Alerts

Legal Malpractice Claim Arising Out of Patent Matter Dismissed for Lack of Jurisdiction

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Lawyers for the Profession® Alert

Antiballistic Sec. and Protection, Inc. v. Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., ___ F. Supp. 2d , 2011 WL 2214762 (D.D.C. 2011)

Brief Summary

The U.S. District Court for the District of Columbia held that it lacked subject matter over a legal malpractice action arising out defendants' alleged failure to obtain for the plaintiff Canadian patent rights. The gravamen of plaintiffs' claims was whether defendants' alleged negligence prevented plaintiffs from obtaining a Canadian patent on their inventions. As a result, the only substantial and disputed issues arose under Canadian law and District of Columbia law, not federal law.

Complete Summary

Plaintiff clients, which consisted of a company and two of its officers, sued defendants, an attorney and her law firm, for legal malpractice and breach of fiduciary duty. The clients had previously, in April 2003, retained the lawyer to represent them with respect to patent matters. The attorney was then employed by a different law firm.

Between July 2003 and May 2004, the lawyer filed three provisional applications for patents in the United States, and the U.S. Patent and Trademark Office (USPTO) issued provisional application numbers. On July 1, 2004, the lawyer filed a nonprovisional application with the USPTO (the "U.S. Application") that claimed priority from the provisional applications. At that time, she also filed with the World Intellectual Property Organization International Bureau an international patent claiming priority from the three U.S. provisional applications (the "PCT Application"). The PCT Application was substantially identical to the U.S. Application.

After filing the PCT Application, the lawyer worked with the clients to prepare and file various foreign applications. Under PCT provisions and Canadian law, the corporate client allegedly had 30 months from filing the first U.S. provisional application, or until January 1, 2006, within which to file the "national stage" application in Canada. The clients were entitled to extend the filing period under certain circumstances for one year, to January 1, 2007. On November 5, 2005,

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the corporate client allegedly instructed the lawyer to file a national stage application in Canada. The clients then instructed the lawyer to file the Canadian national stage application within the one-year grace period.

On January 6, 2006, the lawyer joined defendant law firm and soon agreed to perform all the patent work for the corporate client at her new firm. In February 2007, the lawyer left the law firm to join another firm. During that time, the clients discovered that a national stage application had not been filed in Canada. The clients then retained Canadian counsel but on December 10, 2008, the Canada Federal Court of Appeal ruled against them, finding that they had not acted in a timely fashion.

The next day, the USPTO allowed all of the 93 claims in the patent application filed by the clients. On April 21, 2009, it issued U.S. Patent No. 7,520,205. The clients sued defendants for legal malpractice and breach of fiduciary duty for defendants' failure to timely file the national stage application in Canada. Defendants moved to dismiss under Fed. R. Civ. P. 12(b)(1) for lack of subject matter jurisdiction.

The clients asserted jurisdiction under 28 U.S.C. § 1331 because the claims arose under federal law, namely 28 U.S.C. § 1338, which confers exclusive jurisdiction on the federal courts over civil actions arising under any Act relating to patents. Defendants countered that the court lacked jurisdiction because the clients' cause of action was simply a legal malpractice action that would raise questions involving Canadian patent application procedures, but not U.S. patent law.

The district court granted the motion. The court initially noted that a federal court's jurisdiction under 28 U.S.C. § 1338(a) includes 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." *Christianson v. Colt Indus. Operating Corp.,* 486 U.S. 800 (1988). The U.S. Supreme Court later explained the *Christianson* test to be 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 disturbing any congressionally approved balance of federal and state judicial responsibilities." (emphasis added). *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308, 314 (2005).

Here, the court concluded that federal patent law did not create the clients' causes of action, which were state law claims for legal malpractice and breach of fiduciary duty. So jurisdiction depended on whether patent law was a necessary element—*actually disputed and substantial*—of one of the well-pleaded claims. The clients argued that because the ultimate issuance of the Canadian patent would have depended, at least in part, upon whether the U.S. patent application was successful, the action raised a substantial question of federal patent law. The court noted that the U.S. patent was in fact issued. But as that was a matter of public record, the court concluded that resolution of the case would not require a determination of the patentability of the underlying invention in the United States. Thus, "there is no question of federal patent law for this court to resolve at all—much less a substantial one."

The gravamen of the clients' claims was not the patentability of the inventions in the United States, but whether defendants' alleged negligence prevented plaintiffs from obtaining a Canadian patent. The court concluded that as a result, the only substantial and disputed issues arose under Canadian law and District of Columbia law, not federal law.

Significance of Opinion

This decision is yet another recent case which raises the issue of whether the federal courts have exclusive jurisdiction over legal malpractice claims simply because they arise out of some type of patent matter. This court held that for there to be federal jurisdiction, there must be a substantial question of federal patent law, which is *actually disputed and substantial*.

For more information, please contact Terrence P. McAvoy or your regular Hinshaw attorney.

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