

# PATENT ATTORNEY MALPRACTICE: AN OXYMORON NO MORE

A. Samuel Oddi\*

*With increasing frequency, clients are bringing malpractice claims against their patent attorneys. Malpractice and the risk of malpractice should be a matter of continuing concern to clients seeking patent services, individual patent attorneys, their firms and employers, the patent bar, and society as a whole, all of whom benefit from the fulfillment of the instrumentalist goals of the patent system. In this vein, one of the principal goals of tort law is to deter injurious conduct. For deterrence to occur, the actor must be able to anticipate that certain conduct may result in harm to others, so that such conduct may be avoided. A goal of this Article is to analyze the exposure of patent attorneys to malpractice claims and hence to promote deterrence of conduct that may result in economic injury to clients and others who may be affected. The Article first evaluates the theories upon which malpractice is based, principally professional negligence and breach of fiduciary duty. The respective elements of the professional negligence cause of action are analyzed with specific reference to the peculiarities of patent practice. The breach of fiduciary duty theory is similarly analyzed and compared. In the course of these analyses, the transferability to malpractice claims against patent attorneys of certain doctrines recognized with respect to other professions is considered. Common defenses to malpractice claims are then evaluated in the context of patent practice, in particular the functioning of statutes of limitations. Based on the preceding analyses, implications and conclusions are then offered.*

---

\* Giles Sutherland Rich Professor in Intellectual Property, University of Akron School of Law. The author would like to acknowledge the research support provided by the University of Akron School of Law and the valuable research assistance provided by Jonathon Gorby in the preparation of this Article.

## I. INTRODUCTION

Until the last decade or so, malpractice suits against patent attorneys were virtually unknown.<sup>1</sup> Mallen and Smith attempt to explain this as follows: “Because patent law practice is so technically sophisticated, even to the ordinary attorney, few clients recognize when a patent attorney erred.”<sup>2</sup> This is not an entirely convincing explanation. Technical sophistication would seem to be a double-edged sword in patent law. On the one edge, complexity may tend to minimize malpractice claims against patent attorneys due to a general lack of understanding of the technology or the law—thus making malpractice difficult to detect and to prove. On the opposite edge, however,

---

1. See 3 RONALD E. MALLEN & JEFFREY M. SMITH, *LEGAL MALPRACTICE* § 23.23, at 590 (5th ed. 2000 & Supp. 2002). Perhaps due to the relative paucity of reported cases involving malpractice claims against patent attorneys, the literature on this topic is rather limited. Mallen and Smith devote three sections to it, covering approximately twenty-one pages out of a five-volume treatise. *Id.* §§ 23.23–25. See also Lisa A. Dolak, *As If You Didn't Have Enough to Worry About: Current Ethics Issues for Intellectual Property Practitioners*, 82 J. PAT. & TRADEMARK OFF. SOC'Y 235 (2000) (considering inequitable conduct, conflicts of interest, and the duty to advise of insurance coverage) [hereinafter Dolak, *Current Ethics Issues*]; Lisa A. Dolak, *Risky Business: The Perils of Representing Competitors*, 30 AM. INTELL. PROP. L. ASS'N Q.J. 413 (2002) (discussing ethical and malpractice problems that arise from representing competitors having inventions in the same technical area) [hereinafter Dolak, *Risky Business*]; D. Edward Dolgorukov, *Feature: A Survey of Some Things Business Lawyers Need to Know About Intellectual Property Law (Both New and Old) to Avoid Potential Liability*, 75 MICH. B.J. 534 (1996) (indicating that business lawyers seem to be referring patent issues to specialists); David Hrick, *Trouble Waiting to Happen: Malpractice and Ethical Issues in Patent Prosecution*, 31 AM. INTELL. PROP. L. ASS'N Q.J. 385 (2003) (providing practical advice to patent practitioners on avoiding and resolving potential ethical conflicts); J.B. Ruhl, *Malpractice and Environmental Law: Should Environmental Law "Specialists" Be Worried?*, 33 HOUS. L. REV. 173, 203–06 (1996) (contrasting malpractice claims against various legal specialists, including patent attorneys); Paul D. Swanson, *An Overview of Intellectual Property Malpractice* (Apr. 17, 1998) available at [http://www.lanepowell.com/pressroom/publications/pdf/swansonp\\_001.pdf](http://www.lanepowell.com/pressroom/publications/pdf/swansonp_001.pdf) (providing practical advice to intellectual property attorneys); Paul W. Vapnek, *Intellectual Property Law Practice in the 1980s: Dealing with the Expectations of a More Informed Clientele*, 14 AM. INTELL. PROP. L. ASS'N Q.J. 91, 98 (1986) (discussing ethics, with a paragraph on malpractice); Imron T. Aly, Note, *Encouraging Unprofessionalism: The Magic Wand of the Patent Infringement Opinion*, 12 GEO. J. LEGAL ETHICS 593 (1999) (discussing ethical implications for patent attorneys writing infringement opinions); B. Joan Holdridge, Comment, *Malpractice of Patent Attorneys*, 7 CLEV.-MARSHALL L. REV. 345, 345 (1958) (citing only one case relating to malpractice based on alleged fraud by a patent attorney, *Dulberg v. Mock*, 133 N.E.2d 695 (N.Y. 1956)); see also Harry I. Moatz, *Avoiding Misconduct Complaints in Patent Prosecution*, 80 PLI/NY 29 (2000) (providing a comprehensive overview of ethical complaints filed against registered patent practitioners, although not directly dealing with patent attorney malpractice). See generally DAN B. DOBBS, *THE LAW OF TORTS* §§ 484–492 (2000).

2. 3 MALLEN & SMITH, *supra* note 1, § 23.23, at 591. Rather interestingly, the authors indicate as apropos a characterization of patent law attributed to Chief Justice Holmes:

The practice of patent law is one of the most complex and difficult today. The proceedings and forms not only require an extensive knowledge of the legal field but also considerable experience in engineering.

In conjunction with the inherent difficulty of the practice, the patent attorney has greater control over the processing of the application and the determination of the extent of the rights granted under the patent than is found in any other attorney–client relation.

*Id.* at 590–91.

technical and legal complexity would seem to multiply the opportunities for patent attorney mistakes.

As to the inability of clients to detect malpractice, inventors and patent owners are not among the most unsophisticated of clients.<sup>3</sup> Moreover, most patent owners are industrial corporations who are likely to have in-house patent counsel or other employees experienced in patent matters.<sup>4</sup>

A more plausible explanation for the relative dearth of patent attorney malpractice cases may be the difficulty of clients in prevailing in claims against their attorneys because of the ethereal nature of patent rights<sup>5</sup> and the “case-within-a-case” (often referred to as “trial-within-a-trial”) requirement in legal malpractice cases.<sup>6</sup> Thus, in many instances, it would be quite difficult for the client to prove that it would have prevailed in the underlying case *but for* the negligent conduct of the patent attorney.<sup>7</sup> The difficulty of proving the “case-within-a-case” in patent attorney malpractice suits must be accounted for in evaluating the probability of success in the suit.<sup>8</sup> The likely result would be to discount the value of the case and thus decrease the number of cases brought directly for patent attorney malpractice.<sup>9</sup>

Nonetheless, whatever reasons existed in the past, times and attitudes have changed and continue to evolve. Clients are bringing malpractice claims against their patent attorneys with increasing

---

3. See Ruhl, *supra* note 1, at 204. Ruhl asserts:

One possible explanation for the lack of malpractice claims, other than the possibility that patent attorneys simply do not commit malpractice, is the fact that “patent law practice is so technically sophisticated, even to the ordinary attorney, it is unlikely that a client would independently detect an error by his patent attorney.” However, a person who has been sued for infringement after securing a patent attorney’s infringement opinion is likely to examine the opinion closely, possibly with the benefit of technical experts, and is likely to ferret out any technical errors the attorney may have made. In any event, relying on the ignorance of clients as a barrier to malpractice claims is a risky venture.

*Id.* (quoting RONALD E. MALLEN & VICTOR B. LEVIT, LEGAL MALPRACTICE § 454 (2d ed. 1981)).

4. There may be, after all, some hesitation on the part of corporate employees to recommend suing patent attorneys selected by them.

5. As Justice Story stated in *Folsom v. Marsh*, 9 F. Cas. 342, 344 (D. Mass. 1841) (No. 4901), “Patents and copyrights approach, nearer than any other class of cases belonging to forensic discussions, [ ] what may be called the metaphysics of the law, where the distinctions are, or at least may be, very subtle and refined, and, sometimes, almost evanescent.”

6. On the “case-within-a-case” requirement, see generally DOBBS, *supra* note 1, § 486, at 1390. In the context of patent practice, see *infra* Section II.B.3.a.

7. This would be so whether the client alleged that the patent attorney was negligent in obtaining or enforcing a patent, or in defending against an infringement claim.

8. Many malpractice cases against patent attorneys would seem to fall analogously into the category of misdiagnosis cases common in medical malpractice. In such cases, the plaintiff alleges that a physician negligently failed to diagnose an underlying terminal disease, but, unfortunately for the patient, at a time too late for any intervention by the physician that was likely to save the patient’s life. See *infra* Section II.B.3.a.1 (discussing the “loss of chance” doctrine).

9. Of course, if a client is sued by a lawyer for fees, entering a counterclaim or defense based upon malpractice becomes *de rigeur*. See 1 MALLEN & SMITH, *supra* note 1, § 2.15, at 164–70. A client may also seek to recover fees already paid. See, e.g., *Sanitary Hair Goods Co. v. Elliott*, 191 Ill. App. 563 (Ill. App. Ct. 1915) (dismissing claim for recovery of fees paid to patent attorney alleged to be negligent, unfaithful, and fraudulent in conducting litigation).

frequency. They seem to have become more adept at detecting error, particularly when blessed with 20/20 hindsight vision.<sup>10</sup>

Beyond increased technical sophistication, a number of rationales may be offered to explain the increasing incidence of malpractice claims. The most obvious reason is the general increase in malpractice litigation across the professions, spreading as a virus from physicians to general attorneys, and into the legal specialties.<sup>11</sup> However, empirical evidence of the increase in legal malpractice claims is imprecise at best.<sup>12</sup> The American Bar Association (“ABA”) has undertaken three studies of malpractice claims submitted to insurers of legal malpractice covering the periods January 1, 1983, to September 30, 1985 (“1985 Study”);<sup>13</sup> January 1, 1990, to December 31, 1995 (“1995 Study”);<sup>14</sup> and January 1, 1996, to December 31, 1999 (“1999 Study”).<sup>15</sup> A valuable feature of these studies was the list of claims according to categories of legal practice. For example, one of these categories is “Patents, Trademarks, Copyrights,”<sup>16</sup> which is included in each study. However, the studies did not distinguish claims against only patent attorneys. This omission facilitates the assumption that the studies represented patent attorneys proportionally in the general category of “Patents, Trademarks, Copyrights”<sup>17</sup> (intellectual property) attorneys. In addition, there is a major difficulty in comparing the studies to each other because the ABA used different methodologies to collect the data for the 1985 Study and the 1995 and 1999 Studies.<sup>18</sup> For the 1985 Study, the participating insurers used

---

10. Patent attorneys are, of course, well aware of the pernicious character of hindsight in making practically everything obvious after it has been invented and disclosed to all. Similarly, tort lawyers are well aware of the foreseeability of any event after the event has occurred.

11. John H. Bauman, *Damages for Legal Malpractice: An Appraisal of the Crumbling Dike and the Threatening Flood*, 61 TEMP. L. REV. 1127 (1988). Bauman states:

Whether we are presently in the midst of a litigation explosion is a topic much debated today, with knowledgeable people on both sides of the issue. About one facet of the problem, however, there can be little dispute: the past 25 years has [sic] witnessed a dramatic increase in malpractice litigation. This explosion first occurred in controversies involving the medical profession, and was a phenomenon viewed by the bar with equanimity if not with downright satisfaction. This complacency was short lived, however, for it did not take long for lawyers to discover that the dereliction of their brothers and sisters at the bar provided an equally lucrative target.

*Id.* at 1128 (citation omitted).

12. See generally 1 MALLIN & SMITH, *supra* note 1, §§ 1.6–7.

13. STANDING COMM. ON LAWYERS’ PROF’L LIAB., AMERICAN BAR ASSOCIATION, PROFILE OF LEGAL MALPRACTICE: A STATISTICAL STUDY OF DETERMINATIVE CHARACTERISTICS OF CLAIMS ASSERTED AGAINST ATTORNEYS (1986) [hereinafter 1985 STUDY].

14. KIRK R. HALL, STANDING COMM. ON LAWYERS’ PROF’L LIAB., AMERICAN BAR ASSOCIATION, LEGAL MALPRACTICE CLAIMS IN THE 1990s (1996) [hereinafter 1995 STUDY].

15. JOSEPH P. MCMONIGLE & JANE A. NOBISHCH, STANDING COMM. ON LAWYERS’ PROF’L LIAB., AMERICAN BAR ASSOCIATION, PROFILE OF LEGAL MALPRACTICE CLAIMS: 1996–1999 (2001) [hereinafter 1999 STUDY].

16. *Id.* at 5 tbl.1; 1985 STUDY, *supra* note 13, app. A, at 78; 1995 STUDY, *supra* note 14, at 7 tbl.1.

17. 1985 STUDY, *supra* note 13, app. A, at 78; 1995 STUDY, *supra* note 14, at 7 tbl.1; 1999 STUDY, *supra* note 15, at 5 tbl.1.

18. 1995 STUDY, *supra* note 14, at 3. The Committee used different data collection methodologies in the 1985 Study than it used in the 1995 and 1999 Studies. For the 1985 Study, participating insurers submitted data on a standard reporting form for each claim, using common terminology and categories. The 1985 data is extremely consistent and reliable; however, reporting

standard forms to submit data for each claim.<sup>19</sup> In the 1995 and 1999 Studies, the procedure changed—insurers submitted data on annual summary report forms. The summary forms used the same categories as the 1985 individual claim forms; however, the insurers' categories did not always correspond to those of the ABA forms. Moreover, the ABA did not survey the entire lawyer population, but only those covered by insurers participating in the studies. Because of these methodological problems, any comparison between these studies over time is, at best, tentative. Regardless, some relative comparisons may offer insight into the increase or decrease of malpractice claims against all attorneys as compared to intellectual property attorneys. In the 1985 Study covering 2.75 years, insurers reported a total of 29,227 claims, an average of 10,628 per year.<sup>20</sup> Of these, the claims against intellectual property attorneys totaled 167, an average of 61 per year.<sup>21</sup> Intellectual property attorneys therefore comprised 0.57% of the reported claims.<sup>22</sup> In the 1995 Study covering five years, insurers reported a total of 19,158 claims, an average of 3832 per year.<sup>23</sup> Claims against intellectual property attorneys over this period totaled 180, an average of 36 per year.<sup>24</sup> However, the percentage of the total number of claims for intellectual property attorneys increased to 0.94%.<sup>25</sup> In the 1999 Study, insurers reported 36,844 claims, an average of 9211 per year over the four-year period.<sup>26</sup> Claims against intellectual property attorneys totaled 382, an average of 95.5 per year.<sup>27</sup> Accordingly, the percentage of claims against intellectual property attorneys increased to 1.04% of the total.<sup>28</sup>

The substantial similarity of the methodologies and data sources used in the 1995 and 1999 Studies may warrant a qualified comparison.

---

proved to be cumbersome. For this reason, the Committee discontinued its use of the claim-by-claim reporting form. *Id.* at 3. The 1995 and 1999 Studies are based on calendar year summary report forms completed by participating companies based on their own internal data. Insurers were asked to do their best in assigning their data to the established 1985 data categories. While the recent studies use the same general data categories as the 1985 Study, the ABA categories did not always correspond to those used by participating insurers. In some instances, the Committee had to eliminate incompatible insurer data. *Id.* at 4.

19. Professor Ramos is highly critical of the 1985 Study, stating:

Since 1970 there has been an unprecedented growth in legal malpractice claims and lawsuits. However, under the “few bad apples” perception of malpractice, there is no need for any radical changes in the way law is practiced, in legal education, or in the way lawyers are regulated. The status quo appears to work. Most legal malpractice claims and lawsuits, the ABA Study concludes, turn out to be unfounded, unworthy of compensation, and barely worthy of attention.

