Immunocept*. A few representative cases are discussed here. Others may be found detailed in the Appendix.

*Taylor v. Kochanowski*,<sup>429</sup> decided by the U.S. District Court for the Eastern District of Michigan in March 2008, granted plaintiff's motion to remand to the state court, finding that the complaint did not require the resolution of a substantial question of federal patent law.<sup>430</sup> Defendant attorneys had represented plaintiff in an infringement action against Daimler Chrysler and a supplier in the Eastern District.<sup>431</sup> The court held the patent not infringed, which was affirmed by the Federal Circuit.<sup>432</sup> Plaintiff then filed a malpractice case against its former attorneys in a Michigan state court.<sup>433</sup> Defendants removed this case to the Eastern District.<sup>434</sup> Plaintiff's allegations of malpractice were: "dismissing a party from the case, inadequately representing him in the claim against Daimler Chrysler, failing to advise him of his right to reinstate his claim against the dismissed party prior to the expiration of the statute of limitations, and failing to advise him of the merits of his common law claims against the dismissed party."<sup>435</sup> The court appears to agree that the case-within-a-case methodology should determine jurisdiction, stating: "Defendants correctly argue that in order to prevail in his legal malpractice claim, Plaintiff will have to prove that but for Defendants' negligence, he would have prevailed in his patent suit."<sup>436</sup> Nonetheless, the court then concludes:

However, in order to prove Defendants' negligence, Plaintiff will not be forced to relitigate the patent issues. Those were resolved in the

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429. *Taylor v. Kochanowski*, No. 07-11867, 2008 U.S. Dist. LEXIS 20430 (E.D. Mich. Mar. 14, 2008).

430. *Id.* at \*8.

431. *Id.* at \*2.

432. *Id.* at \*5-6.

433. *Id.* at \*2.

434. *Id.*

435. *Id.* at \*7.

436. *Id.* at \*5.

underlying action . . . . Therefore, there are no substantial questions of federal patent law at issue in this action. Instead, Plaintiff will have to prove the elements of a legal malpractice action, a state law cause of action.<sup>437</sup>

For plaintiff to prevail in the malpractice case, at least with respect to the count against the defendants' inadequate representation against Daimler Chrysler, it would seem necessary that plaintiff prove that but for this inadequate representation, infringement would have been found in the underlying case.<sup>438</sup> The court forecloses this possibility, and it is not apparent how the state court would deal with the issue of hypothetical infringement but for the malpractice of defendants.<sup>439</sup>

In *Roof Technical Services v. Hill*,<sup>440</sup> decided in January 2010, the U.S. District Court for the Northern District of Texas extended *Grable* and rejected *Air Measurement* in denying federal jurisdiction in a patent malpractice action where plaintiff alleged it failed to obtain patent protection on its roofing system due to the negligence of the defendant attorney.<sup>441</sup> Plaintiff filed the malpractice claim in the district court, and the court dismissed for lack of subject matter jurisdiction.<sup>442</sup> The court reasoned:

All legal malpractice plaintiffs proceeding on a negligence theory must show that, absent their attorney's negligence, they would have won the underlying litigation, consummated the deal, or acquired the patent. Thus, every legal malpractice action in which the attorney commits the alleged malpractice *while handling a federal matter* will raise a federal issue. Extending federal jurisdiction to all such actions would therefore sweep an entire category of cases, traditionally the domain of state courts, into federal court. After *Grable*, that result is untenable.<sup>443</sup>

In essence, while the court recognized the case-within-a-case methodology for resolving the malpractice claim, it was unwilling to extend that methodology to the jurisdictional question. It would appear that failing to obtain a patent is considerably more restrictive than any

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437. *Id.* at \*5-6.

438. *Id.* at \*5.

439. It is interesting to note that the *Taylor* case is not cited in the two district court opinions in the *Warrior Sports* cases, and in Federal Circuit's opinion reversing the district court. See discussion of these cases *supra* text accompanying notes 257-68.

440. *Roof Tech. Servs. v. Hill*, 679 F. Supp. 2d 749 (N.D. Tex. 2010).

441. *Id.* at 752-53.

442. *Id.* at 754-55.

443. *Id.* at 754.

“federal matter” and would seemingly be inconsistent with *USPPS, Ltd. v. Avery Dennison Corp.*, recently decided by the Fifth Circuit and discussed above.<sup>444</sup>

On the other hand, the U.S. District Court for the Eastern District of Texas, in *Haase v. Abraham, Watkins, Nichols, Sorrels, Agosto & Friend, LLP*,<sup>445</sup> decided in February 2010, appeared willing to accept the jurisdictional sweep of *Air Measurement/Immunocept*.<sup>446</sup> However, on the basis of the damage claimed by plaintiff, the court concluded that this case was distinguishable as no federal question was raised.<sup>447</sup> Plaintiff claimed that a sanction judgment was entered against him in an infringement case where he was represented by the defendant attorney, who allegedly negligently mislabeled tests performed on the accused infringing device as being privileged from discovery.<sup>448</sup> The court remanded the case to state court,<sup>449</sup> concluding:

The issue here will be whether the tests were discoverable—which will likely turn on why the tests were done, what product was tested, and who saw the tests—not whether the tests demonstrate infringement or noninfringement. Unlike *Air Measurement Techs.* and *Immunocept*, Haase will not have to prove a patent issue to prevail on this claim. Accordingly, this claim does not arise under *section 1338* and cannot be the basis for the Court’s jurisdiction.<sup>450</sup>

## 2. State Courts

As might be expected, certain state courts have been less than eager to have their traditional jurisdiction over common law legal malpractice cases usurped, even if limited to the esoteric field of patent law. A strong challenge came from the Supreme Court of Nebraska in a patent malpractice case arising before *Air Measurement/Immunocept* but ultimately decided after the Federal Circuit had spoken.<sup>451</sup>

In *New Tek Manufacturing v. Beehner (New Tek I)*,<sup>452</sup> the Nebraska Supreme Court decided in 2005 that it had jurisdiction over a

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444. See *supra* text accompanying notes 335-40.

