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Federal Court Lacks Jurisdiction Over Legal Malpractice Claim Arising From Labor Negotiations

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Daido Metal Bellefontaine, LLC v. Mason Law Firm Co. LPA, 2010 WL 2541636 (S.D. Ohio 2010)

Brief Summary
A legal malpractice lawsuit based on the negotiation of a collective bargaining agreement (CBA) was not removable to federal court based on Labor Management Relations Act (LMRA) preemption because defendant law firm was not a party to the CBA and because plaintiff's claims did not substantially depend on interpretation of the CBA's terms. Rather, plaintiff's claims depended on the firm's negotiating tactics, and, because the case-within-a-case doctrine did not apply, there was no need to assess whether the underlying matter required interpretation of the CBA.

Complete Summary
A company sued its former law firm following the firm's negotiation of a CBA. Plaintiff alleged that the firm's tactics caused the union to file unfair labor practices complaints, and ultimately to strike. The firm removed the case based on federal question jurisdiction arguing that plaintiff's claim was completely preempted by Section 301 of the LMRA.

The U.S. District Court for the Southern District of Ohio remanded the case to state court. The court noted, based on U.S. Supreme Court precedent, that where a case is not between an employer and a labor organization, Section 301 only preempts suits that substantially depend upon, or are inextricably intertwined with, the terms of a CBA. And as the U.S. Court of Appeals for the Sixth Circuit has held, in situations where a plaintiff's claimed right comes from state law rather than from the CBA itself, the inquiry turns on whether proof of the state law claims requires interpretation of the CBA.

The district court held that the breach of duty element did not turn on interpretation of the CBA because the issue was not whether the terms of the CBA were unfavorable. Rather, the alleged breach of duty was related to whether the firm's negotiation tactics were reasonably diligent, careful and prudent, and to whether the firm had advised the company to take unlawful action against its striking workers. The court further held that, to the extent the malpractice claim was related to contract terms that the firm allegedly either proposed or attempted to eliminate, the court's analysis still would not

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necessarily involve interpreting the terms of the CBA. Many proposed terms did not end up in the CBA, the court noted, and the company's claims focused less on interpretation and more on the negotiating tactics behind the firm's proposals.

Regarding the causation and damages elements, the court held that interpretation of the CBA was not necessary because the case-within-a-case doctrine did not apply. Relying on Ohio precedent, the court held that the company alleged damages that were independent of the outcome of the underlying disputes (i.e., the unfair labor practices complaints and the strike). The company did not allege, the court noted, that the underlying disputes would have had better outcomes but for the firm's alleged breaches of duty. Rather, the company alleged that the underlying disputes would not have *occurred* but for the firm's breaches of duty. Therefore, the company contended that it had to incur expenses to address these disputes, which were separate from any expenses incurred as a result of their disposition.

Finally, the court conceded that it might have to address one provision of the CBA which allowed the union to strike. But the court held that this fact did not render the complaint substantially dependent on interpretation of the CBA.

Significance of Opinion
This opinion reveals the difficulty of determining federal question jurisdiction when legal malpractice claims arise in practice areas predominantly governed by federal law. But, as demonstrated here, the court's analysis may be somewhat simplified in cases in which the case-within-a-case doctrine does not apply due to the specific nature of the malpractice allegations.

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