Manuel R. Ramos, *Legal Malpractice: The Profession's Dirty Little Secret*, 47 VAND. L. REV. 1657, 1661 (1994) (citation omitted). It may be noted that the 1995 and 1999 Studies seem consistent with the “few bad apples” perception. See 1995 STUDY, *supra* note 14; 1999 STUDY, *supra* note 15.

20. 1999 STUDY, *supra* note 15, at 5 tbl.1; 1985 STUDY, *supra* note 13, at 2–3.

21. 1999 STUDY, *supra* note 15, at 5 tbl.1.

22. *Id.*

23. *Id.* at 4, 5 tbl.1.

24. *Id.*

25. *Id.*

26. *Id.*

27. *Id.*

28. *Id.*

The ratio of the yearly average of total malpractice claims in the 1999 Study (9211) to the yearly average in the 1995 Study (3832) is 2.4. For intellectual property attorneys, the ratio of the yearly average of claims in the 1999 Study (95.5) to the yearly average of claims in the 1995 Study (36) is 2.65. In other words, the increase was 240% overall, while for intellectual property attorneys the increase was 265%. From the 1995 to the 1999 Study, claims against intellectual property attorneys increased from 0.94% to 1.04% of the total. The percentage of the total claims in the 1985 Study was only 0.57% for intellectual property lawyers. The statistical significance of any of these increases cannot be accurately determined. However, at a minimum, these increases demonstrate that malpractice claims against intellectual property attorneys are keeping pace with the legal profession as a whole, if not actually outrunning it.

In their study of litigated cases, Mallen and Smith conclude that there has been “a dramatic and steady increase in the frequency of legal malpractice litigation,” beginning in the 1960s and continuing to date: “Today, in the new millennium, the absolute number of appellate decisions is still increasing as is the relative frequency.”<sup>29</sup> This increase in claims is also reflected in the number of reported malpractice cases against patent attorneys. Based on a rudimentary computer database search, courts have decided at least three times the number of malpractice cases against patent attorneys in the past fourteen years as in the first two hundred years of our federal patent system.<sup>30</sup>

Aside from tracking the general increase in legal malpractice claims, there would appear to be several patent-specific reasons for the increase. As noted by Professor Dobbs: “Each field of law practice tends to have its own unique problems.”<sup>31</sup> One reason may be that over the last twenty years, patents have become increasingly valuable. This may be attributed to favorable judicial treatment of patents and, in particular, to the creation of the U.S. Court of Appeals for the Federal Circuit in 1982. The Federal Circuit has demonstrated a more receptive attitude toward

---

29. 1 MALLEN & SMITH, *supra* note 1, § 1.6, at 19; *see also id.* at 20 fig.1.

30. The author performed the search using WESTLAW in the ALL CASES-OLD and ALLCASES databases, using the terms (“patent attorney” & malpractice). The cases found were then screened to eliminate those that could not be considered malpractice cases, e.g., when the court imposed disciplinary sanctions on the patent attorney. In this limited search and screening, the author found only seven cases for the first two hundred years of the Patent Act (1790–1990), while twenty-four cases were found from 1991 through 2004. However, it should be noted that this conclusion may be misleading, because certain cases based on breach of fiduciary duty would not be located in the foregoing search. *See infra* text accompanying notes 43–52, 357–418 (discussing breaches of fiduciary duty by patent attorneys). The first case included in the author’s count involved both malpractice and breach of fiduciary duty. *See Water Hammer Arrester Corp. v. Tower*, 66 F. Supp. 732, 737–38 (E.D. Wis. 1944), *aff’d*, 156 F.2d 775 (7th Cir. 1946) (discussing a patent attorney who allegedly failed to file a patent application within the public use grace period and then proceeded to file it in his own name). Nonetheless, the conclusion that claims against patent attorneys are increasing seems justified, particularly in view of the number of cases that courts decided from January 1, 2001, to the end of 2003.

31. DOBBS, *supra* note 1, § 484, at 1386.

patents, resulting in heightened enforcement.<sup>32</sup> In this atmosphere, it may be anticipated that owners would expect value for their patents. The increased value must be balanced in the minds of the owners against the reality of escalating expense to obtain and enforce patents.<sup>33</sup> The high costs of patent acquisition and litigation may have enhanced the expectations of equally high returns on patent investment. Client perception of below-standard attorney performance may have frustrated these expectations. Client frustration may be significantly exacerbated by the temerity of patent attorneys in suing for their fees and, not surprisingly, be met with a counterclaim for malpractice.<sup>34</sup>

In addition, the Federal Circuit has granted a liberal measure of damages in patent litigation.<sup>35</sup> This may serve as strong motivation to institute patent litigation and to sue one's patent attorneys when anticipated damages are not secured. The overzealousness of patent attorneys in estimating the value of patent rights may also lead to client disenchantment. Failure to control the expectations of the clients may

---

32. See John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AM. INTELL. PROP. L. ASS'N Q.J. 185, 205 (1998) (finding the patent validity rate of the Federal Circuit during the period 1989–1996 to be approximately 54%). Prior to the creation of the Federal Circuit in 1982, the historical average for patent validity was approximately one-third. See A. Samuel Oddi, *An Uneasier Case for Copyright Than for Patent Protection of Computer Programs*, 72 NEB. L. REV. 351, 393 n.173 (1993) (collecting studies).

33. See AM. INTELLECTUAL PROP. LAW ASS'N LAW PRACTICE MGMT. COMM., AIPLA REPORT OF THE ECONOMIC SURVEY (2003). The American Intellectual Property Law Association (“AIPLA”) reports that the median charge by patent attorneys for the preparation of an original utility patent application on an invention of “minimal complexity” was approximately \$5500 in 2002 compared to \$5000 in 2000 and \$4000 in 1998. *Id.* at 20. For 2002, the cost increased to approximately \$10,000 for “relatively complex” chemical/biotech and electrical/computer inventions and \$9000 for such mechanical inventions. *Id.* There was practically no increase from the costs reported in 2000, but charges for 2000–2002 indicate an approximately \$1000 increase over 1998 charges. *Id.*; *id.* at 87–92 tbl.21 (reporting by technical area, percentile of charges, and primary place of work). Estimated costs for patent infringement litigation are reported on the basis of three “value-at-risk” levels. For 2003, the AIPLA reported that the estimated costs totaled \$500,000 for the less than \$1 million level; \$2 million for the between \$1 and \$25 million level; and approximately \$4 million for the over \$25 million level. In 2001 the reported estimated costs for the respective levels were approximately \$500,000, \$1.5 million, and \$3 million. *Id.* at 22 (summarizing costs); *id.* at 93–99 tbl.22 (reporting costs through discovery and total costs by percentile and primary place of work).

34. See 1 MALLEN & SMITH, *supra* note 1, § 2.15, at 165 (citing cases from practically every state and maintaining that “[c]ollection suits by lawyers frequently result in counterclaims, and threats to sue cause clients to file malpractice suits.”) (citations omitted). Of course, turnabout may be fair play. See *Invacare Corp. v. Fay, Sharpe, Beall, Fagan, Minnich & McKee*, No. 77600, 2000 WL 1739296 (Ohio Ct. App. Nov. 22, 2000) (counterclaim for fees in response to charge of malpractice against patent attorneys).

35. See *Panduit Corp. v. Stahlen Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978) (adopting test for the recovery of lost profits requiring proof of: “(1) demand for the patented product; (2) absence of acceptable non-infringing substitutes; (3) [the] manufacturing and marketing capability to exploit the demand; and (4) the amount of profit [the patent owner] would have made”). The Federal Circuit later adopted the Sixth Circuit test. See *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (applying *Panduit* factors and approving lost profit damages on lost sales of a model not covered by the infringed patent which would have been made but for the infringement of defendant); *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 19–20 (Fed. Cir. 1984) (permitting recovery of lost profits on failure to sell unpatented components considered part of a single assembly—as later clarified in *Rite-Hite* to be limited to those components having a “functional relationship to the patented invention”).

lead to serious negative consequences when those expectations are not fulfilled.<sup>36</sup>

Irrespective of whether a substantial increase in the number of malpractice claims against patent attorneys has occurred, the risks of a malpractice suit should be a matter of continuing concern to multiple parties: clients seeking patent services, individual patent attorneys, firms and employers, the patent bar, and society as a whole, all of whom benefit from the fulfillment of the instrumentalist goals of the patent system. In this vein, one of the principal goals of tort law is to deter injurious conduct. For deterrence to occur, the actor must be able to anticipate that certain conduct may result in harm to others, so that such conduct can be avoided. A goal of this Article is to analyze the exposure of patent attorneys to malpractice claims and hence to deter conduct that may result in economic injury to clients and others affected by that conduct. Section II evaluates the theories upon which malpractice is based, principally professional negligence and breach of fiduciary duty. The respective elements of the professional negligence cause of action are analyzed with specific reference to the peculiarities of patent practice. The breach of fiduciary duty theory is similarly analyzed and compared. In the course of these analyses, Section II also considers the transferability to malpractice claims against patent attorneys of certain doctrines recognized with respect to other professions. Section III evaluates common defenses to malpractice claims in the context of patent practice, in particular the functioning of statutes of limitations. Based on the preceding analyses, Section IV offers implications and conclusions.

## II. MALPRACTICE THEORIES

### A. Overview

Legal malpractice may be seen as including three separate but somewhat overlapping causes of action.<sup>37</sup> Two sound in tort: professional

---

36. One could also speculate that the competency level of patent attorneys has fallen over the last several decades. This would be a difficult inference to make merely from the relative number of malpractice claims, taking into account the increased size of the patent bar. Nonetheless, in boom times there may be a tendency for patent attorneys, as with other harried professionals, to take shortcuts.

37. See Roy Ryden Anderson & Walter W. Steele, Jr., *Fiduciary Duty, Tort and Contract: A Primer on the Legal Malpractice Puzzle*, 47 SMU L. REV. 235, 236 (1994). The authors state:

Three distinct causes of action are potentially available to clients for misbehavior by their lawyers: (1) breach of fiduciary duty; (2) breach of contract; and (3) the tort of malpractice. The courts, however, are not in agreement on the exact nature of and parameters for these causes of action. Many refuse to recognize the distinctions and dichotomies between and among the actions, and conclude that regardless of how the cause is characterized it is essentially a tort action for malpractice. Such a conclusion, however, is much too pat. In both pleading and proof, precisely framing the nature of the wrong can have a substantial impact on the outcome of the case, depending upon which cause of action is being alleged.

negligence and breach of fiduciary duty. The third is based on contract, express or implied. All require an attorney–client relationship arising in either tort or contract (or perhaps both), which imposes a legal duty on the part of the attorney to not violate any correlative rights of the client.<sup>38</sup> All require that a breach of that duty be causally related to any damages suffered by the client.<sup>39</sup>

The difference between the causes of action relate to the nature of the duty imposed and the conduct of the attorney that results in the breach of such duty owed to the client. With respect to professional negligence, the duty is one of exercising “the skill and knowledge normally possessed by members” of the legal profession.<sup>40</sup> Thus, a duty of care is imposed on the attorney to act reasonably “under the circumstances” according to the professional standard of care normally exercised by attorneys.<sup>41</sup> Expert testimony is usually required to establish this professional standard.<sup>42</sup>

With respect to a legal malpractice action based upon breach of fiduciary duty, the duty involved is one of professional conduct, i.e., to act consistently with standards of legal ethics as imposed by the common law and particularly by the ABA’s Model Code of Professional Responsibility<sup>43</sup> or Model Rules of Professional Conduct.<sup>44</sup> Hence, the difference is between breaching the professional standard of care and breaching the professional standard of ethics. As expressed by one court, “Professional negligence implicates a duty of care, while breach of fiduciary duty implicates a duty of loyalty and honesty.”<sup>45</sup> In certain circumstances, the same conduct may result in the breach of both duties, particularly if provisions of the Model Code of Professional Responsibility or Model Rules of Professional Conduct are interpreted

---

*Id.* (citation omitted).

38. *See id.* at 236.

39. *See DOBBS, supra* note 1, § 180, at 443.

40. *See* RESTATEMENT (SECOND) OF TORTS § 299A (1965) (defining the professional standard of care). “[U]nless he represents that he has greater or less skill or knowledge, one who undertakes to render services in the practice of a profession or trade is required to exercise the skill and knowledge normally possessed by members of that profession or trade in good standing in similar communities.” *Id.*

41. *See DOBBS, supra* note 1, § 485, at 1387–88 (“[S]ubject to slight variation in expression, attorneys owe clients the skill, care, knowledge, and diligence exercised by reasonable and prudent lawyers in similar circumstances.”) (citation omitted).

42. *Id.* at 1389. In the patent context, see, for example, *Campcore, Inc. v. Mathews*, 689 N.Y.S.2d 814 (N.Y. App. Div. 1999) (requiring expert evidence by client to avoid summary judgment in favor of patent attorney based on expert proof submitted by attorney that client would be unsuccessful in any infringement action), and *Kaempe v. Myers*, 367 F.3d 958, 966 (D.C. Cir. 2004) (“[Plaintiff] must present expert testimony establishing the standard of care unless the attorney’s lack of care and skill is so obvious that the trier of fact can find negligence as a matter of common knowledge.”) (citing *O’Neil v. Bergan*, 452 A.2d 337, 341 (D.C. 1982)).

43. *See generally* MODEL CODE OF PROF’L RESPONSIBILITY (1979).

44. *See generally* MODEL RULES OF PROF’L CONDUCT (2000).

45. *DOBBS, supra* note 1, § 487, at 1392 n.1 (citing *Beverly Hills Concepts, Inc. v. Schatz & Schatz, Ribicoff & Kotkin*, 717 A.2d 724, 730 (Conn. 1998)).

broadly enough to include standards of competency to practice law.<sup>46</sup> The problem with this broad interpretation is well stated by Mallen and Smith: “A lawyer who breaches an ethical rule has acted ‘unethically.’ The stigma of being so labeled sounds more serious than the violation of a common-law civil principle [the standard of care], though they may be substantively identical.”<sup>47</sup> However, these breaches are separate torts and would require separate pleading and proof. Violation of an ethical rule generally may be admissible as evidence of the breach of a duty of care, but is not a determinative factor;<sup>48</sup> moreover, this breach must be causally related to some damage suffered by the client.<sup>49</sup> For breach of fiduciary duty, expert testimony may not be required, as the breach is one of an ethical standard and not of due care.<sup>50</sup> In addition, separate defenses may be available, such as contributory negligence<sup>51</sup> and statutes of limitation.<sup>52</sup>

A client may base her claim against an attorney upon breach of an express contract. The client would be required to prove the existence of such a contract and the express provisions thereof violated.<sup>53</sup> When an implied contract is alleged as the basis of the client’s claim and the alleged breach involves negligence or unethical conduct of the attorney, the proof of the breach would be the same as in the direct actions for the respective torts.<sup>54</sup> Thus, the client would have the burden of establishing

---

46. See CODE OF PROF’L RESPONSIBILITY Canon 6 (1976). Other ethical rules may of course be involved. See, for example, *Universal Mfg. Co. v. Gardner, Carton & Douglas*, 207 F. Supp. 2d 830, 832 (N.D. Ill. 2002), where the court summarized the client’s allegations against its former patent firm:

[The client] brings three claims against [the patent firm] (breach of contract, breach of fiduciary duty, and professional negligence) based on identical allegations that [the firm] labored under a conflict of interest in violation of ABA Model Rule of Professional Conduct 1.7, failed to communicate fully and honestly with [the client] in violation of Model Rule 1.4, failed to act competently to protect [the client’s] interests in violation of Model Rule 1.1, and disclosed confidential information in violation of Model Rule 1.6.

*Id.*

47. 3 MALLEN & SMITH, *supra* note 1, § 19.7, at 98.

48. See MODEL RULES OF PROF’L CONDUCT pmbli.; see also DOBBS, *supra* note 1, § 485, at 1387 (“[L]awyer codes of conduct or ethics, adopted by states for disciplinary purposes, may be relevant to a court determining the civil obligations of lawyers, but they do not create a cause of action against lawyers.”) (citations omitted). As stated by the Federal Circuit in *Fullerton v. Fahrenkopf*, No. 98-1389, 1999 U.S. App. LEXIS 13337, at \*4 (Fed. Cir. June 17, 1999) (per curiam), “From a malpractice perspective, the apparent ethical violations alleged can serve as evidence of a breach of the duty of care owed by attorneys.”