445. *Haase v. Abraham*, No. 6:09CV547, 2010 U.S. Dist. LEXIS 11132 (E.D. Tex. Feb. 9, 2010).

446. See *id.* at \*6-7.

447. *Id.* at \*10-11.

448. *Id.*

449. *Id.* at \*19.

450. *Id.* at \*11.

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

452. *Id.* at 336.

malpractice action<sup>453</sup> where the defendant attorney was accused of negligently allowing plaintiff's patent to expire and hence losing the benefit of a broadened claim in a reissue patent, which would have been otherwise infringed by a third party.<sup>454</sup> With respect to the patent in question and the issue of its hypothetical infringement, the state trial court, *inter alia*, had held a *Markman* hearing, construed the claims, including determining whether mean plus function claims, and applied the doctrine of equivalents.<sup>455</sup> The Nebraska Supreme Court concluded on the jurisdictional issue:

We conclude that contrary to the defendant's suggestion, this case is not one "arising under" the patent law within the meaning of § 1338(a). The sole cause of action presented in this case is professional negligence. Patent law is implicated only incidentally, in that the measure of New Tek's alleged damages requires consideration of the hypothetical infringement of the [reissue] patent. But the precise question is not whether Orthman Manufacturing infringed on the [reissue] patent; rather, the question is whether, absent [defendant attorney's] negligence, New Tek would have been successful in an infringement action against Orthman. . . . The construction and alleged infringement of the [reissue] patent is relevant only insofar as it helps us to determine who would have prevailed in that hypothetical action. Simply stated, it is difficult to see how this case arises under federal patent law when on the record before us, the only patent that has been construed, and of which infringement is alleged, has expired. The federal government has no interest in hypothetical determinations regarding an unenforceable patent.<sup>456</sup>

The court remanded the case to the lower court to reconsider the issue of infringement under the doctrine of equivalents.<sup>457</sup>

*Magnetek, Inc. v. Kirkland & Ellis*,<sup>458</sup> decided by the Appellate Court of Illinois, First District, in 2011, presents a malpractice case against a patent firm, which denies federal jurisdiction on the basis of collateral estoppel.<sup>459</sup> The controversy began in 1998 when the underlying infringement case was brought in the District Court for the Northern District of Illinois by the patent owner Nilssen against the plaintiff Magnetek, who was represented in the infringement case by

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453. *Id.* at 346.

454. *Id.* at 343-44.

455. *Id.* at 344.

456. *Id.* at 346.

457. *Id.* at 355.

458. *Magnetek, Inc. v. Kirkland & Ellis*, 924 N.E.2d 803 (Ill. App. Ct. 2011).

459. *See id.* at 818-19.

defendant Kirkland.<sup>460</sup> The parties agreed to arbitrate the claim and, as part of the settlement agreement, Nilssen agreed not to pursue willful infringement and Magnetek agreed not to assert inequitable conduct as a defense.<sup>461</sup> The arbitration resulted in an award of over \$23 million for Nilssen, which was settled for \$18.75 million.<sup>462</sup> It was not until 2008 that Nilssen petitioned for the certification of the arbitration award in federal district court.<sup>463</sup> Magnetek, with new counsel, then moved to have the arbitration award vacated on the grounds that it had, in the meantime, discovered facts that would have rendered the patent in question unenforceable based upon the inequitable conduct of Nilssen.<sup>464</sup> In fact, in an infringement case originally filed in 2001, the patent in question ('409), among others, had been held unenforceable in *Nilssen v. Osram Sylvania, Inc. (Osram I)*,<sup>465</sup> decided by the District Court for the Northern District of Illinois in 2006, because of inequitable conduct, which was affirmed by the Federal Circuit the following year.<sup>466</sup> Kirkland had represented Osram in the infringement case and does not deny that it asserted the inequitable conduct defense on Osram's behalf.<sup>467</sup>

Nonetheless, the district court refused to vacate the arbitration award because Magnetek could not produce clear and convincing evidence of the fraud before the Patent Office, and that such evidence was not discoverable prior to the arbitration.<sup>468</sup> After this decision, Magnetek filed a malpractice claim against defendant Kirkland in the Circuit Court for Cook County.<sup>469</sup> The defendant moved to have the case dismissed for lack of subject matter jurisdiction, which was granted by the state court, and Magnetek appealed.<sup>470</sup> The Illinois Appellate Court concluded that the inequitable conduct holding against the patent owner Nilssen was governed by the doctrine of collateral estoppel,<sup>471</sup> stating:

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460. *Id.* at 806.

