

Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.

No. 07-1035, Federal Circuit (Michel,* Lourie, Rader)

[A]t least where, as here, establishing patent infringement is a necessary element of a malpractice claim stemming from alleged mishandling of patent prosecution and earlier patent litigation, the issue is substantial and contested, and federal resolution of the issue was intended by Congress, there is "arising under" jurisdiction under § 1338.

On October 15, 2007, the Federal Circuit, on interlocutory review, affirmed the district court's denial of Akin's motion to remand to state court a case involving a claim for legal malpractice in the prosecution of U.S. Patents No. 5,157,378, No. 5,689,234, No. 5,910,771, No. 6,201,475, and No. 6,310,552, which related to integrated firefighter safety monitoring alarm systems. The Federal Circuit stated:

This appeal presents an issue of first impression in this court. The issue concerns whether, under the circumstances of this case, the district court properly exercised § 1338 jurisdiction over AMT's legal malpractice suit. [A] two-part test [applies] for determining whether federal courts have exclusive jurisdiction over a case pursuant to 28 U.S.C. § 1338(a) [which] extends to any case "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." [T]he first part of [the] test is inapplicable because the malpractice cause of action asserted by AMT in their complaint is created by state law [and thus] our analysis concerns whether patent law is a necessary element of AMT's malpractice claim.

AMT argues that their malpractice claim requires resolution of a substantial question of patent law. Based on our review of AMT's removal complaint, without consideration of allegations that may be made in anticipation or avoidance of Akin Gump's defenses and without contemplation of Akin Gump's counterclaims, we agree. [T]he complaint reveals that approximately seven allegations of error in the context of patent prosecution or patent litigation are the bases of AMT's legal malpractice claim. AMT alleges that these errors forced them to settle prior litigation "for sums demonstrably and significantly less than their fair value."

Under Texas state law, the elements of a malpractice claim are (1) an attorney owed plaintiff a duty stemming from the attorney-client relationship, (2) the

attorney breached that duty, (3) the breach proximately caused plaintiff's injuries, and (4) damages. 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. [In other words,] the plaintiff has the burden to show that 'but for' the attorney's negligence, he or she would be entitled to judgment, and show what amount would have been collectible had he or she recovered the judgment. . . .

Because the underlying suit here is a patent infringement action [the] district court will have to adjudicate, hypothetically, the merits of the infringement claim. 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. 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. . . .

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. [The defenses] fall into two categories: those that stem from the alleged attorney errors (i.e., malpractice-related defenses, such as the defenses of inequitable conduct and on sale bar) and those that are independent of these errors (i.e., non-malpractice-related defenses). . . . To the extent that AMT has to prove or overcome invalidity, invalidity may be a substantial question of patent law. Regardless of the defenses AMT would have to address, if any, AMT would certainly have to prove patent infringement; that alone confers § 1338 jurisdiction. Because we consider the patent infringement issue alone to be a sufficient jurisdictional basis for the case, we do not reach whether, under Texas law, AMT would have to prove certain defenses were valid or merely available.

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