49. Damage is required for the cause of action, but an ethical violation may serve as a defense in certain circumstances without damages being shown.

50. See Anderson & Steele, *supra* note 37, at 249. In the patent context, see *Waterloov Gutter Prot. Sys. Co. v. Absolute Gutter Prot., L.L.C.*, 64 F. Supp. 2d 398, 401–02 (D.N.J. 1999), where the court granted defendant patent attorney’s motion to dismiss the malpractice count because of plaintiff’s failure to present evidence of the professional standard of care, but refused to grant a motion to dismiss the common law fraud count because there were questions of fact concerning what the patent attorney knew or should have known and what was said about the availability of foreign patent protection.

51. See DOBBS, *supra* note 1, § 489; Anderson & Steele, *supra* note 37, at 254.

52. See DOBBS, *supra* note 1, § 491; Anderson & Steele, *supra* note 37, at 259–61.

53. But see 1 MALLEN & SMITH, *supra* note 1, § 8.6, at 816 (“[F]ew modern actions against attorneys are for breach of a written or express contract.”)

54. See *id.* § 8.7.

the appropriate professional standard of care or ethical conduct. However, pleading breach of implied contract normally provides the client with a longer statute of limitations than that applied to professional negligence.<sup>55</sup>

This Article will focus on the two tort causes of action in the context of patent practice, since actions based upon implied contract generally involve the same standards. Tort law requires careful factual analysis. The fundamental qualification for “reasonable” (non-negligent) conduct is “under the circumstances.”<sup>56</sup> Ethical violations may often be per se in nature, but difficult factual issues relating to causation and damages remain.<sup>57</sup> Therefore, careful attention is paid to the facts of the various cases chosen for discussion, which are selected as paradigmatic of particular elements of the malpractice causes of action or of a particular issue in the context of patent practice. Related cases are cited to supplement the analysis.

### *B. Malpractice as Professional Negligence*

#### *1. Duty Owed to Client as a Matter of Right*

The legal duty between an attorney and client arises from the professional relationship formed between the parties.<sup>58</sup> The theory underlying the duty–right relationship may be contract (express or implied) or tort.<sup>59</sup> The duty so imposed on the attorney is to act according to the standard of care customarily undertaken by members of the profession to avoid unreasonable risks of injury to the client within the scope of the imposed duty, with the client having a correlative right to that standard of care.<sup>60</sup> The scope of the duty is not unlimited and depends upon the nature of the legal services sought.<sup>61</sup> The scope may be expressly defined, e.g., if there is a contract specifying the services to be performed by the attorney, such as preparing a patent application covering a particular invention.<sup>62</sup> The duty may also be implied in the absence of an express contract, as an implied term of the professional relationship, or imposed by implication by the tort duty–right relationship under the circumstances.<sup>63</sup>

---

55. See DOBBS, *supra* note 1, § 491; Anderson & Steele, *supra* note 37, at 259–61.

56. DOBBS, *supra* note 1, § 117, at 277.

57. A breach of confidence may be a clear ethical violation; however, the questions of whether a breach has in fact occurred and whether damages have been suffered by a client may not be so clear.

58. Even after an attorney–client relationship has begun, the issue regarding the scope of that duty remains. It has been urged in various contexts that an attorney owes a duty to a non-client to use due care. See generally 1 MALLEN & SMITH, *supra* note 1, § 7; DOBBS, *supra* note 1, § 488.

59. See, e.g., DOBBS, *supra* note 1, § 227.

60. *Id.* § 485.

61. *See id.*

62. *See id.* §§ 229–230.

63. *See id.*

Due to the nature of legal specialties, one would expect that the duties owed by patent attorneys to their clients would generally be limited to patent matters as requested by the client, such as preparing and prosecuting patent applications, licensing, litigation, and clearance for marketing. Such a duty would normally be narrower in scope than providing general legal advice on corporate or related matters, which would span the entire spectrum of corporate legal practice. On the other hand, patent attorneys, as part of their duty to possess and exercise reasonable care in patent law matters, would also have a duty to possess and exercise reasonable technical competence with regard to the accepted proffered tasks from the client. If patent attorneys identify themselves as being capable of preparing applications in the biotechnology area, courts will hold the attorney to that undertaking within the scope of the duty so assumed.<sup>64</sup>

To avoid controversies over the exact scope of the duty undertaken by entering into a patent attorney–client relationship, a carefully drafted contract would serve to protect both parties. The contract would define the legal patent-related services to be performed, as well as the specific technology involved. Of course, even with an express contract, disputes can arise concerning the scope of the duty owed to a client under particular circumstances that neither party may have anticipated. The case of *Darby & Darby v. VSI International, Inc.*<sup>65</sup> is paradigmatic of the difficulties associated with the duty element in the negligence formula, and serves as a sobering example for both patent attorneys and their clients.

In *Darby*, the client company retained the patent firm for litigation defense in a Florida case involving patent, trademark, and trade dress issues.<sup>66</sup> The company fell behind in paying its legal fees to the firm.<sup>67</sup> After repeated requests for payment, the firm moved to withdraw as counsel, a motion the court granted.<sup>68</sup> Several years later the firm brought this action in New York to recover its unpaid legal fees, interest, and costs amounting to approximately \$200,000.<sup>69</sup> The company counterclaimed, alleging that the firm committed “legal malpractice and breach of fiduciary duty based on [the firm’s] failure to advise them of possible coverage for their litigation expenses under their then-existing general liability insurance policy.”<sup>70</sup> Moreover, the company asserted that counsel who replaced the plaintiff firm advised it of the possibility

---

64. This is so, as stated in RESTATEMENT (SECOND) OF TORTS § 299A (1965), “[u]nless he represents that he has greater or less skill or knowledge.”

65. 678 N.Y.S.2d 482 (N.Y. Sup. Ct. 1998) [hereinafter *Darby I*], *modified*, 701 N.Y.S.2d 50 (N.Y. App. Div. 2000) [hereinafter *Darby II*], *aff’d*, 739 N.E.2d 744 (N.Y. 2000) [hereinafter *Darby III*]; see Dolak, *Current Ethics Issues*, *supra* note 1, at 259–60 (discussing the lower court decisions).

66. *Darby I*, 678 N.Y.S.2d at 484.

67. *Id.*

68. *Id.*

69. *Darby III*, 739 N.E.2d at 746.

70. *Id.*

that its policy might apply, and upon the company's inquiry, this proved to be correct, as the court recognized coverage under the "advertising liability" clause.<sup>71</sup> The insurance company, however, declined to cover any litigation expenses prior to notification.<sup>72</sup>

The trial judge held that the malpractice counterclaim presented a triable issue and denied the firm's motion for summary judgment.<sup>73</sup> The approach taken by the trial judge to the duty issue was all-encompassing: "The plaintiff has failed to cite a single case supporting its contention that, as a matter of law, it did not owe the defendants a duty to inquire about their insurance coverage."<sup>74</sup> The court has been unable to find any New York authority on this point.<sup>75</sup> The court then cited a California Supreme Court case<sup>76</sup> on the issue of whether the failure to investigate insurance coverage triggered the statute of limitations in a malpractice case. The court drew the inference that "[i]t was implicit in the decision that, under certain circumstances, the failure of a law firm to inquire about its client's insurance is actionable."<sup>77</sup> The trial judge then concluded that he was "persuaded that the plaintiff's failure to investigate the defendants' insurance coverage or alert them to the potential availability of insurance to cover their litigation expenses may have constituted legal malpractice."<sup>78</sup>

If a rule may be distilled from this trial-level decision, it would be that an attorney has a duty to a client to investigate or alert the client of the potential availability of insurance coverage unless there is precedent to the contrary, provided there is at least some relevance of the potential coverage to the matter under representation. On appeal, the Appellate Division<sup>79</sup> took a diametrically opposed view of the duty issue.

Indeed, while the trial court expansively implied the scope of the attorney's duty, the Appellate Division limited the duty to a contractual meeting of the minds:

We conclude that the allegations contained in the defendants' answer are insufficient to support findings of either professional malpractice or breach of fiduciary duty. In the absence of a factual assertion that the scope of the task for which counsel was retained specifically included inquiry into the nature and extent of its insurance coverage and whether it was applicable to the claim, the retention of counsel for the defense of such an action simply does not include any responsibility for assisting the client in determining

---

71. *Id.*

72. *See id.*

73. *Darby I*, 678 N.Y.S.2d at 487.

74. *Id.* at 486.

75. *Id.*

76. *Jordache Enters. v. Brobeck, Phleger & Harrison*, 958 P.2d 1062 (Cal. 1998).

77. *Darby I*, 678 N.Y.S.2d at 486.

78. *Id.*

79. *Darby II*, 701 N.Y.S.2d at 51.

whether sources exist from which to pay for that defense and any ultimate liability finding.<sup>80</sup>

The court conceded that a duty might be implied to bring attention to the possibility of the existence of insurance coverage in “particular circumstances,” such as where an attorney represents a client involved in an automobile accident.<sup>81</sup> However, the court concluded that it found “no support for the proposition that an attorney who was retained to defend a business client in intellectual property litigation” should have such a duty to investigate.<sup>82</sup> The court then placed the onus on the client to come forward with authority for the proposition that such a duty is to be imposed.<sup>83</sup> The court also discounts the California case as being limited to the issue regarding the statute of limitations.<sup>84</sup> Adding salt to the client’s wound, the court imposed the duty to investigate upon the client because the client procured the insurance policy and therefore is “chargeable with the knowledge of whether that insurance covered the pending litigation.”<sup>85</sup> Supposedly, the only way to be discharged from interpreting the insurance contract is to refer the contract specifically for interpretation to an attorney.

Hence, the rule of the Appellate Division appears to be that an attorney has no duty to a client to investigate or alert the client of the potential availability of insurance coverage unless the client specifically retains the attorney to do so, or such circumstances exist where insurance coverage would be expected.<sup>86</sup>

The company then appealed to New York’s highest court,<sup>87</sup> which interpreted the duty issue differently. The court first defined the “main issue” on appeal as “whether a New York law firm retained to defend a corporate client in a Florida patent infringement litigation had a duty to advise the client about possible insurance coverage for the costs of the litigation.”<sup>88</sup> The court concluded that the firm “should not be held liable for failing to advise defendants about a *novel and questionable theory* pertaining to their insurance coverage.”<sup>89</sup> The rationale for this conclusion seems to be based on the proposition that attorneys should

---

80. *Id.*

81. *Id.* at 51.

82. *Id.*

83. *See id.*

84. *Id.* at 51–52.

85. *Id.* at 52.

86. In addition to automobile accidents, presumably, the court would take judicial notice that a homeowner might have fire insurance or that a professional—a physician, lawyer, or accountant—charged with malpractice might have applicable insurance coverage. In the context of patent law, however, it may not be apparent which “particular circumstances” might qualify for the court to impose a duty to investigate the possibility of insurance coverage. Expert testimony, of course, would not be appropriate, lest the legal duty issue be converted into the factual breach issue. *See Dolak, Current Ethics Issues, supra* note 1, at 259–60 (discussing *Darby II*).

87. *Darby III*, 739 N.E. 2d 744 (N.Y. 2000).

88. *Id.* at 745.

89. *Id.* at 748 (emphasis added).

not be held liable for making “errors of judgment”<sup>90</sup> concerning “novel and questionable” theories of law. Indeed, it would seem that attorneys have no duty to bring such “novel and questionable” theories to the attention of their clients.

The court reaches this conclusion by the following logic: While California had recognized the theory that patent infringement claims were covered by the “advertising liability” clause of a general liability policy, both Florida and New York, the most relevant contact states to this controversy, had rejected such coverage, according to the court.<sup>91</sup> The court buttressed this conclusion by explaining that the theory was largely undeveloped at the time in question, that only a few states had recognized it, and that the insurance companies denied the claim and did not bother to change their policies until much later.<sup>92</sup> Hence, even though the exact language of the “advertising liability” clause was not in the record for the court’s review<sup>93</sup> and the Florida Supreme Court had not decided the issue,<sup>94</sup> there seemed no doubt that this issue fit into what the court calls a “novel and questionable theory.” Therefore, it would follow that if the firm had known of the company’s policy, had evaluated it, and had concluded that it was such a “novel and questionable theory,” and that its “best judgment” was not to bring this theory to the attention of its client, this course of conduct would be reasonable and justified.<sup>95</sup> However, what is the result if the facts indicate that the firm did not know of the policy and had made no inquiry concerning any insurance policies held by its client? Assume the “advertising liability” clause expressly covered patent infringement claims. After all, the insurance company did assume responsibility to defend once notified of the infringement claims. Neither the assumed fact that the firm had no knowledge of the policy nor the assumed fact that the policy actually covered the litigation in question would seem to impose a duty on the firm to “alert” the client of the possibility of insurance coverage. Knowledge of the “novel and questionable theory” appears irrelevant to the duty analysis.

The court seems to assume that the firm was well aware of the “novel and questionable theory” and rejected it as being unworthy of

---

90. On the issue of judgmental errors, see generally 3 MALLEN & SMITH, *supra* note 1, § 18. Mallen and Smith are particularly critical of basing malpractice claims on the basis of “errors of judgment”: “Of all professionals, however, lawyers are the most vulnerable to an error revealed in hindsight.” *Id.* § 18.1, at 2. They conclude:

Although judgmental errors resulting from ignorance should continue to be a basis of malpractice liability, attorneys should be protected from malpractice charges solely based on an error or disagreement with their judgmental processes. History has taught that the reasoning of those accused of error today may provide the rationale for what the law will be tomorrow.

*Id.* § 18.18, at 63.

91. *Darby III*, 739 N.E.2d at 747.

92. *Id.* at 746–48.

93. *Id.* at 746 n.1.

94. *See id.* at 747.

95. *Id.* at 748.

even being brought to the attention of the client. This assumption is made clear by the court's summation:

Although defendants acknowledge the novel nature of their claim, they maintain that, as a highly specialized patent law firm, plaintiff had a duty to keep abreast of emerging legal trends. We agree that attorneys should familiarize themselves with current legal developments so that they can make informed judgments and effectively counsel their clients (*see* Code of Professional Responsibility EC 6-2). However, plaintiff in this case should not be held liable for failing to advise defendants about a novel and questionable theory pertaining to their insurance coverage . . . .<sup>96</sup>

Thus, although attorneys have an ethical responsibility to “familiarize themselves with current legal developments,” if they fail to do so and the development is “novel and questionable,” no legal duty should be imposed even to alert their client to such developments.<sup>97</sup>

A plausible interpretation of the holding is that an attorney has a duty to investigate a “novel and questionable theory,” but the duty does not extend to “advising” the client of the theory. As stated by the court, “Because plaintiff acted in a manner that was reasonable and consistent with the law as it existed at the time of representation, it had no duty to inform defendants about possible ‘advertising liability’ insurance coverage for their patent infringement litigation expenses.”<sup>98</sup> What the court seems to say is that the firm acted reasonably (i.e., in accordance with its professional standard of care) and hence had no duty to inform. In effect, the court may be putting the cart before the horse. Of course, there would be no liability even with a duty imposed, if the firm acted with due care (because no breach would occur). However, the parties did not introduce any expert testimony concerning the standard of care under these circumstances. The court seems to presume that a reasonable patent attorney would not bring this matter to the attention of the client.

If a rule can be deduced from the final *Darby* decision, it might be that an attorney has no duty to advise a client concerning a “novel and questionable theory” of law. Stated positively, the rule requires an attorney to only advise a client concerning “old (established) and unquestioned theories” of law. In essence, the court considered only one basis for imposing a duty: whether the firm had a duty to advise its client concerning the content of its insurance coverage. By so limiting the scope of the duty, any potential duty to “alert” the client of the possibility of coverage is disregarded. Presumably, the basis for disregarding is that even if the firm was aware of the insurance policy

---

96. *Id.* (citation omitted).

97. *Id.*

98. *Id.*

and the “advertising liability” clause, the theory of coverage was too “novel and questionable” and thus need not be taken into account.

When there is a duty issue in tort law, one naturally turns to *Palsgraf v. Long Island Railroad Co.*<sup>99</sup> This case would seem to be of interest particularly to the New York Court of Appeals. In *Palsgraf*, Justice (then Chief Judge) Cardozo set forth the following definition of duty: “the orbit of the danger as disclosed to the eye of reasonable vigilance would be the orbit of the duty.”<sup>100</sup> The context was the foreseeable physical danger to plaintiff Palsgraf, arising out of negligent conduct that occurred some distance away.<sup>101</sup> However, as applied to the present case, the issue would be whether the attorney should foresee by reasonable vigilance the economic danger to the client of not investigating the possibility of insurance coverage, however “novel and questionable” that coverage might be.