461. *Id.*

462. *Id.*

463. *Id.*

464. *Id.*

465. *Nilssen v. Osram Sylvania, Inc. (Osram I)*, 440 F. Supp. 2d 884 (N.D. Ill. 2006).

466. *See Nilssen v. Osram Sylvania, Inc. (Osram II)*, 504 F.3d 1223, 1226 (Fed. Cir. 2007).

467. *Magnetek*, 924 N.E.2d at 817.

468. *Id.* at 807.

469. *Id.* at 808.

470. *Id.* at 806.

471. *Id.* at 818-19.

The doctrine of collateral estoppel dictates that the final determination of the unenforceability of the '409 patent applies in the underlying lawsuit. The Supreme Court and the Federal Circuit have long recognized that when a patent has been held to be unenforceable in a suit involving one alleged infringer, an unrelated party may rely on that unenforceability decision under the principles of collateral estoppel.<sup>472</sup>

Then the court relied upon the Federal Circuit's interpretation of *Grable* in *Lab. Corp.* as requiring a "disputed" question of federal patent law:

Consequently, as the Federal Circuit discussed in [*Lab. Corp.*], the issue of the unenforceability of the '409 patent, based on the defenses asserted by Osram and now claimed by Magnetek, "has been resolved and is no longer disputed." [citing *LabCorp*] While a finding of legal malpractice would depend on the unenforceability of the '409 patent, the circuit court would not have to conduct an independent analysis of unenforceability because the district court established, and the Federal Circuit affirmed, the merits of that claim and neither party contests those decisions. . . . Therefore, there is no "disputed" federal patent issue raised by Magnetek's legal malpractice complaint that would give rise to federal jurisdiction.<sup>473</sup>

The presumably "substantial" but not "disputed" question of patent law of inequitable conduct having been once and for all determined thus eliminated any further basis for federal jurisdiction.<sup>474</sup> The malpractice case would have to proceed in state court under that determination to resolve whether the plaintiff Magnetek could establish all elements of its malpractice case accordingly.<sup>475</sup> The court did not consider that Kirkland was prejudiced by the fact that the *Osram* case was decided after the arbitration because the law of inequitable conduct was the same at both times.<sup>476</sup>

Other courts that have either refused to follow or have distinguished *Air Measurement* and *Immunnocept* are detailed in the Appendix.

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472. *Id.* at 818 (citations omitted).

473. *Id.* at 819 (citing *Lab. Corp. IV*, 599 F.3d 1277, 1284 (Fed. Cir. 2010) (citations omitted)).

474. *Magnetek*, 924 N.E.2d at 810.

475. *Id.* at 819.

476. *Id.* at 820.



### C. Summary

Most courts, federal and state, appear to accept the jurisdictional scope of *Air Measurement* and *Immunocept* and apply the case-within-a-case methodology in resolving the jurisdictional question of whether a significant question of patent law is raised within the elements of the malpractice case. It also appears that malpractice plaintiffs prefer state jurisdiction, while defendant patent attorney prefer federal jurisdiction. Conventional wisdom might suggest that plaintiffs perceive that state courts provide a local advantage and judges familiar with handling malpractice cases, while defendant attorneys may perceive it to be advantageous to be in the more familiar federal court system and also to rely upon the expertise in patent matters of the federal courts, particularly appeals to the Federal Circuit. Presumably, the federal district courts that seem to reject or severely limit *Air Measurement/Immunocept* will be brought into line as seen in *Warrior Sports* and what may be expected in the Fifth Circuit under *USPPS*. Also, it may be expected that decisions like that of the Nebraska Supreme Court in the *New Tek* cases may be blunted by defendant patent attorneys using the removal process to federal district courts, presuming these courts will be receptive to removal.

### III. OTHER JURISDICTIONAL ISSUES BEYOND CASE-WITHIN-A-CASE

There are a number of issues relating to jurisdiction in patent attorney malpractice cases that are beyond the scope of this article and will have to wait for further developments. These include: how should a “claim” in a complaint as the basis for federal jurisdiction be defined as contrasted to a “theory” underlying the claim;<sup>477</sup> when, if ever, should a defense raising a substantial question of patent law justify the grant of

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477. See, e.g., *Eddings v. Glast, Phillips & Murray*, Civil Action No. 3:07-CV-1512-L, 2008 U.S. Dist. LEXIS 48589 (N.D. Tex. June 24, 2008) (if the malpractice plaintiff can recover on any theory not involving patent law, no federal jurisdiction); *Danner, Inc. v. Foley & Lardner, LLP*, No. CV 09-1220-JE, 2010 U.S. Dist. LEXIS 63590 (D. Or. June 23, 2010) (remanded malpractice case to state court distinguishing *Davis* as only involving one claim and at least one of the theories did not involve patent law). Compare *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1359-60 (Fed. Cir. 2010) (broadly defining “claims” and finding federal jurisdiction on one claim raising substantial question of patent law and assuming supplemental jurisdiction over claim of failure to file PCT applications) with *Clearplay, Inc. v. Max Abecassis*, 602 F.3d 1364 (Fed Cir. 2010) (finding no jurisdiction because none of claims required patent law to resolve) (see text accompanying notes 233-44). See also *Revolutionary Concepts, Inc. v. Clements Walker PLLC*, 2010 NCBC 4 (N.C. Super. Ct. 2010) (malpractice plaintiff permitted to voluntarily dismiss claim involving question of patent law to retain state jurisdiction).

