



Alerts

State Court Lacks Jurisdiction Over Legal Malpractice Claim That Required Court To Resolve Federal Issues Relating To Scope, Validity Or Infringement Of Patent

March 16, 2017

Lawyers for the Profession®

Solar Dynamics, Inc. v. Buchanan Ingersoll & Rooney, P.C., 2017 WL 519314 (Fla. 2017)

Brief Summary

A Florida appellate court held that the trial court lacked jurisdiction over a legal malpractice action that required the court to resolve federal issues related to the scope, validity or infringement of plaintiff's patent.

Complete Summary

Plaintiff retained defendants in 2006 to obtain a patent for its fastening shade system. The United States Patent and Trademark Office issued a patent in January 2008. Shortly thereafter, plaintiff began negotiations with another company, Playcore, concerning the grant of an exclusive license for Playcore to use, or practice, the patented invention. By the summer of 2008, negotiations stalled. Playcore objected to a proposed license agreement prepared by defendants, claiming that the patent was "too weak." Playcore proceeded to design and market its own shading system. After learning that other companies were also selling a similar shade system, plaintiff sought further legal advice from defendants, who advised that "the patent that [defendants] had obtained for [plaintiff] had failed to adequately protect the company's idea and function, and that the patent provided no protection."

Significantly, without first filing a federal patent infringement suit against any of its competitors, plaintiff filed its legal malpractice action against defendants in state court in Florida. Plaintiff alleged that defendants "were negligent in failing to protect [plaintiff's] idea and design from infringement, and by failing to properly patent the fastening system." After the trial court dismissed the case, plaintiff appealed.

The appellate court initially noted that this case involved the confluence of federal and state law. Specifically, the court was required to determine whether a Florida trial court has subject matter jurisdiction to decide issues related to a patent's scope, validity or infringement; the resolution of such issues necessarily would form the basis for a legal malpractice action. The court then noted that the United States Constitution empowers Congress to enact laws relating to patents in order to "promote the Progress of ... useful Arts." Art. I,

Attorneys

Terrence P. McAvoy

Service Areas

Counselors for the Profession

Lawyers for the Profession®

Litigators for the Profession®



§ 8, cl. 8, U.S. Const. Federal courts exercise exclusive jurisdiction over "any civil action arising under any Act of Congress relating to patents." § 1338(a); see 28 U.S.C. § 1295(a)(1) (2015) (providing that the United States Court of Appeals for the Federal Circuit possesses exclusive jurisdiction "of an appeal from a final decision of a district court of the United States ... in any civil action arising under ... any Act of Congress relating to patents"). The court recognized, however, that jurisdiction does not necessarily extend to "all questions in which a patent may be the subject-matter of the controversy." *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478 (1912). The court then stated: "[f]inding the line of demarcation, however, is bedeviling."

Here, both parties relied heavily on *Gunn v. Minton*, ___ U.S. ___, 133 S.Ct. 1059, 1065 (2013), a legal malpractice claim involving a patent. The underlying facts of *Gunn* are simple. Gunn represented Minton in a federal court patent infringement suit. The federal court ultimately found Minton's patent invalid. *Id.* at 1062. Minton then sued Gunn for legal malpractice in a Texas state court. Gunn's alleged failure to raise a particular argument cost Minton the lawsuit, and his patent. *Id.* at 1063. The Texas trial court rejected Minton's argument. On appeal, Minton argued that his legal malpractice claim was based on an alleged error in a patent case; thus, only a federal district court had exclusive jurisdiction over the action under § 1338(a). The appellate court affirmed, but the Texas Supreme Court reversed, concluding that the case belonged in federal court because the success of Minton's malpractice claim relied upon a question of federal patent law. The United States Supreme Court reversed, holding that Minton's state law legal malpractice claim did not "arise under" federal patent law, and thus § 1338(a) did not deprive the state court of subject matter jurisdiction over the lawsuit.

