

## Buddy, Can You Spare a Federal Issue? Federal Jurisdiction in Certain Legal Malpractice Claims

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### *Air Measurement and Immunocept*

In October 2007, the Federal Circuit issued twin opinions that should significantly impact jurisdictional analysis in legal malpractice actions involving federal issues. In both cases, the Federal Circuit found exclusive federal jurisdiction in legal malpractice lawsuits alleging only state law causes of action. Lacking diversity or federal causes of action, jurisdiction was instead based on allegations in both actions that attorneys had committed malpractice in underlying patent matters. The Federal Circuit held that the presence of patent issues in a legal malpractice claim can create federal jurisdiction. As explored in this article, these cases open new avenues for jurisdictional analysis in legal malpractice litigation involving underlying federal issues.

*Air Measurement Tech. v. Akin Gump Strauss Hauer*, 504 F.3d 1262 (Fed. Cir. 2007) was a legal malpractice case alleging errors by counsel in both patent prosecution and patent litigation. *Air Measurement*, 504 F.3d at 1265. Plaintiffs in *Air Measurement* had retained counsel to secure patent protection for a product and to prosecute litigation against alleged infringers. *Id.* at 1265-66. Plaintiffs alleged that errors committed by their lawyers led to settlement of the infringement lawsuits for far less than their real value. *Id.* at 1266.

*Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007) involved allegations of negligence by counsel in securing patent protection for plaintiffs' technology. *Immunocept*, 504 F.3d at 1283. Plaintiffs alleged that the patent drafted by their counsel contained a fatal flaw rendering it inadequate to protect against competing products. *Id.* Plaintiffs alleged that this flaw rendered the patent useless and crippled the value of the underlying technology. *Id.*

In both *Air Measurement* and *Immunocept*, federal jurisdiction was premised entirely on 28 U.S.C. §1338(a), which provides district courts with exclusive jurisdiction over patent cases. See *Immunocept*, 504 F.3d at 1284; *Air Measurement*, 504 F.3d at 1266. And because

jurisdiction was premised on patent issues, appellate jurisdiction rested with the Federal Circuit. See 28 U.S.C. § 1295(a)(1).

*Air Measurement* and *Immunocept* took quite different procedural paths on their way to the Federal Circuit. *Air Measurement* was filed in state court and then removed by the defendants to the Western District of Texas. *Air Measurement* at 1266. Plaintiffs' motion to remand was denied. *Id.* Three years later, defendants challenged the propriety of their own removal and sought remand because of a lack of subject matter jurisdiction. *Id.* at 1267. The trial court denied that motion as well, but certified for interlocutory appeal the issue of whether a state law malpractice claim arising out of underlying patent prosecution and litigation is subject to federal subject matter jurisdiction. *Id.*

*Immunocept* was originally filed in federal court, with plaintiffs asserting §1338 jurisdiction from the outset. *Immunocept* at 1283-84. Defendants never challenged jurisdiction. Prior to trial, the district court granted summary judgment for the defense. *Id.* at 1284. On appeal, with neither side contesting jurisdiction, the Federal Circuit *sua sponte* ordered the parties to brief the jurisdictional issue. *Id.*

In both *Air Measurement* and *Immunocept*, plaintiffs asserted only legal malpractice and related state law claims. *Immunocept* at 1283; *Air Measurement* at 1266. And in both cases, the Federal Circuit found that plaintiffs' state law tort claims were subject to exclusive federal jurisdiction. The court noted that whether a federal court could exercise jurisdiction over legal malpractice litigation with underlying patent issues was "...an issue of first impression." *Air Measurement* at 1267. As stated above, the court based jurisdiction on § 1338, which vests federal courts with jurisdiction over civil actions "arising under" federal laws related to "patents, plant variety protection, copyrights and trademarks." 28 U.S.C. § 1338. In both cases, the court held plaintiffs' claims "arose under" federal patent law because patent issues were a necessary component of plaintiffs' claims. *Air Measurement* at 1265; *Immunocept* at 1283.

The Federal Circuit held that federal jurisdiction exists in any case in which:

- (1) the well-pleaded complaint establishes that federal patent law creates the cause of action; or
- (2) 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.

*Air Measurement* at 1267-68 (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)).

Because legal malpractice claims are not created by federal patent law, the question in both *Air Measurement* and *Immunocept* was whether plaintiffs' state law claims necessarily depended upon the resolution of a substantial question of patent law. The court concluded that they did, finding federal jurisdiction because resolution of patent issues was a necessary element of plaintiffs' claims. *Air Measurement* at 1268-69; *Immunocept* at 1285.