federal jurisdiction;<sup>478</sup> should federal jurisdiction be granted in malpractice cases involving foreign or PCT applications or patents;<sup>479</sup> what is the impact of 28 U.S.C. § 1447 on the Federal Circuit's jurisdiction;<sup>480</sup> how should the statute of limitations be applied;<sup>481</sup>

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478. See, for example, *E-Pass Techs., Inc. v. Moses & Singer, LLP*, 117 Cal. Rptr. 3d 516 (Cal. Ct. App. 2010), in which a plaintiff's malpractice claim was that defendant patent attorneys were negligent in advising it to file infringement suits. Defendants argued that the state court lacked jurisdiction because its defense was that the patents were infringed. *Id.* at 520. The court held that plaintiff's claim was based on the state issue of whether defendants had breached the standard of care and the matter of its defense involving patent law did not oust state court jurisdiction. *Id.* at 525-27. Compare *Air Measurement Techs., Inc. v. Akin Gump*, 504 F.3d 1262, 1266 (Fed. Cir. 2007), in which the Federal Circuit stated:

In addition to proving patent infringement in the "case-within-a-case" context, AMT will have to show that it would have prevailed against the defenses the prior litigants raised. These are not the sort of jurisdiction-defeating defenses contemplated by *Christianson*, 486 U.S. at 809, for they are part of the malpractice causation element rather than the defenses raised by Akin Gump in the current litigation.

*Id.* at 1270. See discussion *supra* text accompanying notes 81-127. It is interesting to note that plaintiff E-Pass filed a malpractice action in federal district court after the trial court but before the appellate court decision alleging that defendant patent attorneys had "misunderstood and misconstrued the [ ] patent in the underlying federal actions." *E-Pass Techs. v. Moses & Singer, LLP*, No. C-09-5967 EMC, 2011 U.S. Dist. LEXIS 128018, at \*31 (N.D. Cal. Nov. 4, 2011). The district court refused to dismiss the action on diversity grounds but also maintained subject matter jurisdiction on the basis of the allegation, citing *Air Measurement*. *Id.* at \*30-31.

479. See, e.g., *Antiballistic Sec. & Prot., Inc. v. Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.*, 789 F. Supp. 2d 90 (D.D.C. 2011) (no federal question as alleged malpractice was not filing Canadian patent applications; U.S. patents had issued); *Davis*, 596 F.3d at 1357 (one claim was for failure to file PCT applications and a second claim was for failure to properly file U.S. applications). See also *Revolutionary Concepts*, 2010 NCBC 4 ("Where the issues involve foreign patent rights and issues of whether a lawyer complied with a standard of care, federal jurisdiction is not mandated.").

480. See *Arc Products, L.L.C. v. Kelly*, 424 Fed. App'x 944, 946 (Fed. Cir. 2011), *dismissing appeal* in No. 4:10-CV-1248 CEJ, 2010 WL 4363427 (E.D. Mo. Oct. 27, 2010) and *Genelink Biosciences, Inc. v. Colby*, 423 Fed. App'x 977, 979 (Fed. Cir. 2011), *dismissing appeal* in CIVIL NO. 09-5573(NLH)(AMD), 2010 U.S. Dist. LEXIS 66177 (D.N.J. July 1, 2010). In both district court cases, defendant attorneys had moved to remove the malpractice case to federal court and the malpractice plaintiffs moved to remand to state court. Both district courts granted the remand on the basis that there was no federal jurisdiction. Defendants appealed to the Federal Circuit, with the opinions being issued on the same day by the same panel. Although indicating that the district court's ruling in the New Jersey case "appears contrary to this court's precedent," the Federal Circuit in *Arc Products* held that: "We have no authority to reverse or affirm the merits of the court's decision beyond a determination of the court's characterization of its remand as resting upon lack of subject-matter jurisdiction" according to 28 U.S.C. § 1447(d), which states: "An order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise. . . ." *Arc Products*, 424 Fed. App'x at 946. The same result was reached in *Genelink Biosciences*, 423 Fed. App'x at 978. See Scott F. Haiber, *Removing the Bias Against Removal*, 53 CATH. U. L. REV. 609 (2004); Rhonda Wasserman, *Rethinking Review of Remands: Proposed Amendments to the Federal Removal Statute*, 43 EMORY L.J. 83 (1994); see also Thomas C. Goodhue, Note, *Appellate Review of Remand Orders: A Substantive/Jurisdictional Conundrum*, 91 IOWA L. REV. 1319 (2006).

should the broad federal jurisdictional sweep of *Air Measurement/Immunocept* be extended to malpractice involving copyright, trademark or other forms of intellectual property law?<sup>482</sup>

#### IV. CONCLUSIONS

The case-within-a-case methodology would appear to provide a workable methodology for resolving the federal or state jurisdictional issue in malpractice cases involving patent attorneys. In the paradigm negligence case, a substantial question of patent law can arise with respect to any of the elements of the case—duty, breach, causation, or damages. The same is true with respect to malpractice cases based on other state-based theories of malpractice, including breach of fiduciary duty, breach of contract, or fraud. Federal jurisdiction should not be limited to cases where malpractice plaintiffs are claiming the loss of a favorable judgment in the underlying case (the judgment model). To avoid this limitation, a broader definition of “underlying case” should be recognized to extend beyond litigation to any “controversy” (the non-judgment model), raising a significant question of patent law in any element of the malpractice case. Reference to the judgment/non-judgment models may avoid the complications raised in *Air Measurement* of the “case-within-a-case-within-a-case,” where federal jurisdiction according to the Federal Circuit required the malpractice plaintiff to establish that it would have obtained a judgment of infringement in an infringement suit that had been settled, while claiming damages in the malpractice based upon “diminished settlement value.”