Another approach would be to turn to Judge Learned Hand and his economic analysis in *United States v. Carroll Towing Co.*<sup>102</sup> Under the theory of *Carroll Towing*, liability would be imposed if the burden (“B”) of taking precaution is less than the product of the probability (“P”) of a loss occurring and the magnitude of the loss (“L”), i.e.,  $B < PL$ .<sup>103</sup> In the present case, L is quantifiable as the amount of attorney’s fees that the insurance company would have paid if notified. P could range from near zero (if there was a definitive ruling on this issue in the contact state) to one (if the insurance clause specifically covered patent infringement). In any event, the burden of verifying whether the client had general liability insurance or other relevant policies would be quite small, as would be the burden of “alerting” the client to check its policies with the insurance carrier.

Although the patent firm prevailed in the *Darby* line of cases, it should provide little solace for patent practitioners. A scope of duty depending upon whether a theory is categorized by a court *ex post* as being “novel and questionable” hardly provides much insulation against a claim of malpractice. This would seem to be particularly true when the attorney was unaware of the theory and thus would not have undertaken an evaluation of the theory. If such an antidote exists, it would be to follow the ethical mandate to keep up with developments in the law. The wisdom of Judge Hand may also provide guidance in avoiding potential liability when cost-effective precautions are taken.<sup>104</sup>

---

99. 162 N.E. 99 (N.Y. 1928) (Cardozo, C.J.).

100. *Id.* at 100.

101. *Id.* at 99.

102. 159 F.2d 169 (2d Cir. 1947).

103. *Id.* at 173.

104. In a recent article summarizing the state of the law with respect to insurance coverage in intellectual property cases, William Campbell suggests:

Policyholders confronted with IP claims should review *all* possibly relevant policies, including advertisers’ liability, media, Internet, errors and omissions, and directors’ and officers’ liability policies. The policyholder should promptly report any possibly covered claim to the insurer.

While the doctrine of informed consent has not received a warm welcome in legal malpractice cases,<sup>105</sup> it does not seem too great a stretch of imagination to analogize *Darby* to a case of informed consent as regularly applied in the context of medical malpractice.<sup>106</sup> In this context, the issue would be: Did the firm have a duty to inform its client of the possibility of insurance coverage? In the medical context, the duty issue is usually framed as requiring that all “material risks” be disclosed to the patient so that consent can be given on an informed basis.<sup>107</sup> There are three different standards for evaluating whether the party has satisfied this duty. First, the “paternalistic” standard of the profession inquires into the custom of the profession to inform.<sup>108</sup> This would most likely require expert testimony in order to establish whether the standard is met. Second, the “reasonable patient” standard asks what the reasonable patient would require in order to make an informed decision.<sup>109</sup> Third, the “subjective” standard asks what *this* particular patient would require in order to make an informed decision.<sup>110</sup> The paternalistic standard is the most favorable standard for the professional. However, in the context of the *Darby* line of cases, this would require the parties to provide expert testimony on the issue of whether it was a customary practice for patent attorneys to advise their clients of the possibility of insurance coverage under their general liability coverage. If so, then failure to inform would constitute the breach. A causal relationship exists between the failure to advise and the damages suffered: but for the failure to inform, the client would not have paid the legal fees itself, but would have had them paid by the insurance company.

The doctrine of informed consent is slowly evolving in legal malpractice cases. However, it is a doctrine from which patent attorneys are not likely to be immune and which may place a small burden on the

---

Giving prompt notice takes little time and may save an insurance claim that can be lost by failure to comply with policy notice requirements.

William F. Campbell, *New Policies, Less Coverage Insurance Coverage for Intellectual Property Claims*, 22 INTELL. PROP. L. NEWSL. 13, 18 (2004) (emphasis added).

105. See Vincent R. Johnson, “*Absolute and Perfect Candor*” to Clients, 34 ST. MARY’S L.J. 737, 749 (2003). The author states:

In the medical malpractice field, widespread recognition of the doctrine of informed consent has increased the disclosure obligations of physicians. A medical professional, absent special circumstances, must disclose all material risks of, and alternatives to, a course of treatment, regardless of what is customary among professionals practicing in the community. The informed-consent doctrine has not yet found equally clear recognition in the legal malpractice field, although there is good authority that the same principles apply as readily in law as in medicine.

*Id.* (citations omitted).

106. See generally DOBBS, *supra* note 1, §§ 250–251.

107. See Johnson, *supra* note 105, at 749.

108. See *id.* at 749–50.

109. See *id.* at 749.

110. See *id.*; see also Scott v. Bradford, 606 P.2d 554 (Okla. 1979) (discussing the three standards and adopting the third).

attorney compared to the potential cost to clients, even as discounted by the probability of the loss occurring.<sup>111</sup>

## 2. Breach of Duty—Professional Standard of Care

As stated by Professor Dobbs, the professional standard of care owed to clients by lawyers is “the skill, care, knowledge, and diligence exercised by reasonable and prudent lawyers in similar circumstances.”<sup>112</sup> Mallen and Smith condense this statement into: “[The] attorney should exercise the skill and knowledge ordinarily possessed by attorneys under similar circumstances.”<sup>113</sup> Customizing this statement for patent attorneys would account for the circumstance that they are specialists, advertising themselves as having greater skill or knowledge than a general attorney<sup>114</sup> in patent matters, so that *patent* attorneys should exercise the skill and knowledge ordinarily possessed by *patent* attorneys under similar circumstances.

The party alleging malpractice has the burden of establishing the standard of care, usually by means of introducing expert testimony.<sup>115</sup> For the patent attorney, the standard of care is another double-edged sword. The standard is that of a specialist and thus narrows its scope to those few who qualify as “patent specialists,”<sup>116</sup> rather than those generally qualified to practice law or other non-patent specialists. But compared to other professions (e.g., medicine, accounting, or

---

111. See Johnson, *supra* note 105, at 749–52. Note the ethical duty imposed on lawyers to inform and consult with clients. See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 20 (2000). A Lawyer’s Duty to Inform and Consult with a Client

(1) A lawyer must keep a client reasonably informed about the matter and must consult with a client to a reasonable extent concerning decisions to be made by the lawyer under §§ 21–23.

(2) A lawyer must promptly comply with a client’s reasonable requests for information.

(3) A lawyer must notify a client of decisions to be made by the client under §§ 21–23 and must explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

*Id.*

In a patent litigation case, the court framed the alleged malpractice in terms of the failure of the patent attorney to inform a client of risks and alternative courses of action. See *Sherman Indus., Inc. v. Goldhammer*, 683 F. Supp. 502 (E.D. Pa. 1988). The court found:

The record in this case clearly does raise an issue on the merits of plaintiff’s tort claim, [i.e.], whether [the patent attorney’s] advice to plaintiff regarding patent invalidity and non-infringement was tortiously negligent. The evidence of record, viewed in the light most favorable to plaintiff, shows that [the patent attorney] failed fully to inform [the client] of the risks of suing [an alleged infringer], and of available alternative courses of action.

*Id.* at 508 n.7.

112. See DOBBS, *supra* note 1, § 485, at 1388 (citation omitted).

113. 3 MALLEN & SMITH, *supra* note 1, § 19.2, at 67 (emphasis in original).

114. See RESTATEMENT (SECOND) OF TORTS § 299A (1965). Courts may consider general attorneys who represent clients in patent matters as holding themselves out as qualified to practice in the specialized area. See *Commonwealth Film Processing, Inc. v. Moss & Rocovich, P.C.*, 778 F. Supp. 283, 284 (W.D. Va. 1991) (alleging malpractice by attorneys who “negligently failed to demonstrate adequate knowledge of the law of trade secrets and patents and in advising [the client] about settlement proposals and defending [the] lawsuit” and “negligently failed to associate counsel skilled in the law of trade secrets and patents”).

115. See DOBBS, *supra* note 1, § 485, at 1389–90.

116. See *id.*

engineering), practice standards may be subjective, as opposed to an objectively recognized standard that can be documented by reference to an authoritative source. Evidence of custom is supposed to be objective, i.e., the standard of the profession, or “how it is done.”<sup>117</sup> Subjectivity, of course, infects any profession, and lawyers, particularly specialists like patent attorneys, may be particularly susceptible to developing their own way of doing things (e.g., drafting claims, performing searches, and monitoring foreign applications for references). Thus, there may be no generally accepted standard of professional conduct for performing a particular task, but rather a number of standards corresponding to the number of expert opinions.<sup>118</sup> As the breach element of the negligence

---

117. See *id.* § 164.

118. Clients have raised allegations of failure to meet the professional standard of care by patent attorneys in a wide variety of circumstances. See, e.g., *Keller v. Clark Equip. Co.*, 715 F.2d 1280 (8th Cir. 1983) (regarding allegations of the failure to timely file a patent application); *We're Talkin' Mardi Gras, L.L.C. v. Davis*, 192 F. Supp. 2d 635, 636 (E.D. La. 2002) (containing allegations of malpractice for failure to advise client “that to ensure its exclusive control of the invention it had to obtain the exclusive rights to the invention via a written assignment from the inventors”); *Universal Mfg. Co. v. Gardner, Carton & Douglas*, 207 F. Supp. 2d 830 (N.D. Ill. 2002) (commingling allegations of professional negligence with ethical rules violations in a patent litigation context); *Waterloov Gutter Prot. Sys. Co. v. Absolute Gutter Prot., L.L.C.*, 64 F. Supp. 2d 398 (D.N.J. 1999) (pertaining to allegations of misadvising on the availability of foreign patent protection); *Gittes v. GMIS, Inc.*, No. 95 Civ. 2296 (BSJ), 1999 WL 500144 (S.D.N.Y. July 15, 1999) (regarding allegations of, *inter alia*, recommending filing a declaratory judgment action without sufficiently evaluating the patent, its file history, the prior art, and the relevant legal issues; failing to understand the development of the client's allegedly infringing product; and filing the underlying action without advising its client of the risks of litigation and the importance of reaching a settlement); *Kirkland & Ellis v. CMI Corp.*, No. 95-C-7457, 1999 WL 92257 (N.D. Ill. Feb. 11, 1999) [hereinafter *CMI-II*] and *Kirkland & Ellis v. CMI Corp.*, No. 95-C-7457, 1996 WL 559951 (N.D. Ill. Sept. 30, 1996) [hereinafter *CMI-I*] (allegations of failure to introduce evidence of reasonable royalty rate and failure to advise of conflict of interest) (discussed *infra* text accompanying notes 185–231); *IMT Inc. v. Haynes and Boone, L.L.P.*, No. Civ. A. 3:98-CV-2634, 1999 WL 58838 (N.D. Tex. Feb. 1, 1999) (involving allegation that patent attorneys filed patent application as a continuation-in-part, rather than as an original application); *Univ. of Iowa Research Found. v. Beveridge, DeGrandi, Weilacher & Young L.L.P.*, 50 U.S.P.Q.2d (BNA) 1620 (S.D. Iowa 1998) (allegations of negligent failure to pay maintenance fee); *Harsco Corp. v. Kerkam, Stowell, Kondracki & Clarke, P.C.*, 961 F. Supp. 104, 106 (M.D. Pa. 1997) (concerning allegations of failure to comply with Federal Rules of Civil Procedure regarding a motion for judgment as a matter of law in a patent infringement action); *In re SMEC, Inc.*, 160 B.R. 86, 89 (M.D. Tenn. 1993) (involving allegations of failure to advise client on possibility of patent infringement under the doctrine of equivalents); *Sherman Indus., Inc. v. Goldhammer*, 683 F. Supp. 502 (E.D. Pa. 1988) (containing allegations of negligent advice on validity, infringement, and measure of damages); *Hoffman v. Textron, Inc.*, 195 U.S.P.Q. (BNA) 134 (D. Minn. 1976) (containing allegations of negligence in prosecuting an interference resulting in the patent being awarded to another party); *Voight v. Kraft*, 342 F. Supp. 821 (D. Idaho 1972) (concerning allegations of advising inventors to pursue a patent on a device that was unpatentable); *Pelton v. Andrews*, 74 P.2d 528 (Cal. Ct. App. 1937) (concerning allegations of failure to file a response to Patent and Trademark Office (“PTO” or “Patent Office”) action); *Jackson Jordan, Inc. v. Leydig, Voit & Mayer*, 633 N.E.2d 627 (Ill. 1994) (containing allegations of negligent failure to disclose an infringed patent in the opinion letter); *Wilco Marsh Buggies & Draglines, Inc. v. XYZ Ins. Co.*, 520 So. 2d 1292, 1293–94 (La. Ct. App. 1998) (regarding allegations of failure to rely upon a defense of public use to invalidate a patent that had been relied upon in later infringement litigation); *Delta Process Equip., Inc. v. New England Ins. Co.*, 560 So. 2d 923, 924 (La. Ct. App. 1990) (involving allegations of failing to file a patent application on time, failing to make inquiries concerning prior sales of the system, and giving erroneous advice concerning timing of the patent application); *Dulberg v. Mock*, 133 N.E.2d 695, 696 (N.Y. 1956) (containing allegations that patent attorney “gave plaintiff incorrect legal advice, failed to give him full and accurate information and neglected to make all the ‘claims’ available as to his invention; that defendants did

cause of action is a question of fact to be decided by the jury, the infusion of advocacy-driven subjectivism into the standard of care may give pause to a patent specialist, who may then begin to see increased merit in the *Darby* duty approach under the (hopefully) benign eye of a friendly court.

A paradigm case involving the professional standard of care to be exercised by a patent attorney once a duty is established between the attorney and the client is *Carabotta v. Mitchell*.<sup>119</sup> The client had been a distributor of a “Papillon” style of umbrella manufactured in France and also in Italy by an enterprise named Arquati, Inc.<sup>120</sup> The client requested that the patent attorney advise whether it was possible to manufacture this style of umbrella in the United States.<sup>121</sup> The client provided the attorney with diagrams of the umbrella and the address of Arquati.<sup>122</sup> However, the information concerning the French developer was incomplete, as it neglected to provide either the name or address of the company.<sup>123</sup> An employee of the client provided the only information: “Unfortunately, I was unsuccessful in finding the address of the French company. I do know they are found all over France, French Rivira. [sic] The name they can most likely be found under is Jean-Collet.”<sup>124</sup> The patent attorney, forwarding the information provided by the client, then retained a Washington, D.C., patent firm to conduct a search.<sup>125</sup> The firm discovered no relevant patent information, and the attorney notified the client as such.<sup>126</sup> However, the attorney indicated further concern over

---

this fraudulently and to benefit competitors of plaintiff . . .”); *Magnacoustics, Inc. v. Ostrolenk, Faber, Gerb & Soffen*, 755 N.Y.S.2d 726 (N.Y. App. Div. 2003) (pertaining to allegations of failure to advise client of settlement offer in patent infringement action); *Inkine Pharm. Co. v. Coleman*, 759 N.Y.S.2d 62 (N.Y. App. Div. 2003) (concerning allegations of failure to file for foreign patent protection); *IGEN, Inc. v. White*, 672 N.Y.S.2d 867 (N.Y. App. Div. 1998) (regarding allegations of failure to file for foreign patent protection); *Saveca v. Reilly*, 488 N.Y.S.2d 876, 877 (N.Y. App. Div. 1985) (referring to allegations of failure to research Patent Office proceedings); *Carabotta v. Mitchell*, No. 79165, 2002 WL 42948 (Ohio Ct. App. Jan. 10, 2002) (involving allegations of negligence in conducting patent infringement clearance search); *Warren v. Eckert Seamans Cherin & Mellot*, 45 Pa. D. & C.4th 75, 77 (Ct. Com. Pl. 2000) (referring to allegation of failure to obtain a patent of appropriate breadth and scope resulting in damages in excess of \$12 million); *Minatronics Corp. v. Buchanan Ingersoll P.C.* (No. 2), 28 Pa. D. & C.4th 214 (Ct. Com. Pl. 1996) (relating to allegations of failure to file client’s patent application and concealment of that fact); *Am. Med. Elec., Inc. v. Korn*, 819 S.W.2d 573 (Tex. Ct. App. 1991) (concerning allegations of misadvising on likelihood of issuance of patent and application of the shop-right doctrine); *Boehm v. Wheeler*, 223 N.W.2d 536 (Wis. 1974) (regarding allegations of failing to file patent application within one-year period from sale of product and advising to send models disclosing trade secrets); *Fotodyne, Inc. v. Barry*, 449 N.W.2d 337 (Wis. Ct. App. 1989) (containing allegations of filing incomplete Patent Cooperation Treaty (“PCT”) application, delaying filing for nearly one year, and delaying informing client that PCT application had been rejected by the PTO).