In *Immunocept*, the Federal Circuit noted that plaintiffs could not prevail without obtaining favorable rulings on disputed issues of patent law. The core liability issue in *Immunocept* was whether a drafting mistake had been made in connection with the patent at issue. *Immunocept* at 1285. Plaintiffs asserted their patent counsel used unnecessarily restrictive language and consequently created a patent inadequate to protect against infringing products. *Id.* Thus, the court noted that "...there is no way *Immunocept* can prevail without addressing claim scope." *Id.* If the patent in fact provided adequate protection, plaintiffs did not have a viable malpractice claim. Thus, issues of claim construction were at the core of plaintiffs' claims. And because plaintiffs' claims depended upon a determination of the scope of the patent, the Federal Circuit found jurisdiction. *Id.*

In *Air Measurement*, the alleged malpractice concerned both patent prosecution and patent litigation. Plaintiffs asserted that errors by their counsel forced them to settle their infringement lawsuits for diminished value. *Id.* In finding jurisdiction, the Federal Circuit

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noted that plaintiffs in malpractice lawsuits are required under Texas law to establish that they would have prevailed in the underlying litigation but for their counsel's negligence. *Air Measurement* at 1268-69. This is known as the "case within a case" doctrine, and it is a part of plaintiff's burden of establishing proximate cause. *Id.* at 1269.

The Federal Circuit noted that because of plaintiffs' proximate cause burden, they could not prevail without an adjudication of the merits of the underlying infringement claims. *Id.* That is, plaintiffs must show they would have won the infringement actions but for their lawyer's negligence:

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.

*Id.* (citing *Christianson*, 468 U.S. at 809).

One of the arguments employed by the Federal Circuit to justify the exercise of federal jurisdiction was that federal courts are best equipped to resolve the complicated issues of patent law that would arise in these types of malpractice cases:

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.

*Immunocept* at 1285 (citing *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 315 (2005)). The Federal Circuit also noted in *Air Measurement* that:

[t]here is a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency. The litigants will also benefit from federal judges who have experience in claim construction and infringement matters.

*Air Measurement* at 1272.

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The Federal Circuit noted that it would be “illogical” for a federal court to have jurisdiction over a patent infringement action, but not a subsequent legal malpractice case involving the same issues:

“The [arising under] doctrine captures the common sense notion that a federal court ought to be able to hear claims recognized under state law that nonetheless turn on substantial questions of federal law, and thus justify resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues.”

*Air Measurement* at 1269 (quoting *Grable & Sons*, 545 U.S. at 312).

In the wake of *Air Measurement* and *Immunocept*, several district courts have followed that authority and found federal jurisdiction in legal malpractice claims with underlying federal issues. See *Chopra v. Townsend, Townsend and Crew, LLP*, 2008 WL 413944 (D. Colo. Feb. 13, 2008); *Byrne v. Wood, Herron & Evans, LLP*, 2008 WL 3833699 (E.D. Ky. Aug. 13, 2008); *LaBelle v. McGonagle*, 2008 WL 3842998 (D. Mass. Aug. 15, 2008). Each of these cases involved patent issues. Therefore, the district courts were bound to follow the Federal Circuit as the court with appellate jurisdiction over the claims.

In *Air Measurement* and *Immunocept*, the federal court held that under §1338, “exclusive” jurisdiction for certain legal malpractice claims involving patent issues lies in federal court. See, e.g., *Immunocept* at 1284. Following this logic, some state law malpractice claims should not be brought in state court, as “exclusive” jurisdiction lies in a federal forum. Of course, it is difficult to envision a state trial or appellate court holding that it lacks jurisdiction to hear a state law tort claim because there are underlying federal issues. Thus, the practical result of the Federal Circuit’s holding is that, for some state law malpractice claims, litigants will have concurrent state and federal jurisdiction. The rub, of course, lies in trying to determine whether a particular legal malpractice case has enough of a federal flavor to vest jurisdiction in a federal forum. As set forth below, courts have not uniformly fallen in line behind *Air Measurement* and *Immunocept*. Following these decisions, there have been a handful of cases analyzing “arising under” jurisdiction in the context of legal malpractice cases. Several, as cited above, have found federal jurisdiction. However, two courts, including the Fifth Circuit, have declined to exercise federal jurisdiction over malpractice claims similar to those found in *Immunocept* and *Air Measurement*. Litigants in legal malpractice lawsuits will therefore need to study the jurisdictional tea leaves

carefully in an effort to ascertain how their case is likely to be viewed by a federal forum.

### ***Singh and Eddings***

In *Singh v. Duane Morris LLP*, —F.3d—, 2008 WL 2908912 (5th Cir. 2008), plaintiff filed a malpractice lawsuit arising out of an underlying trademark action. *Singh* at \*1. Defendants removed the case to federal court, basing jurisdiction on §1338(a). *Id.* The district court accepted jurisdiction and subsequently granted summary judgment for the defense. *Id.* On appeal, the Fifth Circuit found no federal jurisdiction, vacated the underlying judgment, and expressly declined to follow *Air Measurement*. *Id.* at \*4, \*5.

In declining to hold jurisdiction, the Fifth Circuit noted that federal courts should be very cautious about accepting jurisdiction over state law claims. The court quoted the Supreme Court for the proposition that “...the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction.” *Singh* at \*2 (quoting *Merrell Dow Pharms. Inc. v. Thompson*, 478 U.S. 804, 813 (1986)). The Fifth Circuit held that “[t]he fact that a substantial federal question is necessary to the resolution of a state-law claim is not sufficient to permit federal jurisdiction.” *Id.* The court in *Singh* found that the following four-part test must be met before a federal court can exercise jurisdiction over a state law claim:

1. resolving a federal issue is necessary to 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.