While the case-within-a-case methodology may be workable, it appears clear from a review of the post *Air Measurement/Immunocept* cases that malpractice plaintiffs prefer state courts and defendant patent

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481. The statute of limitations may provide an obstacle to recovery by malpractice plaintiffs who file in either state or federal district courts and have their cases dismissed for lack of subject matter jurisdiction. *See, e.g.*, *Landmark Screens, LLC v. Morgan*, 107 Cal. Rptr. 3d 373 (Cal. Ct. App. 2010) (plaintiff filed in state court, which dismissed for lack of jurisdiction) (discussed *supra* text accompanying notes 407-28).

482. *Compare Singh v. Duane Morris LLP*, 538 F.3d 334 (5th Cir. Tex. 2008) (no federal jurisdiction in malpractice case involving trademarks) (discussed *supra* text accompanying notes 327-34), *with Harness, Dickey & Pierce, P.L.C. v. Powerhouse Marks, LLC*, Case numbers 08-10292&08-10484, 2008 U.S. Dist. LEXIS 78561 (E.D. Mich, Sept. 29, 2008) (federal jurisdiction in trademark malpractice case). *Compare James H. Anderson, Inc. v. Johnson*, No. 08 CV 6202, 2009 U.S. Dist. LEXIS 65001 (N.D. Ill. July 27, 2009) (copyright malpractice case that follows *Singh* no federal jurisdiction), *with Katz v. Holland & Knight LLP*, No. 1:08cv1137, 2009 U.S. Dist. LEXIS 10721 (E.D. Va. Feb. 12, 2009) (federal jurisdiction in copyright malpractice case).

attorneys prefer federal courts, thus requiring resolution of the jurisdiction issue in many cases by the lower court (state or federal district), leading, of course, to many appeals. Whether the jurisdictional advantages perceived by the parties are worth the additional time and expense cannot be determined by reading the cases; however, both parties run the risk of having an appeals court ruling that the trial court, and hence the appellate court, did not have subject matter jurisdiction, and there is the potential problem of the statute of limitations. Thus, careful consideration must be given by both sides in patent attorney malpractice cases to subject matter jurisdiction beyond perceived (real or imagined) jurisdictional advantages.

| Courts Following Air Measurement/Immunoccept                                                                                                                                                                                             |                                |                                                                                                                                                                                         |                                                                                         |                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                            |              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Malpractice Case (citations below)                                                                                                                                                                                                       | Underlying Case                | Malpractice Claim(s)                                                                                                                                                                    | Damage(s)                                                                               | Jurisdictional Rationale                                                                                                                                                                                                                                                                                                                    | Disposition of Case                                                                                                                                                                                                                                                                        | Model        |
| a. <i>Berndt v. Greenwich Inv. Co.</i> - filed by plaintiff in federal court, defendant filed motion for summary judgment                                                                                                                | Defense of infringement action | Negligence in defending infringement suit                                                                                                                                               | Loss of favorable judgment                                                              | Plaintiff must prove that patents were either invalid or not infringed in order to demonstrate that it would have prevailed but for defendant's negligence in defending in the underlying action—thus raising significant question of patent law.                                                                                           | Defendant's motion for summary judgment denied because the general practice is to allow the question of negligence to go to the jury. Plaintiff cited no Wisconsin Supreme Court or Wisconsin Court of Appeals cases where court decided that lawyer acted negligently as a matter of law. | Judgment     |
| b. <i>Chopra v. Townsend Townsend &amp; Crew LLP</i> - filed by plaintiff in district court, court issued order to show cause why case should not be dismissed for lack of subject matter jurisdiction                                   | Patent prosecution             | Negligence in failing to respond to Office Actions from the USPTO, resulting in abandonment of two patent applications and competitor subsequently obtaining patent for same technology | Lost royalties                                                                          | Applies "case-within-a-case" doctrine concluding that, in order to establish damages, plaintiff must prove it would have obtained U.S. patents but for defendant's negligence in abandoning the applications and its competitor subsequently would not have obtained a patent application—thus raising significant questions of patent law. | Order to show cause discharged.                                                                                                                                                                                                                                                            | Non-judgment |
| c. <i>Cold Spring Harbor Laboratory v. Ropes &amp; Gray LLP</i> - filed by plaintiff in federal court, defendant filed motions to dismiss for improper venue and failure to state a claim, plaintiff filed motion to amend the complaint | Patent prosecution             | (1) Legal malpractice in patent prosecution<br>(2) Breach of fiduciary duty in patent prosecution<br>(3) Fraud and fraudulent concealment during patent prosecution                     | Legal fees, lost royalties, lost opportunities for commercial user licensing agreements | Claims (1) and (2) require a determination of "whether the Hannon Applications are anticipated by the Fire Patent or other prior art[.]" a significant question of patent law.                                                                                                                                                              | Motion to dismiss granted because E.D.N.Y. was inappropriate venue. Case was transferred to the District of Massachusetts.                                                                                                                                                                 | Non-judgment |