119. No. 79165, 2002 WL 42948 (Ohio App. Ct. Jan. 10, 2002).

120. *Id.* at \*1.

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.* (alteration in original) (citations omitted).

125. *Id.*

126. *Id.*

copying the exact design of the umbrella, and advised that it was sound practice to make changes in design prior to marketing.<sup>127</sup>

Subsequently, the client informed the patent attorney that it intended to manufacture identical copies of the Arquati Papillon umbrella.<sup>128</sup> The attorney then decided to personally conduct a search of the prior art at the PTO in Washington, D.C.<sup>129</sup> There, the attorney conducted a subject-matter search where he “flipped through” approximately 1000 patents.<sup>130</sup> The court indicated that “flipping through” consisted “of viewing the face page of a patent, in particular, the schematic drawing contained on that page.”<sup>131</sup> The patent attorney “testified that he performed both an [inventor] and assignee computer search.”<sup>132</sup> However, the attorney performed this search under the assumption that “Jean-Collet” was a company, rather than the name of the inventor.<sup>133</sup> In fact, the inventor was named “Jean Collet” (without the hyphen).<sup>134</sup> In addition, the names “Papillon” and “Arquati” did not disclose any assigned patents.<sup>135</sup> Based on these search results, the patent attorney advised his client that he could not find a patent covering this design and concluded that the design was in the public domain.<sup>136</sup>

Accordingly, the client began manufacturing and selling the Papillon umbrella, which turned out to be commercially successful.<sup>137</sup> However, within a few months Arquati filed a complaint alleging infringement of Patent No. 4,606,366 (“the ’366 patent”) granted to Jean Collet as inventor in August 1986, which the inventor assigned to Arquati in May 1997 (*after* the date the client began to market the umbrella).<sup>138</sup> The client retained another patent law firm to defend the infringement suit against Arquati.<sup>139</sup> This suit was eventually settled.<sup>140</sup> The client then filed a malpractice suit against the original patent attorney who had conducted the search and had given patent clearance for the manufacture of the Papillon umbrella.<sup>141</sup>

There appears to be no question that a patent attorney has a duty to conduct a patent clearance search with that degree of skill and

---

127. *Id.* at \*3.

128. *Id.* at \*1.

129. *Id.* at \*4. The PTO has been in Crystal City, Virginia, since 1967. *See Lex Tex Ltd. v. Skillman*, 579 A.2d 244, 245 n.1 (D.C. 1990).

130. *Carabotta*, 2002 WL 42948, at \*2.

131. *Id.* at \*4-5.

132. *Id.* at \*5.

133. *Id.* at \*2.

134. *Id.* at \*5-6.

135. *Id.* at \*6. The patent in question had not been assigned to Arquati until after this computer search was conducted.

136. *Id.*

137. *Id.* at \*2.

138. *Id.* at \*6-7.

139. *Id.* at \*2.

140. *Id.* at \*7. The settlement was for \$50,000 plus royalties to be paid on the client’s inventory.

*Id.*

141. *Id.* at \*8.

knowledge normally possessed and exercised by an attorney under the given circumstances. Thus, the critical issue in *Carabotta* is whether the patent attorney satisfied the professional standard of care in performing the search.<sup>142</sup> At the trial, the defendant patent attorney “testified that he had touched the ’366 patent while doing his subject matter search but after looking at the drawing on the face page discounted it as irrelevant.”<sup>143</sup> The attorney stated that the basis for his actions in discounting the ’366 patent was that the diagrams provided by the client did not disclose the particular structural features included on the front page of the patent document.<sup>144</sup> The patent document, however, was entitled “Protective Shelter, Such As An Umbrella With Offset Support.”<sup>145</sup> Also, the inventor’s name was listed as “Jean Collet,” a resident of France.<sup>146</sup> The patent attorney further admitted that he did not pay attention to the title, inventor’s name, or abstract, but was primarily concerned with the substance.<sup>147</sup>

At trial, both the client and the patent attorney called expert witnesses to testify concerning the standard of care in conducting a search of this type; these experts were intellectual property attorneys that the court described as having “impeccable credentials.”<sup>148</sup> The client’s expert witnesses testified that the patent attorney had deviated from the professional standard expected of a reasonable patent attorney by limiting his search to the face page of the patents.<sup>149</sup> Moreover, the witnesses opined that if due care had been exercised, the attorney would have noticed the inventor’s name and the title of the patent in question.<sup>150</sup> On the other hand, the patent attorney’s expert testified that it was reasonable to focus on the drawings in the search because this was a subject-matter search concerning the structure of the invention and not a search with respect to the name of the inventor or the title of the invention.<sup>151</sup>

The jury returned an unanimous verdict for the defendant patent attorney.<sup>152</sup> However, the trial judge granted the client’s motion for a new trial and concluded that the verdict was “manifestly against the weight of the evidence and that [the patent attorney’s] efforts fell well below the standard of care.”<sup>153</sup> The patent attorney appealed, and the appellate court reversed the trial court and reinstated the jury verdict.<sup>154</sup>

---

142. *Id.* at \*7.

143. *Id.*

144. *Id.*

145. *Id.* at \*9.

146. *Id.*

147. *See id.*

148. *Id.*

149. *Id.*

150. *Id.* at \*9–10.

151. *Id.* at \*10.

152. *Id.*

153. *Id.* at \*10–11 (quotation omitted).

154. *Id.* at \*22.

In reviewing the testimony of the patent attorney's expert, the appellate court concluded, contrary to the trial judge, that the attorney had provided "competent, substantial and credible" evidence of the standard of care by conducting a subject matter search while referring to the drawings alone, without reference to the inventor's name or title.<sup>155</sup> In the appellate court's view, the trial judge had narrowly focused its attention on the testimony of the patent attorney's expert on the question of whether there was actual infringement of the '366 patent, thus making it irrelevant whether the attorney had found this particular patent in his search.<sup>156</sup>

It would appear that the trial court focused on the testimony of the defendant patent attorney's expert concerning the relevancy of the patent that was not discovered in the search. This, however, is the causation issue, i.e., the "case-within-a-case." Whether or not the patent was found in the search would have no causal relation to any damages sustained if the patent turned out to be invalid or not infringed. The validity and infringement of the '366 patent, however, is irrelevant to the standard of care issue of whether a reasonable patent attorney would have used a search procedure different from "flipping through." The appellate court refocused the issue to a patent attorney standard of care.<sup>157</sup>

It is interesting to note that there does not appear to be an allegation that the attorney negligently performed a computer search.<sup>158</sup> It is not clear from the reported case whether the attorney performed the computer search before or after the "flipping through" search.<sup>159</sup> If a reasonably performed computer search would have disclosed the '366 patent, there is a causal connection between a negligently performed computer search and the damage suffered by the client.<sup>160</sup> A computer search would not have turned up an assignment of the '366 patent to Arquati, because this assignment did not occur until after the time that

---

155. *Id.* at \*6.

156. *See id.* at \*5.

157. An interesting causation issue is raised if the argument is made that the patent was invalid or not infringed and the firm that took over for the defendant's patent attorney negligently settled this case based on the validity and infringement of the patent. Indeed, in this case, the defendant impleaded the patent firm who took over for the defendant attorney and claimed contribution against that firm. *Id.* at \*3. The firm dismissed the contribution claim on motion. *Id.* The causation issue will be discussed in the following section.

158. *See id.* It is also interesting to note that there was no allegation that the original search by the Washington search firm was performed negligently. *Id.*

159. After discussing the "flipping through" search, the court stated that the patent attorney "also performed a computer search at this time." *Id.* at \*2.

160. In this situation, the "flipping through" and computer searches were made by the same party; however, had they been made by independent parties, the question is raised whether the first searcher would have been insulated from liability by the second searcher's failure to discover the patent in question as a "superseding" cause of the client's injury. This would be the situation with respect to the Washington firm, if the allegation were made that that search was negligently conducted. All of these examples raise interesting issues of proximate cause that will be considered *infra*. *See generally* DOBBS, *supra* note 1, §§ 192-194.

the defendant patent attorney had undertaken these searches.<sup>161</sup> However, if the company had identified “Jean Collet” as the inventor, it would have been a simple task to discover the ’366 umbrella patent.<sup>162</sup> It would appear that expert testimony would be required to establish the standard of care for a computer search under these circumstances, particularly in light of the information given to the patent attorney.<sup>163</sup> There may be some trepidation in making malpractice depend upon what a difference a hyphen makes. In any event, the content and quality of the expert testimony cannot be overemphasized.

In sum, whether the duty approach of the *Darby* line of cases or the standard of care approach of *Carabotta* is employed, patent attorneys accused of malpractice are placed in a rather precarious position. They are subject to the interpretation of the scope of a patent attorney’s duty by lay judges (i.e., those with no background in intellectual property) or subject to the determination of the standard of care to be imposed on them by a lay jury, based upon contradictory expert testimonies. Trial by battle of expert witnesses may seem no more predictable (or less bloody) than the ancient procedure.<sup>164</sup>

---

161. The computer search was performed in the summer of 1996, while the assignment from the inventor to Arquati did not occur until May 1997. *Carabotta*, 2002 WL 42948, at \*2.

162. The author used the PTO search engine (<http://www.uspto.gov>) and, blessed with better than 20/20 hindsight after reading the case, was able to find the ’366 patent by inserting “Collet” in “Term 1” and selecting the “inventor name” field in “Field 1.” This produced eighty-seven hits, with the ’366 patent being the sixty-first. The time to find the patent was considerably shortened by inserting “umbrella” in “Term 2,” while keeping the default setting of “all fields” for “Field 2.” Only two hits resulted.

163. Further issues may also be raised: Did the patent attorney have a duty to clarify whether this name was that of a company, the inventor, a surname, or whatever? Was the client contributorily negligent in not providing accurate information concerning the manufacturing company and confusing the name of the inventor with the name of a company? If a Learned Hand analysis were undertaken, the burden (B) of undertaking a computer search would appear to be significantly lower than that of conducting a manual (“flipping through”) search at the PTO, while the loss (L) would be the same. See *supra* notes 102–03 and accompanying text (discussing Judge Hand’s  $B < PL$  economic theory in *Carroll Towing*). Is the probability (P) of missing the patent in question greater when undertaking a “flipping through” manual search of a thousand patents compared to a computer search using a variety of search options?

164. In discussing “ancient modes of trial,” Professor Plucknett describes “trial by battle,” which sounds quite analogous to our present system:

In civil cases it was not fought between the parties themselves, but between their respective champions . . . . The champion’s regular oath (which soon became a matter of form) stated that his father on his deathbed had informed him that the plaintiff had the right which was then in dispute, and charged him to maintain that right with all his power. We very soon find from the rolls that there was a professional band of champions who undertook business all over the country; courts would arrange the dates of battle so that the champions could fit in their engagements conveniently.

THEODORE F.T. PLUCKNETT, A CONCISE HISTORY OF THE COMMON LAW 116–17 (5th ed. 1956) (note omitted).

### 3. Causation and the “Case-Within-a-Case” Requirement

#### a. Causation-in-Fact

Causation-in-fact is one of the most troublesome issues in malpractice law. The *sine qua non* (“but for”) test works most of the time, but not always.<sup>165</sup> As a classic example, a lawyer negligently fails to file a claim before the statute of limitations has run. But for the failure to file, would the client have prevailed? The answer depends upon whether the case could have been won on behalf of the client.<sup>166</sup> If the case could not have been won even if the statute had not ran, then the negligence of the attorney in failing to meet the statute of limitation is not a cause of any loss to the client.<sup>167</sup> This is the “case-within-a-case” enigma of legal malpractice.<sup>168</sup> If the underlying case is not meritorious, it would have been lost regardless of whether or not the attorney pursuing the claim was negligent.<sup>169</sup> Patent law would seem to be particularly sensitive to the “case-within-a-case” problem because of the often speculative nature of the patent right and its enforcement.

One of the ironic results of the “case-within-a-case” requirement is the role reversal of the attorney defending against a charge of malpractice. A claim or defense once asserted is now argued by the accused attorney as meritless; thus, the attorney would have been unsuccessful in asserting the position and the underlying case would have been lost irrespective of any negligence on the part of the attorney in making (or failing to make) the assertion. A vivid example of this role

---

165. See RESTATEMENT (SECOND) OF TORTS § 432 (1965):

(1) Except as stated in Subsection (2), the actor’s negligent conduct is not a substantial factor in bringing about harm to another if the harm would have been sustained even if the actor had not been negligent.

(2) If two forces are actively operating, one because of the actor’s negligence, the other not because of any misconduct on his part, and each of itself is sufficient to bring about harm to another, the actor’s negligence may be found to be a substantial factor in bringing it about.

*Id.* Subsection (1) sets out the *but for* test, and Subsection (2) covers the situation where the harm could have been caused by either of two independent sources, e.g., where two fires combine to destroy plaintiff’s property but either could have destroyed it without combining with the other. See *id.* § 432 cmt.d, illus.3.

166. See Bauman, *supra* note 11, at 1130.

167. *Id.*

168. Courts and commentators have not been pleased with the doctrine, particularly when the negligence of the attorney was egregious. See, e.g., *id.* at 1142. The all-or-nothing nature of the doctrine is troubling, where the “loss” to the client is limited to prevailing in the underlying case rather than, e.g., any loss that might be suffered from loss of the settlement value of a case. Bauman states:

This review of the cases will expose the theoretical difficulties with the trial within a trial method.

These difficulties arise because requiring clients to prove that the lost claim or defense would have ultimately prevailed at trial confuses the fact of harm with the amount of harm. The loss of the claim should be sufficient to establish that the client suffered a legal wrong as a result of the attorney’s negligence. The trial within a trial method, however, requires proof that the trial of the underlying claim would ultimately have resulted in a verdict for the client in order to show both an actionable wrong *and* the value of what was lost.

*Id.* at 1130.

169. *Id.*

reversal in the context of patent litigation is seen in the case of *Sybron Transition Corp. v. Nixon, Hargrave, Devans & Doyle*.<sup>170</sup>

In *Sybron*, the client retained the firm for representation in a dispute over a “license” agreement covering a patent.<sup>171</sup> In its answer the firm asserted a number of affirmative defenses, including the invalidity of the patent and fraud and misrepresentation in negotiating the agreement.<sup>172</sup> The firm then moved for summary judgment, but did not mention any of the affirmative defenses in the motion.<sup>173</sup> The court denied the motion and held that the client had waived its affirmative defenses.<sup>174</sup> The court held the agreement enforceable, awarding damages to the other party of approximately \$2 million, plus an obligation to make further payments of \$460,000.<sup>175</sup> The client then brought a malpractice action against the firm seeking to recover the damages paid, the further payment, and the attorney’s fees it had paid.<sup>176</sup>

The firm’s defense was that even had it been negligent in waiving the affirmative defenses, the agreement was enforceable whether or not the defenses had been waived.<sup>177</sup> First, the agreement was an assignment of the patent and not a mere license; thus, the doctrine of assignee estoppel applied and the client would be precluded from challenging the validity of the patent.<sup>178</sup> The court concurred and found that the agreement was an assignment.<sup>179</sup> Nonetheless, the client argued that the assignor had waived the estoppel defense.<sup>180</sup> The court hence refused to dismiss the claim on this ground as raising a question of fact.<sup>181</sup> Second, the firm argued that the agreement was supported by consideration beyond the patent and was enforceable even if the court held the patent invalid.<sup>182</sup> The court agreed.<sup>183</sup> The malpractice action would have been dismissed at this point because the validity of the patent was irrelevant; however, the firm had also waived the fraud and misrepresentation

---

170. 770 F. Supp. 803 (W.D.N.Y. 1991). See also *Hoffman v. Textron, Inc.*, 195 U.S.P.Q. (BNA) 134, 135 (D. Minn. 1976), where a patent attorney attempted to bring a declaratory judgment suit in federal court to declare a patent invalid. A former client had sued the patent attorney for malpractice in state court, alleging that the attorney was negligent in prosecuting an interference, resulting in the patent being awarded to another party. *Id.* at 134. The patent attorney wanted the patent declared invalid, so that this would be a complete defense in the state malpractice action. *Id.* at 135. Evidently, this would avoid the issue of patent validity being tried in the state court. *Id.*

171. *Sybron*, 770 F. Supp. at 805.