*Singh* at \*2.

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The four-part test set forth in *Singh* is more onerous than the Federal Circuit's two-part analysis (set forth above) in *Air Measurement*. Most notable is the Fifth Circuit's requirement that a district court consider the "balance of federal and state judicial responsibilities" in determining whether to accept jurisdiction over a state law claim. This issue of federalism factored heavily into the Fifth Circuit's decision not to accept jurisdiction in *Singh*. The court noted that finding federal jurisdiction in a state law malpractice claim "...would upend the balance between federal and state judicial responsibilities." *Id.* at \*3. As the Fifth Circuit stated:

Legal malpractice has traditionally been the domain of state law, and federal law rarely interferes with the power of the state authorities to regulate the practice of law.

*Id.*

The court in *Singh* expressly declined to follow *Air Measurement*, noting that the Federal Circuit had not considered issues of federalism in its opinion. *Singh* at \*4. The holding in *Singh* should provide a cautionary tale for anyone seeking to litigate a malpractice claim in federal court. Litigants who seek a federal forum for their malpractice case are making a jurisdictional gamble. State courts will clearly continue to keep their doors open to state law malpractice claims. Judgments rendered by state courts in malpractice cases should be safe from jurisdictional review. In federal court, however, the answer is far less certain. As the defendants learned in *Singh*, the decision to file—or remove—a malpractice claim to federal court might result in a pyrrhic victory. A hard-fought judgment could end up vacated on appeal because of lack of jurisdiction.

Another recent decision addressing "arising under" jurisdiction is *Eddings v. Glast, Phillips and Murray*, 2008 WL 2522544 (N.D. Tex. June 25, 2008). In *Eddings*, plaintiffs brought suit in state court against their former counsel in a patent dispute. Plaintiffs asserted that various attorney errors had resulted in an adverse judgment. *Id.* at \*1. Defendants removed the case under § 1338, but the district court granted plaintiffs' motion to remand. *Id.* at \*5. The court based its holding on the fact that, although many of plaintiffs' claims did concern issues of patent law, at least one did not. The court noted that, unless *each* of plaintiffs' claims for relief depends upon the resolution of a substantial issue of patent law, federal jurisdiction is lacking:

"[i]f there is a theory upon which [plaintiffs] can prevail on their malpractice claim that does not involve a substantial

patent law question, then patent law is not essential to the malpractice claim and §1338 jurisdiction is lacking.”

*Id.* at \*4 (quoting *Air Measurement* at 1270).

Plaintiffs in *Eddings* noted that one of their theories concerned the failure to produce evidence in the underlying lawsuit that could have been used to offset the judgment, an issue wholly unrelated to patent law. *Id.* at \*4. The court agreed, noting that it is a “close call” but concluding that remand is required because at least one of plaintiff’s theories is devoid of patent issues. *Id.* at \*5.

An analysis of the cases cited in this article should result in a number of interesting inquiries in legal malpractice actions with underlying federal issues. For example, the Federal Circuit appears more willing to exercise jurisdiction over these types of malpractice claims than the Fifth Circuit. Part of the jurisdictional inquiry in future malpractice lawsuits should therefore include the type of federal issue at play. If the issue involves patent law, for example, appeal would be to the Federal Circuit. Federal jurisdiction may therefore be more likely than if another federal issue were at play, with appeal from the district court to the circuit embracing that district. As the law currently stands, district courts may need to analyze jurisdictional issues under one standard if appeal will be to the Federal Circuit, and under another if it will not.

Another interesting issue in malpractice cases with underlying federal issues is the impact defendants may have over the existence of federal jurisdiction. A significant issue in the jurisdictional analysis is whether the underlying federal issue is disputed. *See, e.g., Singh* at \*3; *Immunocept* at 1284. Undisputed federal issues will not require judicial resolution and thus do not support federal jurisdiction. A defendant may therefore be able to alter the jurisdictional result by electing not to dispute the federal issue at play. For example, if a defendant in a malpractice lawsuit concedes that the patent at issue was negligently drafted and elects to defend the case on other issues, the result may well be that an otherwise federal dispute must proceed in state court. *See, e.g., Chopra* 2008 WL 413944 at \*2. Defendants in these cases may therefore be able to circumvent the general rule that only the plaintiff’s well-pleaded complaint determines the existence of federal jurisdiction. *See, e.g., Air Measurement* at 1269. A defendant, in deciding whether to contest the federal issues raised in the malpractice lawsuit, may be able to impact the availability of a federal forum.

In conclusion, in the wake of *Air Measurement* and *Immunocept*, litigants in legal malpractice actions with underlying federal issues will need to consider carefully the potential availability of a federal forum for their dispute.



### ABOUT THE AUTHOR AND HIS FIRM

**Fields Alexander** (pictured) joined Houston, Texas-based Beck, Redden & Secret L.L.P. in the fall of 2001, becoming a partner in December 2003. He has trial experience in cases involving contractual disputes, business torts, professional malpractice, product liability, and personal injury. Learn more about the author and his firm at [www.brsfirm.com](http://www.brsfirm.com).

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