| Courts Following AMI (cont'd) |                                                                                                                                          | Underlying Case           | Malpractice Claim(s)                                                                                                                                                            | Damage(s)                                                                                                                                            | Jurisdictional Rationale                                                                                                                                                                                                                                                                                                                                                                    | Disposition of Case                                                                                                                                                                                           | Model        |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| d.                            | <i>GemEx Sys. Inc. v. Andrus Seales Stark &amp; Swall LLP</i> - filed by plaintiff in state court, removed by defendant to federal court | Non-litigation            | Legal malpractice in failing to timely pay patent maintenance fee                                                                                                               | Loss of "ability to enjoy the full scope of the [patent]" and reduced value of invention.                                                            | Citing <i>Warrior</i> , the court finds that the plaintiff must prove patent infringement in order to establish causation and damages in the malpractice action, presenting a question of federal patent law. Further, the court must decide whether the competitors had intervening rights, another question of federal patent law.                                                        | Plaintiff's motion to remand denied because court found federal courts have subject matter jurisdiction over the claim.                                                                                       | Non-judgment |
| e.                            | <i>JS Products, Inc. v. Standley Law Group</i> - filed by plaintiff in federal court                                                     | Patent clearance opinions | Legal malpractice in negligently issuing opinions that incorrectly described scope and applicability of patent and failing to advise of potential application of design patents | Infringement lawsuit "which required Plaintiff to expend great sums of money, time, and effort in defending and resolving all claims" by settlement. | Court assumes jurisdiction without discussion.                                                                                                                                                                                                                                                                                                                                              | Claim barred by statute of limitations                                                                                                                                                                        | Non-judgment |
| f.                            | <i>LaSalle v. McGonagles</i> - filed by plaintiff in state court, removed by defendant to federal court                                  | Patent prosecution        | (1) Negligence for failure to file patent application with USPTO<br>(2) Breach of contract<br>(3) Other state law claims under Mass. Gen. Laws ch. 93A                          | Loss of "rights, benefits, and interests conferred by a patent."                                                                                     | The court only addresses jurisdiction as to claim (1) It concludes that plaintiff must prove it would have received valid U.S. patent with economic benefit, which requires a requires plaintiff to present a hypothetical claim construction and infringement analysis, but for defendant's negligence in failing to file the application—thus raising significant question of patent law. | Defendant's motion to dismiss granted because statute of limitations had run prior to plaintiff filing claims in federal court. Plaintiff granted leave to amend with respect to claim of equitable estoppel. | Non-judgment |

| Courts Following <i>AMI</i> (con't)                                                                  | Underlying Case             | Malpractice Claim(s)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Damage(s)                                                              | Jurisdictional Rationale                                                                                                                                                                            | Disposition of Case                                                                                                                                                                                                              | Model           |
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| <p><i>Lane v. Adduci Marriani &amp; Schaumborg L.L.P.</i> - filed by plaintiffs in federal court</p> | <p>Infringement actions</p> | <p>(1) Breach of fiduciary duty in drafting notice of infringement letters, entering into fee splitting agreement with plaintiff, failing to inform plaintiffs of conflict of interest, refusing to further represent plaintiff unless plaintiff paid additional fees, etc.<br/>                     (2) Negligence in failing to investigate and clarify ownership of patent and advising plaintiff, without properly informing him, to sign an agreement with one infringer that had effect of preventing him from collecting damages from other infringers</p> | <p>Loss of a favorable judgment, attorney's fees paid to defendant</p> | <p>"Given the need to litigate the issue of patent infringement and resulting damages as part of the [plaintiff's] malpractice claim," the claim presents a significant question of patent law.</p> | <p>Affirmed district court's grant of summary judgment to defendants because plaintiff "failed to introduce evidence sufficient to establish a genuine issue of material fact as to an essential element of her case. . . ."</p> | <p>Judgment</p> |