172. *Id.* at 805, 814.

173. *Id.* at 805.

174. *Id.*

175. *Id.* at 806.

176. *Id.*

177. *Id.*

178. *Id.*

179. *Id.* at 807–08.

180. *Id.* at 812.

181. *Id.*

182. *Id.*

183. *Id.* at 812–13.

affirmative defenses, and these raised factual issues that could not be resolved on a motion for summary judgment.<sup>184</sup>

In short, there is always merit in attorneys knowing the weaknesses of their cases, so that appropriate responses will have been considered should they be raised by the opposing party. Having to raise these weaknesses in the context of a malpractice case as a defense is, of course, necessary, but the deterrence goal of tort law would be better served by anticipation and prevention.

Another interesting example of the complexities of the case-within-a-case requirement is found in the case of *Kirkland & Ellis v. CMI Corp.*,<sup>185</sup> (*CMI-I*—counterclaims) (*CMI-II*—affirmative defenses) heard in the Northern District of Illinois on separate motions to dismiss by the law firm.<sup>186</sup> CMI retained its usual Oklahoma City patent firm to bring patent infringement actions against three of its competitors.<sup>187</sup> This firm filed complaints in the Eastern District of Tennessee against Astec Industries, in the Northern District of Illinois against Barber-Greene Company, and in the Northern District of Iowa against Cedarapids, Incorporated.<sup>188</sup> CMI then retained a Chicago firm to be lead counsel in the Illinois case and to assist in the Tennessee case.<sup>189</sup> The Oklahoma City firm solely represented CMI in the Iowa infringement case.<sup>190</sup> Shortly after CMI retained the Chicago firm, Barber-Greene became a subsidiary of Astec.<sup>191</sup> Astec had financed the acquisition of Barber-Greene with a loan from the First National Bank of Chicago, which was a client of the Chicago firm.<sup>192</sup> The Astec infringement case went to trial first and CMI was successful—the court held the patents to be not invalid and infringed.<sup>193</sup> The Federal Circuit affirmed this decision in an interlocutory appeal.<sup>194</sup> The same result occurred in the Barber-Greene litigation, with the jury finding Barber-Greene to have infringed the CMI patents.<sup>195</sup> The trial judge suggested that settlement negotiations be entered into between CMI and Astec (Barber-Greene's parent) prior to

---

184. *Id.* at 814–15. Awarding over \$2 million to a party under an agreement allegedly entered into by fraud and misrepresentation may raise eyebrows, but if that defense is waived, what should the court do?

185. No. 95-C-7457, 1996 WL 559951 (N.D. Ill. Sept. 30, 1996) (counterclaims); No. 95-C-7457, 1999 WL 92257 (N.D. Ill. Feb. 11, 1999) (affirmative defenses).

186. *CMI-I*, 1996 WL 559951, at \*4.

187. *CMI-II*, 1999 WL 92257, at \*1. The 1999 district court decision provides a complete background of the various patent infringement litigations conducted in three federal district courts and the various consequences. *Id.* at \*1–9.

188. *Id.* at \*1.

189. *Id.* at \*2.

190. *Id.* at \*5.

191. *Id.* at \*2.

192. *Id.* at \*4.

193. *Id.* at \*2; see *Mendenhall v. Astec Indus. Inc.*, No. CIV-1-86-229, 1988 WL 188449 (E.D. Tenn. Oct. 31, 1988).

194. See *Mendenhall v. Astec Indus. Inc.*, 887 F.2d 1094 (Fed. Cir. 1989).

195. *CMI-II*, 1999 WL 92257, at \*4.

beginning the damages phase of the trial.<sup>196</sup> At about this time, the Chicago firm informed CMI that it could not be involved in these negotiations because First Chicago was a client of the firm.<sup>197</sup> Thus, the Oklahoma City firm represented CMI during the negotiations, which proved to be fruitless.<sup>198</sup>

The damages phase of the litigation then proceeded against Barber-Greene under the control of the Chicago firm.<sup>199</sup> The Chicago firm decided that the best way to approach the jury was to limit damage evidence to that of profits lost by CMI due to the infringement by Barber-Greene, rather than also introducing evidence of a reasonable royalty to be paid on infringing sales by Barber-Greene as an alternative theory.<sup>200</sup> The rationale offered for this decision was that it would have been confusing to the jury to have to consider both theories of damages.<sup>201</sup> The case went to the jury and the jury found that thirty-five of the one hundred allegedly infringing sales by Barber-Greene would have been made by CMI but for the infringement.<sup>202</sup> The jury thus awarded almost \$4.5 million for these lost profits.<sup>203</sup> A final judgment of approximately \$7.3 million was entered due to accumulated prejudgment interest against Barber-Greene.<sup>204</sup>

CMI had not paid the Chicago firm for more than a year, and the firm advised its client that it was placing an attorney's lien on the Barber-Greene judgment.<sup>205</sup> CMI disputed the magnitude of the fees and costs demanded by the Chicago firm.<sup>206</sup> Shortly thereafter, the Cedarapids infringement case, tried by the Oklahoma City firm without the assistance of the Chicago firm,<sup>207</sup> came to trial. The jury returned a verdict against CMI, finding its patents to be invalid and also that CMI had infringed patents of Cedarapids.<sup>208</sup> The jury for this latter infringement awarded almost \$2 million in damages against CMI.<sup>209</sup> Subsequently, the Federal Circuit affirmed the decision, including the invalidity of CMI's patents.<sup>210</sup>

Shortly after the Cedarapids trial, the Oklahoma City firm tried the damages phase of the case in Tennessee against Astec.<sup>211</sup> The firm

---

196. *Id.*

197. *See id.*

198. *Id.*

199. *Id.* at \*3.

200. *Id.*

201. *Id.* at \*2.

202. *Id.* at \*5.

203. *Id.*

204. *Id.*

205. *Id.*

206. *Id.*

207. *Id.*

208. *Id.*

209. *Id.*

210. *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1557 (Fed. Cir. 1993).

211. *CMI-II*, 1999 WL 92257, at \*6.

introduced evidence of both lost profits and reasonable royalties.<sup>212</sup> However, the jury awarded damages based solely on a reasonable royalty theory, because it determined that CMI had failed to prove it had sustained lost profits due to infringing sales by Astec.<sup>213</sup>

CMI thus prevailed in two out of three cases. Nonetheless, the Federal Circuit, based upon its previous decision (the Cedarapids appeal) affirming the invalidation of CMI's patents, vacated CMI's judgments against both Barber-Greene and Astec.<sup>214</sup> At this stage CMI had lost its patents and had an almost \$2 million judgment against it. Adding to this, the Chicago firm, still not having been paid, brought suit against CMI claiming \$1.4 million in fees and costs.<sup>215</sup>

CMI counterclaimed, alleging malpractice and violation of ethical duties on the part of the Chicago firm.<sup>216</sup> CMI also entered affirmative defenses on the same grounds.<sup>217</sup> In *CMI-I*, the Chicago firm then moved to dismiss the counterclaim in its entirety for failure to state a claim upon which relief could be granted.<sup>218</sup> The district court judge granted the motion.<sup>219</sup> This was a dictated result because of CMI's failure to plead a counterclaim upon which it could have demonstrated a causal relationship between any negligent conduct on the part of the Chicago firm and any damages sustained by CMI. As stated by the court: "The question becomes whether CMI would have been successful in this underlying litigation 'but for' [the Chicago firm's] alleged negligence. The answer is clearly no."<sup>220</sup> After all, the court had held the patents upon which CMI relied invalid and no damages could be awarded on that basis.<sup>221</sup> The court vacated the judgments against Astec and Barber-Greene.<sup>222</sup>

In evident recognition of the impossibility of proving the case-within-a-case requirement based upon the validity of the patents, CMI attempted to rely upon what the court calls "creative arguments."<sup>223</sup> The creativity occurred in CMI's "lost settlement" argument.<sup>224</sup> The logic of

---

212. *Id.*

213. *Id.*

214. *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1577 (Fed. Cir. 1994).

215. The firm brought this breach of contract claim in the Circuit Court of Cook County (Illinois), which CMI then removed to the federal district court. See *CMI-I*, No. 95-C-7457, 1996 WL 559951, at \*4 (N.D. Ill. Sept. 30, 1996).

216. *Id.*

217. *CMI-II*, 1999 WL 92257, at \*1.

218. *CMI-I*, 1996 WL 559951, at \*4.

219. *Id.* at \*14.

220. *Id.* at \*7.

221. *Id.*

222. *Id.*

223. *Id.* at \*8.

224. *Id.* But at least as early as 1976, in *Duncan v. Lord*, 409 F. Supp. 687, 692-93 (E.D. Pa. 1976), a district court concluded, "In determining an amount somewhere between plaintiff's high figure and defendant's low figure, we start with the legal proposition that the measure of damages in this legal malpractice action is that amount which plaintiff would have received from a jury or through settlement of her state court action."

this argument is that but for the firm's lack of diligence in settling the case after the liability phase of the trial against Barber-Greene, CMI was damaged because a settlement that would have given it senior lien status was not reached.<sup>225</sup> Moreover, due to the failure of the firm to introduce evidence that no non-infringing alternatives existed to the patented design of CMI, and the failure to present the alternative theory of reasonable royalty for infringement damages, both the magnitude of the judgment and leverage for settlement were significantly lessened.<sup>226</sup> The court dismissed this line of reasoning as not supported by any Illinois authority.<sup>227</sup> However, as will be discussed *infra*, this would certainly suggest a "loss of chance" doctrine commonly recognized in the field of medical malpractice and, at least, some recognition in legal malpractice as "loss of settlement" value.<sup>228</sup>

The court also dismissed the ethical violations counterclaim based upon breach of fiduciary obligation and conflict of interest on the ground that CMI could show no causal relationship between any breach and any resulting damages since the underlying patents were invalid.<sup>229</sup> The court went so far as to say "[n]o matter how egregious [the Chicago firm's] alleged conduct may have been, the favorable *Astec* and *Barber-Greene* judgments were reversed through no fault of [the firm]."<sup>230</sup> The court made it clear that, while evidence of an ethical violation may be relevant, there was no cause of action merely based upon an ethical violation in the absence of damages causally related to the violation.<sup>231</sup>

In sum, despite whatever negligent or unethical conduct the Chicago firm may have engaged in, if the underlying patents, which would be the source of damages to the client, were not sustained, no counterclaim would be available to the client based on these alleged failings. Accordingly, malpractice based on negligence or ethical violations does not provide a sword against negligent conduct if damages could not have been obtained even in the absence of such conduct. There clearly was no causal relationship between invalidated patents and the conduct of the

---

225. *CMI-I*, 1996 WL 559951, at \*8.

226. *Id.*

227. *Id.* But the court does cite a Colorado case, *Scognamillo v. Olsen*, 795 P.2d 1357 (Colo. Ct. App. 1990), stating, "[Plaintiffs] brought legal malpractice action against former counsel alleging that representation in underlying case was negligent and such negligence resulted in failure to settle." *Id.* In a student comment published in 1986, the author nicely makes the point: "This opportunity for recovery must be foreshortened or reduced by attorney conduct that breaches the duty of care. Because of the attorney's negligence, the client's potential recovery is diminished. The client's range of opportunity, demarcated by the maximum trial value and the minimum settlement value, would be shifted downward." Polly A. Lord, Comment, *Loss of Chance in Legal Malpractice*, 61 WASH. L. REV. 1479, 1493-94 (1986).

228. See *infra* notes 253-73 and accompanying text.

229. *CMI-I*, 1996 WL 559951, at \*11.

230. *Id.* at \*8.

231. *Id.* at \*11. "Moreover, it is well-settled that there is no cause of action for the breach of professional responsibility or professional ethics in Illinois." *Id.*

Chicago firm, in that the litigation resulting in the invalidation was under the exclusive control of other attorneys.

The motion to dismiss the affirmative defenses came up several years later before a different district court judge. In *CMI-II*, the court first dealt with the issue of whether the conflict of interest affirmative defense should be dismissed, commenting:

The United States Supreme Court long ago held that any attorney representing conflicting interests may be barred from receiving her fee.<sup>232</sup> Ten years later, Justice Cardozo [sic] commented on this very topic, stating, “[A]ny attorney must not represent opposed interests; and the usual consequence has been that he is debarred from receiving any fee from either no matter how successful his labors.”<sup>233</sup>

The court refused to grant the motion, finding that genuine issues of material fact existed with respect to at least three matters: “(1) when [the Chicago firm] first became aware that First Chicago had a financial interest in the Barber-Greene litigation, (2) whether [the firm] unduly delayed in informing CMI of its previous relationship with First Chicago and (3) whether [the firm’s] conduct *prejudiced* CMI . . . .”<sup>234</sup> The “prejudice” issue is of particular interest with regard to the “case-within-a-case” requirement. It is not immediately apparent how the court is using the term “prejudice,” although it does appear clear that the court is using the term less strictly than a requirement of damages in the tort sense, as would be required in a malpractice cause of action. As stated by the court: “We do not think CMI’s burden of proof in demonstrating prejudice as a result of [the firm’s] alleged conflict of interest is as arduous as the ‘case-within-a-case’ requirement of a legal malpractice action.”<sup>235</sup>

The court then itemized multiple courses of conduct by the Chicago firm that may have constituted prejudice. First, it noticed the withdrawal at the last minute of the firm’s lead attorney from the settlement negotiations in the Barber-Greene litigation because of the conflict of interest with First Chicago.<sup>236</sup> Second, the lead counsel allegedly “torpedoed” the settlement in calling First Chicago and advising them that a \$40 million judgment might be awarded against Barber-Greene.<sup>237</sup> The court then concluded that, while such evidence might not support a malpractice claim, it did raise a material question of fact with respect to whether or not the firm had prejudiced the client with such conduct.<sup>238</sup>

---

232. Citing *Woods v. City Nat’l Bank & Trust Co.*, 312 U.S. 262, 269 (1941).

233. *CMI-II*, 1999 WL 92257, at \*9 (citing *Silbiger v. Prudence Bonds Corp.*, 180 F.2d 917, 920 (2d Cir. 1950)). Presumably, Judge Learned Hand, the true commentator, would not have been offended by being confused with Justice Cardozo.

234. *Id.* at \*10 (emphasis added).

235. *Id.* at \*12.

236. *Id.*

237. *Id.*

238. *Id.*

This conclusion would appear to be implicit recognition of the “lost settlement” theory introduced by CMI in the motion for summary judgment on the counterclaim, unless “prejudice” is being used in a broader sense to encompass ethical violations in general. However, the court had noted at the outset that there may be situations where there are per se ethical violations, which would pose an absolute bar against recover of attorney fees by the violating attorney, depending upon the nature of the ethical violation irrespective of any prejudice accruing to the client. Thus, it would appear that the court, in requiring some “prejudice,” is not applying the per se doctrine, but rather is requiring some form of prejudice beyond only an ethical violation. In this context, the court’s reasoning would imply some injury or damage to the client, which, with the invalidation of the patent, would leave us with the theory that a settlement would have been reached with Barber-Greene but for the circumstances surrounding the conflict of interest situation.

This is a rather peculiar result from both causal and ethical standpoints. First, if the rationale for the failure to obtain an earlier settlement is the negotiating skill of the lead attorney for the firm, in order to avoid this “prejudice,” it would be necessary that the attorney participate in the negotiations contrary to an ethical responsibility not to engage in a conflict of interest. If the attorney continues to participate in the negotiations, the ethical duty is violated; but, according to the rationale urged, a better settlement would be achieved for the client. On the other hand, if the attorney follows the ethical mandate not to participate, thus avoiding the conflict of interest, this constitutes prejudice and an affirmative defense. Perhaps more viable, but at least as speculative, is the argument that the delay in advising the client of the conflict did not provide the client with adequate time to obtain an equally good negotiator.<sup>239</sup>

The court also refused to dismiss on motion the malpractice affirmative defense of CMI.<sup>240</sup> The court does not mention the “case-within-a-case” problem or make any reference to a causal relationship between the conduct of the firm and any damages sustained by CMI.<sup>241</sup>

---

239. This would appear to be considerably more speculative than the “loss of chance” doctrine as applied in medical malpractice law, for example. Judge Posner commented on the generally speculative nature of negotiations:

Proof of causation is even more difficult in a negotiating situation, because while there is (at least we judges like to think there is) a correct outcome to most lawsuits, there is no “correct” outcome to a negotiation. Not only does much depend on the relative bargaining skills of the negotiators, on the likely consequences to each party if the negotiations fall through, and on luck, so that the element of the intangible and the unpredictable looms large; but there is no single “right” outcome in a bargaining situation even in principle. Every point within the range bounded by the lowest offer that one party will accept and the highest offer that the other party will make is a possible transaction or settlement point, and none of these points is “correct” or “incorrect.”