In deciding whether a federal court must decide a state law legal malpractice claim involving a patent, the Court relied on the test it announced in *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*, 545 U.S. 308 (2005). The Court observed that federal jurisdiction over such a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress. Only prongs 3 and 4 were at issue here.

The court acknowledged that, generally, in the context of a legal malpractice claim, even if a state court must address patent issues, nothing the state court decides will necessarily set a precedent or affect patent law as a whole. That is because in the "case within a case" framework of legal malpractice claims, an adverse legal determination has already been made against the malpractice plaintiff. Thus, on the record before it, the Supreme Court noted in *Gunn* that "there is no 'serious federal interest in claiming the advantages thought to be inherent in a federal forum.'" *Id.* at 1068. Whatever happened in Minton's lawsuit against Gunn, Minton's patent was, and would continue to be, invalid. *Id.* at 1067. Apparently, under such circumstances, the Court was reluctant to federalize run-of-the-mill state legal malpractice claims. On the other hand, the court noted it must also recognize that questions of a patent's scope, validity or infringement are quintessential federal issues arising under federal patent laws. *Id.* at 1064.

Plaintiff argued that *Gunn* compels a state court to exercise subject matter jurisdiction over a legal malpractice claim, even though the underlying claim involves patent issues. State courts, in the first instance, are certainly suited to assess the standard of care owed by lawyers to their clients. Typically, in a patent-related malpractice claim, resolution of patent issues are incidental to the core issues of duty, causation and damages. Further, as *Gunn* observed, the patent matter has already been decided adversely to the malpractice plaintiff. For several reasons, however, this court concluded that *Gunn* does not reach as far as plaintiff would hope.

Notably, unlike *Gunn*, the court was not faced with the question of whether plaintiff's legal malpractice claim belonged in federal court. Under *Gunn*, for a typical "case within a case" claim of malpractice, a state court is competent to proceed. *Gunn* rejected the notion that Congress intended to move all state legal malpractice claims related to patents into federal court. Yet, the court noted it does not necessarily follow that state courts, in the first instance, have jurisdiction to decide core issues of patent law. After all, *Gunn* involved a legal malpractice claim that followed on the heels of an unsuccessful federal patent infringement suit. Minton's legal malpractice action stemmed directly from that suit. Recall that Minton claimed that Gunn committed malpractice by not raising an argument in a federal case concerning the patent's validity. That alleged failure created the "case" that a state trial court could address in the subsequent legal malpractice case.

In contrast, here, by proceeding directly with a malpractice case, plaintiff effectively asked the state trial court to rule in the first instance upon the scope, validity or infringement of its patent. Plaintiff's complaint for malpractice necessarily required a decision in the state court that the patent was inadequate to protect plaintiff from infringement by competitors. Plaintiff



thus avoided a critical step; it failed to create the first "case" needed to provide the context for a subsequent legal malpractice claim. The court concluded that if plaintiff was correct, the unfortunate result for federal oversight of patent law would be that a state court would be required to make core decisions related to a federally-issued patent. The court thus rejected plaintiff's arguments, and affirmed the trial court's dismissal.

The court concluded by stating that plaintiff was not foreclosed from having its day in court. The trial court dismissed the case, without prejudice, anticipating that plaintiff could pursue an infringement action in federal court. The court stated: "[a] ruling in that appropriate forum could well tee-up the necessary 'case within a case' properly addressed to a state court. We cannot countenance [plaintiff's] efforts to invoke a state court ruling on core federal issues relating to the scope, validity, or infringement of its patent."

Significance of Opinion

This decision is significant because the court addressed 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 seems to hold that for a state court to have jurisdiction over a legal malpractice claim arising out of a patent matter, there has to be a prior ruling on the scope, validity or infringement of the patent at issue.

For more information, please contact [Terrence P. McAvoy](#), or your regular [Hinshaw attorney](#).

This alert has been prepared by Hinshaw & Culbertson LLP to provide information on recent legal developments of interest to our readers. It is not intended to provide legal advice for a specific situation or to create an attorney-client relationship.