| Courts Following AMI (cont'd) |                                                                                                                                                                                    | Underlying Case      | Malpractice Claim(s)                                                                                                                           | Damage(s)                                           | Jurisdictional Rationale                                                                                                                                                                                                                                                                                                                                                | Disposition of Case                                                                                                                                                                                                                               | Model        |
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| h.                            | <i>Lemkin v. Hahn</i> - filed by plaintiff-appellant in state court, court dismissed for lack of subject matter jurisdiction                                                       | Patent prosecution   | Negligence in prosecuting patent, specifically fraud and misrepresentation in failing to cite to prior art in a provisional patent application | Loss of patent rights to claimed invention          | In order to determine whether claim satisfies pleading requirements of Civ. R. 8 (and Civ. R. 9), the court would have to know procedure for filing a provisional patent application with the USPTO or whether failing to cite prior art constitutes a material omission. Thus, appellant's claims present a significant question of patent law.                        | Trial court dismissal for lack of subject matter jurisdiction affirmed because "the claims asserted [] cannot be rightfully adjudicated without first deciding significant issues pertaining to appellant's patent application(s)."               | Non-judgment |
| i.                            | <i>Max-Planck-Gesellschaft Zur Forderung der Wissenschaften E. V. v. Wolf Greenfield &amp; Sack, PC</i> - filed by plaintiff in state court, removed by defendant to federal court | Conflict of interest | Conflict of interest in representing parties with adverse interests in a patent application before the USPTO                                   | Potential loss of issuance of patents               | In order to prove economic damages and thus prevail on the claim, the plaintiff would have to prove that the conflict of interest caused the PTO to reject some or all of its claims—thus raising significant question of patent law.                                                                                                                                   | After finding jurisdiction, court denied plaintiff's motion to remand the case                                                                                                                                                                    | Non-judgment |
| j.                            | <i>Mirkin v. Gibbons P.C.</i> - filed by plaintiff in state court, removed by defendant to federal court, defendant filed motion for summary judgment                              | Claim scope          | Negligence in drafting patent claims resulting in virtually no protection against competitors                                                  | Loss of a hypothetical judgment against competitors | In order to succeed in lawsuit, plaintiff would have to show causation, which would require plaintiff to show that alternate claims language existed that PTO would deem patentable and the alternate language would cover the tool of a competitor. Demonstrating this would require plaintiff to address claim scope—thus raising significant question of patent law. | Defendant's motion for summary judgment granted and plaintiff's claim dismissed with prejudice because, based on expert witness testimony presented by plaintiff, plaintiff can demonstrate neither patentability of sample claims nor causation. | Judgment     |



| Courts Following AMI (con't) |                                                                                                                                                                         | Underlying Case | Malpractice Claim(s)                                                                                                                                                                                                                                                  | Damage(s)                                                                                                               | Jurisdictional Rationale                                                        | Disposition of Case                                                 | Model        |
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|                              | Malpractice Case (citations below)                                                                                                                                      |                 |                                                                                                                                                                                                                                                                       |                                                                                                                         |                                                                                 |                                                                     |              |
| k.                           | <i>Parus Holdings, Inc. v. Banner &amp; Witcoff, Ltd.</i> - filed by plaintiff in state court, removed by defendant to federal court, defendant files motion to dismiss | Non-litigation  | (1) Negligence in providing third party with confidential information about patent application<br>(2) Breach of fiduciary duty in providing third party with confidential information about patent application and representing another client with adverse interests | Decreased value of provisional patent application, forced to enter into less favorable settlement agreement, legal fees | Cites to <i>Air Measurement and Immunosept</i> without any further explanation. | Defendant's motion to dismiss denied except for duplicative claims. | Non-judgment |

| Courts Following AMI (cont) | Underlying Case                                                                                                                                                                                                                                                                                              | Malpractice Claim(s)                                                                                                                                                                                                              | Damage(s)                                                                         | Jurisdictional Rationale                                                                                                                                                                                                                                  | Disposition of Case                                                                                                                                                                                                                                          | Model        |
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| 1.                          | <p><i>Premier Networks v. Stadheim</i> - filed by plaintiff in state court, state circuit court dismissed count I (negligence) for lack of subject matter jurisdiction and granted judgment on the pleadings in favor of defendant on count II (alleging that contingent fee agreement was unreasonable)</p> | <p>Malpractice in failing to present scientific evidence to counter the claims of the infringement defendant</p>                                                                                                                  | <p>Loss of a favorable judgment</p>                                               | <p>Applies "case-within-a-case" doctrine which would require that plaintiff show that it would have won its infringement action but for the defendant's malpractice, would require determinations of substantive issues of patent law (infringement).</p> | <p>Affirmed circuit court's dismissal for lack of jurisdiction because the federal courts had exclusive jurisdiction over the claim pursuant to 28 U.S.C. 1338(a).</p>                                                                                       | Judgment     |
| m.                          | <p><i>SIRF Technology Inc. v. Orrick Herrington and Sutcliffe LLP</i> - filed by plaintiff in state court, removed by defendant to federal court</p>                                                                                                                                                         | <p>(1) Professional negligence in inadequately representing Plaintiff in infringement action (2) Breach of fiduciary duty in failing to turn over plaintiff's client file and failure to inform and candidly inform plaintiff</p> | <p>Loss of a more favorable outcome, excessive and unnecessary fees and costs</p> | <p>Jurisdiction assumed by court, no explanation given.</p>                                                                                                                                                                                               | <p>Defendant's motion for partial summary judgment denied because question of facts exist as to whether would have been different but for defendant's allegedly negligent conduct and whether defendant's conduct fell below requisite standard of care.</p> | Non-judgment |

| Courts Following AMI (con't)       |                                                                                                                         | Underlying Case    | Malpractice Claim(s)                                                                                                                     | Damage(s)                                                                                                                                                                                                                                                             | Jurisdictional Rationale                                                                                          | Disposition of Case                                                                                                          | Model        |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------|
| Malpractice Case (citations below) |                                                                                                                         |                    |                                                                                                                                          | Loss of patents, attorney's fees, and other costs associated with attempting to properly file patent applications at issue, diminution in value of business, reduced value of patent portfolio, lost opportunities, injury to capital and goodwill, and other damages |                                                                                                                   |                                                                                                                              |              |
|                                    | <i>Weathers Central, Inc. v. Reinhart Boerner Van Deuren, P.C.</i> - defendant moves to dismiss a non-malpractice claim | Patent prosecution | (1) Negligence in failing to properly prosecute patent applications (2) Negligent supervision of employee prosecuting patent application |                                                                                                                                                                                                                                                                       | Court assumes subject matter jurisdiction, citing <i>Air Measurement Technologies</i> . Does not discuss further. | Defendant's motion to dismiss non-malpractice claim denied because it was a request for punitive damages instead of a claim. | Non-judgment |