Nicolet Instrument Corp. v. Lindquist & Vennum, 34 F.3d 453, 455 (7th Cir. 1994).

240. *CMI-II*, 1999 WL 92257, at \*13.

241. Again, by implication, it must be that the “prejudice” to CMI was based on the loss of chance to have obtained a settlement in the Barber-Greene case.

The testimony of a patent expert witness supported the malpractice defense of CMI, to the effect that the firm had failed to meet the professional standard of care of a reasonable patent attorney by: “(1) its waiver of CMI’s right to seek reasonable royalty damages; and (2) its failure to introduce evidence of the absence of acceptable non-infringing substitutes [to the accused Barber-Greene design].”<sup>242</sup> Of course, it must be remembered that whether or not the firm had employed such a theory or had introduced such evidence had no bearing on whether CMI had suffered any damage because the court held CMI’s patents invalid. The best that can be said is that, had the Chicago firm introduced the reasonable royalty theory and other evidence, the court would have awarded a higher judgment against Barber-Greene, thus placing additional pressure on Astec to settle, and resulting in an earlier and larger settlement (which then presumably could have been enforced even though the court held the patents invalid).<sup>243</sup>

Interestingly enough, the firm did not introduce an opposing expert opinion to rebut the standard of care testimony. As the court stated, “We first note, however, that [the firm] failed to offer any expert testimony of its own to rebut [CMI’s expert’s] conclusions. [The firm] simply attempts to discredit the contents of [the expert’s] report and challenge [his] qualifications as an expert on legal malpractice.”<sup>244</sup> The court also rejected as speculative the firm’s argument that its approach not to introduce evidence of the reasonable royalty theory of damages resulted in damages against Barber-Greene that the other firm had obtained (who had relied upon both theories of damages in the Astec case); therefore, its elected course of conduct was fully justified.<sup>245</sup> The court does not mention any speculation involved in presuming that the parties would have reached a settlement, which is the underlying causal connection to the conduct of the firm and any prejudice suffered by CMI.

In summary, both *CMI* opinions stand for the proposition that ethical violations and malpractice may not be used as a sword unless there is a causal relationship between the conduct of the patent attorney and damages sustained by the client. That is, the “case-within-a-case” requirement must be satisfied. On the other hand, at least according to the *CMI-II* decision, the affirmative defenses of violation of an ethical standard (e.g., conflict of interest) and malpractice may both be used as a shield to a claim for fees and costs by the patent attorney without satisfying the “case-within-a-case” requirement, provided some form of “prejudice” may be shown to the client. It is not apparent what would justify this difference, particularly with respect to the malpractice

---

242. *CMI-II*, 1999 WL 92257, at \*13.

243. For the Chicago firm to introduce the alternate theory of damages and to introduce additional evidence of the absence of non-infringing alternative designs would, of course, entail additional fees and costs.

244. *CMI-II*, 1999 WL 92257, at \*14.

245. *Id.*

defense.<sup>246</sup> The ethical violation defense deserves special consideration: whether such a violation should be a per se defense or whether there must be some minimal showing of “prejudice” to the client.<sup>247</sup>

The court in *CFI-II* does not address the issue of whether the affirmative defenses of ethical violations and malpractice constitute complete defenses to the payment of attorney fees and costs. The total amount claimed by the firm was \$1.4 million; presumably part, if not most, of this was accrued prior to any claim of ethical violation or malpractice. After all, the firm had been successful in the two cases that it tried. A number of cases have permitted recovery of attorney fees up until the time of the ethical violation.<sup>248</sup>

#### b. Some Relaxation of the “Case-Within-a-Case” Requirement

While perhaps not specifically recognizing the “loss of chance” doctrine, courts in legal malpractice actions have, in a number of instances, reached results consistent with this theory.<sup>249</sup> This recognition, at least in principle, has led to a relaxation of the strict but for application of the “case-within-a-case” requirement.

---

246. Indeed, if the “loss of chance” doctrine is being introduced by implication under the guise of “prejudice,” it should be made explicit and apply equally as well to direct malpractice claims and counterclaims.

247. The Restatement propounds:

A lawyer engaging in clear and serious violation of duty to a client may be required to forfeit some or all of the lawyer’s compensation for the matter. Considerations relevant to the question of forfeiture include the gravity and timing of the violation, its willfulness, its effect on the value of the lawyer’s work for the client, any other threatened or actual harm to the client, and the adequacy of other remedies.

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 37 (2000). *See also* *Burrow v. Arce*, 997 S.W.2d 229, 244 (Tex. 1999) (discussing the factors included in a tentative draft of this section and stating: “To the factors listed in section 49 [now 37] we add another that must be given great weight in applying the remedy of fee forfeiture: the public interest in maintaining the integrity of attorney–client relationships.”) In the patent context, *see Rhodes v. Buechel*, 685 N.Y.S.2d 65 (N.Y. App. Div. 1999), where the court approved the awarding of \$1.5 million as “representing the reasonable value of the legal services he rendered to [the client], inclusive of prejudgment interest,” while also holding that arrangements granting the patent attorney an interest in the invention were void. *See generally* 2 MALLEN & SMITH, *supra* note 1, § 14.21.

248. *See* 2 MALLEN & SMITH, *supra* note 1, § 16.19, at 785 (“An attorney usually is entitled, however, to cover for legal services up to the time of the breach of professional duty.”). *See, e.g., Universal Mfg. Co. v. Gardner, Carton & Douglas*, 207 F. Supp. 2d 830, 834 (N.D. Ill. 2002) (citations and emphasis omitted):

It is axiomatic that the effect of something cannot precede its cause; there is no way that [the patent firm’s] alleged conflict in 2000 could have caused [the client] to incur any legal fees before the conflict even existed. Nor is there any evidence that the legal fees for unrelated work incurred after the breach are at all related to the alleged conflict of interest; there is no evidence that [the client] would not have paid identical sums to different attorneys, even if they had fired [the firm] on the spot. Because there is no evidence of damages that were caused by [the firm’s] alleged professional negligence, and because causes of action for breach of fiduciary duty and breach of contract also require that [the client] demonstrate that it has suffered damages that are the proximate cause of [the firm’s] breach, . . . summary judgment is appropriate . . . .

*Id.*

249. *See generally* *Bauman*, *supra* note 11; *Duncan v. Lord*, 409 F. Supp. 687, 692–93 (E.D. Pa. 1976).

The “loss of chance” doctrine finds its genesis in Section 323 of the Restatement (Second) of Torts, where a duty to exercise reasonable care in performing an undertaking is imposed if the “failure to exercise such care increases the risk of such harm.”<sup>250</sup> The original purpose of this provision was to impose a duty to complete an undertaking if the abandonment of it would result in an increased risk to the person being helped.<sup>251</sup> Courts have extended this generally desirable rule to what is now mainly called the “loss of chance” doctrine in medical malpractice law.<sup>252</sup> The most common application of the doctrine would occur in a situation where a physician has misdiagnosed an underlying terminal disease at a time when it was probable (more likely than not) that the patient would die from the underlying disease, irrespective of any medical intervention.<sup>253</sup> Under normal but for causation, a court would not hold the admittedly negligent physician liable because the patient would have died anyway from the underlying condition. The “loss of chance” doctrine ameliorates this result when diagnosis at the time of examination would have resulted in at least an increased chance that the patient would survive (although not to a “more likely than not” standard of survival).<sup>254</sup>

The “loss of chance” doctrine has been largely limited to the medical context; however, if applied to legal malpractice and the lost chance of economic recovery, this would significantly undermine the rigid application of the “case-within-a-case” requirement. Thus, in the *CMI* case, even though the court held the underlying patents invalid due to no fault of the patent firm, if a party could demonstrate that a settlement was not attained due to the negligent or unethical conduct of the firm, that lost chance to reach a settlement could satisfy the causal link. One may speculate on the consequences of a general adoption of the “loss of chance” doctrine in legal malpractice cases.<sup>255</sup> In a rather

---

250. RESTATEMENT (SECOND) OF TORTS § 323 (1965).

251. *Id.* § 323 cmt.c. The Restatement propounds:

Where, however, the actor's assistance has put the other in a worse position than he was in before, either because the actual danger of harm to the other has been increased by the partial performance, or because the other, in reliance upon the undertaking, has been induced to forego other opportunities of obtaining assistance, the actor is not free to discontinue his service where a reasonable man would not do so.

*Id.*

252. See generally DOBBS, *supra* note 1, § 178.

253. A leading case is *Herskovits v. Group Health Coop. of Puget Sound*, 664 P.2d 474 (Wash. 1983), where due to a misdiagnosis of the underlying disease, the patient's chance of survival was reduced by 14%.

254. Hence, if expert testimony could show that, by the failure to diagnose at the time of examination, the patient lost a 20% chance of survival from the underlying disease by appropriate intervention, then damages should be awarded on the basis of that lost chance. In other words, the loss (damages) is considered to be the lost chance of survival, not the loss of life. The seminal article on this doctrine is Joseph H. King, Jr., *Causation, Valuation, and Chance in Personal Injury Torts Involving Preexisting Conditions and Future Consequences*, 90 YALE L.J. 1353 (1981).

255. See *Kramer v. Lewisville Mem'l Hosp.*, 858 S.W.2d 397, 406 (Tex. 1993). In considering whether to adopt the “loss of chance” doctrine in medical malpractice cases, the court commented:

peculiar setting, the “loss of chance” doctrine would seem to be the underlying theory regarding the measure of damages for patent infringement. In *Fawer, Brian, Hardy & Zatzkis v. Howes*,<sup>256</sup> the client’s divorce lawyers filed suit against him to recover payment of their fee.<sup>257</sup> He counterclaimed, alleging malpractice for statements made in a complaint over patent ownership that the original patent was essentially “worthless,” thus requiring application for a reissue, which the parties contended would be the separate property of the client rather than community property of the marriage.<sup>258</sup> A court in a separate state held the original patent to be infringed.<sup>259</sup> The client alleged that the amount of damages was lower because of the statement in the complaint.<sup>260</sup> The court dismissed the client’s counterclaim because he had agreed to the evaluation of the original patent to buttress his claim that the reissue was needed and was separate property.<sup>261</sup>

Nonetheless, certain instances exist where a court has applied a particular form of the “lost chance” doctrine in legal malpractice, generally under the designation “lost settlement” or “loss of settlement value.” For example, if a client is not advised of a settlement offer, the client has no opportunity to accept the offer.<sup>262</sup> According to the client, the merit of the underlying case is not controlling. The settlement value is lost by the client, because *but for* the failure to advise, the client would have settled for at least the amount offered. This theory is also consistent with the informed consent doctrine in medical malpractice law, where the patient claims that she would not have provided her consent had the physician informed her of the risk involved in the procedure. In the informed consent situation and the legal counterpart,<sup>263</sup> the critical question is whether or not the patient or client would have acted differently had the information been provided. In other words, would the client have accepted the settlement if the attorney had presented it? For example, in a recent New York

---

[It] is doubtful that there is any principled way we could prevent its application to similar actions involving other professions. If, for example, a disgruntled or unsuccessful litigant loses a case that he or she had a less than fifty percent chance of winning, but is able to adduce expert testimony that his or her lawyer negligently reduced this chance by some degree, the litigant would be able to pursue a cause of action for malpractice under the loss of chance doctrine.

*Id.*

256. 639 So. 2d 329 (La. Ct. App. 1994).

257. *Id.* at 333–36.

258. *Id.* at 335.

259. *Id.*

260. *Id.*

261. *Id.* at 336.

262. *Moore v. Greenberg*, 834 F.2d 1105, 1108 (1st Cir. 1987) (“As part and parcel of this duty, a lawyer must keep his client seasonably apprised of relevant developments, including opportunities for settlement.”); *see also DOBBS*, *supra* note 1, § 487, at 1395.

263. *See DOBBS*, *supra* note 1, § 487, at 1395 (note omitted) (“The law of informed consent familiar in medical cases has not been so developed in lawyer malpractice cases, but the principle is clear that lawyers must properly consult with and inform the client of material facts and issues that require client action or decision.”)

malpractice case against a patent firm, *Magnacoustics, Inc. v. Ostrolenk, Faber, Gerb & Soffen*,<sup>264</sup> the plaintiff alleged that a settlement offer was not properly communicated to the client.<sup>265</sup> The court concluded: “Here, the [clients] failed to demonstrate that, but for the [firm’s] alleged negligence, they would have accepted the offer of settlement and would not have sustained any damages.”<sup>266</sup> Hence, the court granted summary judgment to the firm.<sup>267</sup> Presumably, had the client been able to provide better evidence that it would have been amenable to accepting such an offer, the client would have survived the summary judgment motion.

In another recent New York case, *Gittes v. GMIS, Inc.*,<sup>268</sup> a loss of settlement value theory would seem to be applicable with respect to the alleged malpractice of a patent firm in handling patent infringement litigation. As stated by the court:

According to [the client], on the eve of trial, the company discovered that [the firm] had negligently compromised [the client’s] defense by failing to discover valuable prior art evidence and by failing to comply with a procedural disclosure rule. [The client] alleges that it had no choice but to agree to the settlement because it felt that going to trial with an unprepared attorney would expose [it] to financial ruination . . . .<sup>269</sup>

Thus, irrespective of whether the client would have ultimately prevailed in the infringement action, the inability to rely upon certain defenses due to the alleged negligence of its patent counsel resulted in a higher settlement than would be expected if those defenses were available.<sup>270</sup>

In the context of general legal malpractice, a more relaxed “case-within-a-case” standard may be applied in a situation where an appeal is dismissed, e.g., due to the failure to file within the prescribed period. In a Sixth Circuit case involving Ohio law, *Cincinnati Insurance Co. v.*

264. 755 N.Y.S.2d 726 (N.Y. App. Div. 2003).

265. *Id.* at 727.

266. *Id.*

267. *Id.* at 728.

268. No. 95 Civ. 2296, 1999 WL 500144 (S.D.N.Y. July 15, 1999).

269. *Id.* at \*5.

270. *Id.* at \*6. An explicit pleading of the “loss of settlement value” theory is found in *Air Measurement Techs., Inc. North-South Corp. v. Hamilton*, No. SA-03-CA-0541-RF, 2003 WL 22143276, at \*2 (W.D. Tex. Sept. 5, 2003). The court summarized the clients’ allegations:

First, Plaintiffs [the clients] allege that [their patent attorney] “did not file the initial patent application within the one year ‘on sale bar’ under 35 U.S.C.A. § 102(b).” That provision disallows a patent when an invention is patented, described in a publication, or in public use or on sale more than one year prior to the date of the patent application. Second, Plaintiffs aver that [the patent attorney] “failed to disclose in the initial and subsequent patent application, two prior patents and other facts, . . . [which] ultimately resulted in the infringing defendants asserting ‘inequitable conduct’ as an affirmative defense to Plaintiffs’ infringement suits.” As a result, Plaintiffs assert that “all but one of the several defendants alleged the ‘on sale’ bar and ‘inequitable conduct’ as defenses to Plaintiffs’ infringement suits,” forcing Plaintiffs “to settle their infringement claims . . . for sums demonstrably and significantly less than their fair value . . . .”

