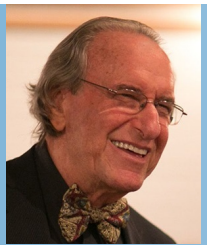
FEDERAL PATENT MALPRACTICE CASES BOUNCED



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On February 20, 2013, the US Supreme Court surprised many members of the US bar by holding in the decision of *Gunn v Minton* that federal courts do not have exclusive subject matter jurisdiction over claims asserting patent malpractice. This decision was especially surprising in that it was unanimous. It held that, except in rare instances where a substantial federal interest is at stake, such claims do not arise under the US patent laws.

The effects of this decision will throw into turmoil any number of pending patent malpractice litigations that were brought in federal courts in good faith, based upon long-established judicial precedent. Until *Gunn,* attorneys for malpractice plaintiffs have relied upon federal circuit decisions holding that such cases with substantive patent law questions belong in federal courts. The following hypothetical situation simulates real world situations existing today, where nightmare scenarios resulting from the *Gunn* decision will be faced by patent malpractice plaintiffs who will be left in a state of legal limbo, without recourse to pursue their claims.

Assume, for this purpose, that an individual residing in New York, John Doe, consults a patent attorney in March 2008 about patenting his new design for a can opener. In authorising the patent attorney to prepare and file a patent application covering his invention, Doe informs the attorney that he has published his idea online several times six months earlier, thereby establishing a statutory bar deadline for filing six months hence. Doe secures an investor as well as a contract with a manufacturer, both contingent upon the new can opener being protected by a US patent application.

Due to negligence that is never justifiably explained, Doe's patent attorney fails to meet the one year statutory bar deadline and files the patent application 13 months after the online publication date. Upon learning this, Doe consults litigation counsel, who in April 2010 files in a US district court his complaint containing a patent malpractice allegation against the patent attorney. Assume also that the litigation claim is based solely upon a theory of negligence, and is not an action arising under contract law.

Given New York's three-year negligence statute of limitations governing malpractice, the litigation counsel's 2010 filing of the federal court action is timely. He has relied upon federal circuit precedent, establishing that patent malpractice cases are to be brought in federal court. After the usual delays and a failure on the part of the parties to settle, at a January 18, 2013 pre-trial conference, Judge Smith sets April 15, 2013 as a date to pick a jury and to commence the malpractice trial.

Today, by virtue of the *Gunn* decision, the federal court in which this patent malpractice action was filed never had proper subject matter jurisdiction.

> "TODAY, BY VIRTUE OF THE GUNN DECISION, THE FEDERAL COURT IN WHICH THIS PATENT MALPRACTICE ACTION WAS FILED NEVER HAD PROPER SUBJECT MATTER JURISDICTION."

Judge Smith will be entitled to dismiss in its entirety—not transfer—this malpractice action.

Matters arising

This scenario gives rise to a number of questions. Where does it leave the plaintiff, Doe? Can he file a new action in state court?
No, it is too late for Doe to file his malpractice claim in state court because the statute of limitations expired in 2011, three years after the failure of the patent attorney to file Doe's patent application in time.

Should Doe's litigation counsel have known that in order not to be time-barred under the statute of limitations, he should have filed the malpractice action in the state versus the federal court?
No, litigation counsel properly relied upon established federal circuit judicial precedent, giving the federal courts jurisdiction over such actions.

Does Doe have a malpractice claim against litigation counsel for filing the malpractice action in the 'wrong' court?
No, litigation counsel did nothing wrong, and was justified in relying upon established judicial precedent.

Suppose Doe's allegation of malpractice was based upon a theory of contract law, wherein the statute of limitations in New York is six years—would the result be the same?
The result would be quite different. The six-year contract statute began running in 2008, giving Doe until 2014 to file a malpractice complaint in state court.

We therefore see that, in the absence of diversity of citizenship as a basis for giving the federal courts jurisdiction, there will be many patent malpractice plaintiffs who will be non-suited and left without any legal recourse to pursue their claims. ■

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