| Courts Not Following or Distinguishing AMI                                                                                                                                                        |                                                                                                                                    | Malpractice Claim                                                                                                        | Damage                                                                                                                        | Rationale                                                                                                                                                                                                                                                                                                                                                                                                                                  | Disposition of Case                                                                                                                                                                                    | Model        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Malpractice Case (citations below)                                                                                                                                                                | Underlying Case                                                                                                                    |                                                                                                                          |                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                        |              |
| o. <i>Poyta Stor, Inc. v. Podz, Inc.</i> - filed by plaintiff in state court, removed by defendant to federal court                                                                               | Defense of infringement action (plaintiff defended infringement suit brought against it by patent owner represented by defendants) | (1) Bad faith in obtaining temporary and preliminary injunction (2) Unjust enrichment in obtaining a wrongful injunction | Financial injury, loss of profit, loss of franchise sales, attorney's fees, expenses necessary to eradicate unjust enrichment | Non-infringement was already decided in favor of plaintiff. "Accordingly, the plaintiff's state-law claims require the resolution of no substantial and disputed question of patent infringement."                                                                                                                                                                                                                                         | Case dismissed for lack of subject matter jurisdiction.                                                                                                                                                | Judgment     |
| p. <i>Revolutionary Concepts, Inc. v. Clements Walker PLLC</i> - filed by plaintiff in state court, removed by defendant to federal court                                                         | Patent prosecution                                                                                                                 | Negligence in taking actions in the USPTO, which resulted in loss of foreign patent rights                               | Loss of foreign patent rights                                                                                                 | Plaintiff's claim does not involve issue which requires determination of validity, scope, or infringement of a U.S. patent; does not involve a determination of what the USPTO would do under certain circumstances; and does not involve conduct of counsel appearing before patent office. Claim does involve scope and validity of potential foreign patents. Thus, the claim does not raise a significant question of U.S. patent law. | Motion to dismiss for lack of state court subject matter jurisdiction denied because federal courts do not have exclusive jurisdiction over claim.                                                     | Non-judgment |
| q. <i>Shamrock Lacrosse, Inc. v. Kishr, Harrison Hanvey, Branzburg &amp; Eilers, LLP</i> - filed by plaintiff in state court, court dismissed due to failure to file statutory affidavit of merit | Non-litigation                                                                                                                     | Negligence in failing to assure that patent renewal fees were paid                                                       | Loss of patent                                                                                                                | Court assumes state jurisdiction without discussion                                                                                                                                                                                                                                                                                                                                                                                        | Finding that the affidavit of merit statute was applicable in the case but that the case should be remanded for equitable reasons, the court affirmed judgment in part, vacated in part, and remanded. | Non-judgment |

- a. No. 08-cv-130-bbc, 2008 U.S. Dist. LEXIS 98079 (W.D. Wis. Dec. 2, 2008).
- b. No. 07-cv-02447-MSK-MSH, 2008 U.S. Dist. LEXIS 13471 (D. Colo. Feb. 13, 2008).
- c. 762 F. Supp. 2d 543 (D. Mass. 2011).
- d. No. 11-C-0148, 2012 U.S. Dist. LEXIS 27621 (E.D. Wis. Mar. 2, 2012).
- e. No. 09-cv-311, 2010 U.S. Dist. LEXIS 101567 (S.D. Ohio Sept. 13, 2010), *aff'd*, 418 Fed. App'x 924 (Fed. Cir. 2011).
- f. No. 07-12097-GAO, 2008 U.S. Dist. LEXIS 63117 (D. Mass. Aug. 15, 2008).
- g. 786 F. Supp. 2d 240 (D.D.C. 2011).
- h. No. 09AP-1051, 2010 Ohio App. LEXIS 1704 (Ohio Ct. App. 10th Dist. May 11, 2010).
- i. 661 F. Supp. 2d 125 (D. Mass. 2009).
- j. No. 2:08-02451, 2010 U.S. Dist. LEXIS 135847 (D.N.J. Dec. 23, 2010).
- k. 585 F. Supp. 2d 995 (N.D. Ill. 2008).
- l. 918 N.E.2d 1117 (Ill. Ct. App. 2009).
- m. No. C 09-04013 MHP, 2010 U.S. Dist. LEXIS 62404 (N.D. Cal. June 22, 2010).
- n. No. 08-cv-582-bbc, 2009 U.S. Dist. LEXIS 9910 (W.D. Wis. Feb. 10, 2009).
- o. No. 8:07-cv-1291-T-23TBM, 2008 U.S. Dist. LEXIS 22449 (M.D. Fla. Mar. 21, 2008).
- p. No. 08 CVS 4333, 2010 NCBC LEXIS 8 (N.C. Super. Ct. Mar. 9, 2010).
- q. 3 A.3d 518 (N.J. Super. Ct. App. Div. 2010).













