Emerging Fissures in Exercising Federal Jurisdiction Over Patent Legal Malpractice Cases

By Paul D. Swanson on January 24th, 2012

Over four years have elapsed since the Federal Circuit first held that federal courts possess exclusive jurisdiction over patent legal malpractice claims. In *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007), the court ruled that patent claim scope issues alleged in patent legal malpractice claim raise substantial federal issues. Similarly, in *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007), the same Federal Circuit panel ruled that patent litigation malpractice allegations also raise substantial federal issues.

Alleged errors in patent prosecution and patent litigation both raise substantial federal issues because the "case-within-a-case" analytical structure of a legal malpractice claim generally requires an underlying analysis of patent law standards, proximate causation issues, and patent damages calculations. In other words, the legal malpractice allegations cannot be determined without an analysis of the merits of the underlying patent right at issue.

The reasoning of the *Immunocept/Air Measurement* cases is increasingly under attack. Even a Federal Circuit panel recently stated that "we believe this court should re-evaluate the question of whether federal jurisdiction exists to entertain a state law malpractice claim involving the validity of a hypothetical patent . . . ." *Byrne v. Wood, Herron & Evans, et al.*, 2011 WL 5600640 (Fed. Cir. 2011)(non-precedential decision). Predictably, the losing appellant requested a rehearing of this case en banc. That request is pending.

Federal Circuit jurisprudence presently does not make distinction about whether a hypothetical or issued patent claim is at issue for the federal jurisdictional purposes. Both types of patent legal malpractice claims are subject to exclusive federal jurisdiction. However, state and federal courts have seized on a distinction between hypothetical and issued patent claims as potentially dispositive of the jurisdictional determination.

Those seeking to distinguish or criticize the *Air Measurement/Immunocept* line of case authorities argue that they cases do not adhere sufficiently to the leading Supreme Court case on when "embedded" federal law issues in state law claims give rise to federal jurisdiction, *Grable & Sons Metal Prods., Inc. v. Daurue Eng'g & Mfg.,* 504 U.S. 308 (2005). In summary, *Grable* holds that federal question exists where: (1) resolving the federal issue is necessary to the 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.

Those declining to follow *Air Measurement/Immunocept* case holdings generally concede that the federal issue is necessary to the resolution of the malpractice claims. They instead focus on whether the federal issues are disputed and substantial and whether exercising jurisdiction disturbs the federal/state judicial balance. The most eloquent discussion of these points is the recent dissenting opinion of Justice Eva Guzman in *Minton v. Gunn*, S.W.3d ___, 2011 WL 6276121 (Dec. 16, 2011).

With respect to hypothetical patent claims, critics of exclusive federal jurisdiction must also acknowledge that the federal issue of claim construction is actually disputed. In this regard, because "patent claim scope defines the scope of patent protection . . . we surely consider claim scope to be a substantial question of federal law." *Immunocept*, 504 F.3d at 1285 (case citation omitted). "After all, claim scope determination is the first step of a patent infringement analysis." Id.

The real battleground is whether the hypothetical patent claim construction issues can be substantial by definition. They will necessarily be a fact-specific exercise result of no precedential import to any person other than the party litigants. Based on this, critics contend that *Grable* sought to embrace federal jurisdiction for embedded federal issues only when the federal issues posed were issues of law—and not fact-bound and situation-specific. This is their strongest point.

With respect to whether federal court jurisdiction will upset the division of labors between federal and state courts, the discussion becomes more philosophical and political. For example, Justice Guzman's dissent in *Minton v. Gunn* bemoans the loss of Texas sovereignty and oversight over lawyers practicing within the state.

In reality, the balance favors much more efficient federal court resolution of hypothetical patent claim issues. The *Immunocept* court observed that:

Claim scope determination is a question of law that can be complex in that it may involve many claim construction doctrines. Litigants will benefit from federal judges who are used to handling these complicated rules. Additionally, Congress' intent to remove non-uniformity in the patent law, as evidenced by the enactment of the Federal Courts Improvement Act of 1982 . . . is indicium that [federal] jurisdiction is proper here.

Id., at 1285-86.

Patents differ from all other intellectual property assets in their complex prosecution and litigation. State court judges could spend their entire careers without ever having to review a claim chart, dissect a specification, determine whether a witness is a POSITA (person of ordinary skill in the art), evaluate whether prior art anticipates a patent claim or renders it obvious, or decide whether an attorney committed inequitable conduct by failing to alert the USPTO to relevant prior art.

Critics of *Air Measurement/Immunocept* brush aside these pragmatic, efficiency points by pointing out that patent issues are sometimes ancillary to state law contract claims. The comparison is misleading. Hypothetical patent claims go to the core of how patents are formed and operate. A state law licensing dispute over failure to pay royalties is not an apt comparison.

Further, there is no loss of state control over any of the run-of-the-mill disputes that state bar associations already exercise in matters of professional responsibility. Only a small fraction of a state's bar consists of those licensed to practice before the USPTO or those whose practice is devoted to patent litigation. Their conduct is already largely regulated by federal statutes, regulations and guidance. It is difficult to ascertain how any federal/state court balance is upset under these specialty practice circumstances.

Trying to use issued versus hypothetical patent claims as a litmus test for determining whether federal jurisdiction lies is problematic from a pleading standpoint. This practice point is not addressed by courts that seek to attach importance to whether the patent rights were granted or remain hypothetical in a malpractice action. The common reality is that patent malpractice allegations can be vague and conclusory even under federal "plausibility" pleading standards. It often takes some discovery to sort out and clarify the status of allegedly compromised patent rights. Indeed, there could well be a mix of issued and hypothetical patent rights at issue.

No doubt, the search for some grounded way to cut back on federal control over patent legal malpractice claims will continue. But trying to build a jurisdictional test based on hypothetical versus issued patent rights appears to create more knotty issues than the Federal Circuit's current bright line rule.