*Id.*

*Byers*,<sup>271</sup> the insurance company subject to paying the damages awarded by the jury claimed that it had “lost bargaining leverage derived from the pendency of the appeal and therefore lost an opportunity to obtain a more favorable settlement.”<sup>272</sup> The insurance company settled the judgment for essentially the verdict amount.<sup>273</sup> In its defense against a malpractice action, the firm argued that the appeal lacked merit and would have been lost.<sup>274</sup> The court applied the “loss of settlement theory,” relying upon an Ohio Supreme Court case: “In so holding, the [Ohio Supreme Court] noted that a standard requiring every legal-malpractice claimant to prove that he or she would have succeeded in the underlying matter ‘would be unjust, making any recovery virtually impossible for those who truly have a meritorious legal malpractice claim.’”<sup>275</sup> Such a “loss of settlement” value theory would seem readily applicable to patent practice under appropriate fact situations, where a party could demonstrate that a causal relationship existed between the alleged negligence of the patent attorney and any settlement that could have been reached *but for* that conduct.<sup>276</sup>

### c. Proximate Cause

So far the discussion has focused on the “case-within-a-case” requirement and the application of the *sine qua non* rule of causation-in-fact. In addition to causation-in-fact for liability imposed on a negligent actor, the causation must also be “proximate” as a limitation on liability. Occasionally, the proximate cause issue arises in legal malpractice cases, including within the context of patent practice. One example would be that of concurrent conduct, where the negligence of a patent attorney is concurrent with the conduct (intentional or negligent) of a third party that results in injury to the client. This issue arose in *Marks Polarized Corp. v. Solinger & Gordon*,<sup>277</sup> where the plaintiff alleged that the patent attorneys “aided and abetted” certain inventors in the commission of fraud against their client by permitting the client to buy patents from the inventors that it already owned; in other words, to buy them a second time.<sup>278</sup> The complaint alleged that the firm drafted agreements and issued opinion letters that supported and facilitated the fraudulent acts.<sup>279</sup>

---

271. 151 F.3d 574 (6th Cir. 1998).

272. *Id.* at 576.

273. *Id.* at 577.

274. *Id.* at 576.

275. *Id.* at 577 (quoting *Vahila v. Hall*, 674 N.E.2d 1164, 1170 (Ohio 1997)).

276. See *CMI-I*, No. 95-C-7457, 1996 WL 559951, at \*8 (N.D. Ill. Sept. 30, 1996). *CMI-I* rejected the “lost settlement” theory as a counterclaim, but *CMI-II* seemed to accept the theory as a defense if some “prejudice” to the client is shown. But see *CMI-II*, No. 95-C-7457, 1999 WL 92257, at \*12 (N.D. Ill. Feb. 11, 1999) (finding no genuine issue of material fact to exist regarding whether Kirkland’s conduct prejudiced CMI).

277. 476 N.Y.S.2d 743 (N.Y. Sup. Ct. 1984).

278. *Id.* at 744-45.

279. *Id.* at 744.

The patent firm urged the court to adopt the but for test of causation: “that the defendants may not be held to be liable unless it [can be] shown that the [inventors] would have failed to perpetuate their frauds ‘but for’ the negligence of the defendants in drafting the agreements and rendering formal opinion letters.”<sup>280</sup> The court calls this a “stringent test” that does not reach the issue.<sup>281</sup> The court held that an allegation that the firm “aided and abetted” the commission of frauds was not sufficient under any test.<sup>282</sup> The court concluded that such allegation might be sufficient in criminal law, but that it was not equivalent to the element of proximate cause in a malpractice action.<sup>283</sup> In a footnote, the court indicated that “the state of mind . . . is one of negligent ignorance.”<sup>284</sup>

While it seems that the client could have drafted the complaint in a more artful manner, the first issue would be whether or not the “negligent ignorance” of the firm would qualify as a cause-in-fact of the injury to the client. This issue seems easily resolved: But for the negligent failure to discover that the patents were already owned by the corporation, would the client have bought them again? The real issue in the case is one of proximate cause. Should the firm be held liable when the inventors acted fraudulently? Tort law usually resolves this quandary in terms of whether it would be foreseeable that a fraud could be perpetrated. Was it foreseeable that, by negligently failing to investigate the matter, fraud could be perpetrated against the client?<sup>285</sup> This normally would be a jury question, rather than the judge disposing of it as a matter of law.<sup>286</sup>

There are numerous instances in tort where the original negligent tortfeasor may be held responsible for subsequent intentional or criminal misconduct.<sup>287</sup> The classic example involves a car owner leaving her keys in the vehicle, which is then stolen, and the plaintiff’s injuries are caused by the negligent driving of the thief.<sup>288</sup>

In short, tort law holds an original negligent tortfeasor responsible for foreseeable “intervening” conduct, including negligence as well as sometimes intentional or criminal conduct. On the other hand, if the court classifies the subsequent conduct as “superseding,” then the original tortfeasor may be insulated from liability.<sup>289</sup> An example from

---

280. *Id.*

281. *Id.* at 745.

282. *Id.*

283. *Id.*

284. *Id.* at 745 n.2.

285. *See generally* DOBBS, *supra* note 1, § 190, at 471.

286. *Id.* at 472.

287. *See id.* at 471–72.

288. *See, e.g.,* Ney v. Yellow Cab Co., 117 N.E.2d 74, 76–77 (Ill. 1954) (involving plaintiff injured when hit by stolen cab left with engine running, contrary to statute requiring unattended vehicles to have stopped engines, locked ignitions, and keys removed); *see also* DOBBS, *supra* note 1, § 190, at 472–73.

289. *See* DOBBS, *supra* note 1, § 193, at 482 (“An intervening act is regarded as a superseding cause when it is outside the scope of the risk the defendant negligently created. This idea is usually

patent practice is *Lewis v. Young, Basile, Hanlon, MacFarlane, Wood & Helmholtz, P.C.*,<sup>290</sup> where the client sued her patent attorney for an allegedly negligent response submitted to the Patent Office.<sup>291</sup> The court dismissed the claim on the basis that the client had adequate time to correct the response and indeed did so.<sup>292</sup> Thus, the original patent attorney was insulated from any further responsibility once the client took control of the application herself. This raises the interesting question of whether or not the search firm (presuming it was negligent in conducting the original search) in *Carabotta v. Mitchell*<sup>293</sup> should be insulated from liability when the computer search and the “flipping through” search in the Patent Office files were undertaken by the patent attorney who had requested the original search.<sup>294</sup> The proximate cause question would be even more appealing if separate patent attorneys had performed the computer and subject-matter searches. Should the subsequent, negligent searches be foreseeable to a reasonable prior searcher? Or, should the attorney that later takes control of the search supersede any negligent conduct of the prior searcher? In tort law, negligent conduct following original negligence is generally considered foreseeable, which subjects the original tortfeasor to liability to the injured party, at least when the damage caused is indivisible.<sup>295</sup> Such would be the case when successive searchers failed to find the patent (i.e., the damages for infringement of the unfound patent would be the same, regardless of who failed to find it). On the other hand, if the second searcher is considered to take full control and responsibility for the search, a court may consider this action to be superseding.<sup>296</sup> Nonetheless, the later tortfeasor cannot be seen to complain vis-à-vis the client that, had the original tortfeasor (first searcher) not been negligent,

---

expressed in shorthand by saying that the intervening act is itself unforeseeable, then it may become a superseding cause.”).

290. No. 221093, 2001 WL 1422148 (Mich. App. Nov. 13, 2001).

291. *Id.* at \*1.

292. *Id.*; see also *Mayo v. Engel*, 733 F.2d 807, 812 (11th Cir. 1984) (finding that attorney could not be held liable in regard to trademark search initiated by him, when client dismissed attorney knowing that trademark search had not been fully or correctly completed and thus did not rely on such search).

293. No. 79165, 2002 WL 42948 (Ohio Ct. App. Jan. 10, 2002); see *supra* text accompanying notes 119–57.

294. *Id.* at \*2.

295. See RESTATEMENT (SECOND) OF TORTS § 452 (1965).

(1) Except as stated in Subsection (2), the failure of a third person to act to prevent harm to another threatened by the actor’s negligent conduct is not a superseding cause of such harm.

(2) Where, because of lapse of time or otherwise, the duty to prevent harm to another threatened by the actor’s negligent conduct is found to have shifted from the actor to a third person, the failure of the third person to prevent such harm is a superseding cause.

*Id.*; see also *id.* cmt.e (“By contract, by gratuitous promise, or by fair implication from what is agreed, it may be understood that the third person has taken over full responsibility for the situation, and that the actor is relieved of his obligation.”).

296. One would presume that the subsequent searcher is under a duty by contract or tort to perform the search according to the professional standard of a patent attorney. See 1 MALLEN & SMITH, *supra* note 1, § 8.5, at 815 (“Thus far, the courts have uniformly concluded that the negligence of a subsequently retained attorney can be, but is not necessarily, a superseding cause exculpating the first attorney from liability.”).

the second tortfeasor's conduct would have been irrelevant. After all, the client would not have been injured but for the negligent conduct of both.

As between the original and later attorneys accused of negligence, there would appear to be no duty on the part of the second to mitigate any damage caused by the first. In *Held v. Arant*,<sup>297</sup> a patent attorney accused of malpractice by a former client sought indemnity from the attorney who replaced him, alleging that the replacing attorney's negligent conduct resulted in augmented damages to the client.<sup>298</sup> The court held that the replacing attorney had no duty to indemnify the original attorney on the policy ground that an attorney owed an "undivided loyalty" to the client.<sup>299</sup>

The First Circuit case of *Russo v. Baxter Healthcare Corp.*<sup>300</sup> provides a rather egregious example of an inventor who lost his foreign patent rights due to the allegedly tortious conduct of his patent attorney and the defendant—corporation, yet the court denied recovery against the defendant and potentially against the patent attorney.<sup>301</sup> The inventor had disclosed his invention to the defendant which, without his authorization, had conducted bench and field trials without confidentiality agreements.<sup>302</sup> The inventor had retained a patent attorney who filed for a U.S. patent.<sup>303</sup> The PTO received notice of allowance, and the possibility of filing foreign applications was discussed.<sup>304</sup> At a convention, the defendant later publicly displayed and demonstrated the invention and disclosed it in sales brochures.<sup>305</sup> When the inventor discovered the disclosure at the convention, he consulted his patent attorney, who erroneously advised him that foreign rights in most countries had thereby been lost.<sup>306</sup> Subsequently, the inventor also discovered information regarding the bench and field trials.<sup>307</sup>

The inventor brought an action against the defendant for the loss of his foreign patent rights due to the unauthorized public disclosure at the

---

297. 67 Cal. App. 3d 748 (Cal. Ct. App. 1977).

298. *Id.* at 750.

299. *Id.* at 752. An interesting question arises as to whether the first tortfeasor would have a right of contribution against the later tortfeasor, provided the first was held liable to the client for the entire damage amount and satisfied this judgment. On contribution, see generally DOBBS, *supra* note 1, §§ 386–387. It may be noted that the defendant patent attorney in *Carabotta* joined the patent firm who handled the infringement case for "contribution." This claim for contribution was dismissed on motion, presumably on the ground that the patent firm conducting the litigation owed no duty to the defendant patent attorney who had performed the searches.

300. 140 F.3d 6 (1st Cir. 1998).

301. *Id.* at 12.

302. *Id.* at 8–9. Bench and field trials consisted of sending samples of the device at issue to multiple hospitals around the United States to solicit practitioner comments. *Id.*

303. *Id.* at 8.

304. *Id.* at 9.

305. *Id.*

306. *Id.*

307. *Id.* at 9–10.

convention.<sup>308</sup> The district court had granted the defendant judgment as a matter of law on the basis that “[the patent attorney’s] ‘egregious legal malpractice’ had acted as an independent intervening cause that insulated [the defendant] from any liability for its behavior at the . . . convention.”<sup>309</sup> To avoid this conclusion on proximate cause that the negligence of the patent attorney was a “superseding” cause of the inventor’s harm, the inventor argued on appeal that the bench and field trials, which occurred more than a year prior to the disclosures, resulted in the loss of foreign rights independent of any subsequent conduct by his attorney or the defendant.<sup>310</sup> The court rejected this argument as speculative:

Whether [the inventor] would indeed ever have obtained foreign patents if it had not been for [the defendant’s] unauthorized disclosures is totally speculative—and it is rendered totally speculative by the fact that [the inventor] never applied for such patents (so that, for example, it can never be known whether some wholly separate and different reason would have caused rejection of the applications).<sup>311</sup>

The fact that the inventor had already received a U.S. patent did not seem to diminish the speculation in the mind of the court.<sup>312</sup> With the conclusion that the inventor had not shown that he would have acquired foreign patents, his causation-in-fact case collapsed, irrespective of whether the negligent conduct of the defendant was the bench and field trials or the disclosure at the convention.

Not satisfied with concluding that the inventor had failed to show causation-in-fact, the court then proceeded to proximate cause and applied Section 442 of the Restatement (Second) of Torts to conclude that the negligent conduct of the patent attorney was superseding, in addition to being an intervening cause.<sup>313</sup> The court stated that it was “unnecessary to go beyond the first factor” in Section 442—“the fact that its intervention brings about harm different in kind from that which would otherwise have resulted from the actor’s negligence.”<sup>314</sup> The court then applied this factor:

[The patent attorney’s] bad advice produced a harm radically different from that ascribable to [the defendant’s] actions alone. After all, it is really uncertain whether foreign patents would have issued on the strength of [the inventor’s] claimed invention even in the absence of [the defendant’s] unauthorized disclosures—and that

---

308. *Id.* at 9.

309. *Id.* at 10.

310. *Id.*

311. *Id.*

312. *Cf. Kairos Scientific Inc. v. Fish & Richardson, P.C.*, No. 415736, 2003 WL 21960687 (Cal. App. Dep’t Super. Ct. July 29, 2003) (awarding \$30 million in damages for negligent failure to file foreign patent applications).

313. *Russo*, 140 F.3d at 11.

314. *Id.* (quoting RESTATEMENT (SECOND) OF TORTS § 442 (1965)).

uncertainty can never be resolved, because the foreign patent offices were never given that opportunity. By contrast, what is really certain is that the reason that the opportunity was never given (and that the opportunity would never have been given even in the context of the original disclosures) was [the patent attorney's] wholly independent bad legal advice.<sup>315</sup>

On the other hand, does there not seem to be some *dependency* on the fact that the defendant disclosed the invention without the inventor's authorization or even his knowledge? The inventor, after all, sought the advice of his patent attorney when he became aware of the disclosure at the convention; he had not yet found out about the bench and field trials. In short, the First Circuit concluded that there was not more than a mere scintilla of evidence on the causation issue, justifying the district court's grant of judgment as a matter of law.<sup>316</sup>

The much-maligned patent attorney was not a party in this case, and it may be presumed that the inventor's redress is with him. Nonetheless, the patent attorney may have a compelling defense against a malpractice claim by the inventor. If the bench or field trials triggered the date for filing foreign patent applications, then at the time the attorney gave his erroneous advice based on the disclosures at the convention, the inventor had no foreign rights to lose. These rights were lost when the deadline passed to file for foreign patents. Another defense would be, as the First Circuit concluded, that the obtaining of foreign patent rights was "speculative," as would be any damages suffered by the inventor.<sup>317</sup>

### C. Damages

The final element in the negligence cause of action is that damages be sustained as a consequence of the negligent conduct of the actor.<sup>318</sup> This is inherent in the "case-within-a-case" requirement, for without damages there is no sustainable underlying case. This element of the negligence cause of action may present an insurmountable barrier to recovery by a client against a negligent patent attorney. The difficulty may be seen in an archetypical example, where a patent attorney negligently fails to file a patent application within the prescribed time period. Assume that a patent would have been granted but for the negligent conduct of the patent attorney. What damage has the putative owner of the nonexistent patent suffered or what will he suffer in the future? In other words, had the patent issued, would it have any value?

First, there is the problem of establishing whether anyone would infringe the nonexistent patent. What would be the scope of the claims that would have been granted had the patent been issued? Presuming

---

315. *Id.*

316. *Id.* at 12.

317. *Id.*

318. See DOBBS, *supra* note 1, § 110.

the scope of protection could be established, the problem still remains of whether or not anyone is in fact infringing. If no one (the putative patent owner or other putative infringers) seeks to exploit the subject matter that the patent attorney negligently admitted into the public domain, then no damages would be sustained by the putative owner of such a patent, and a malpractice cause of action against the patent attorney should fail.

An example of the “valueless patent” is found in *Igen, Inc. v. White*,<sup>319</sup> where the client alleged that the defendant patent firm negligently failed to file a patent application in Europe by the Paris Convention (“the Convention”) date of August 29, 1985.<sup>320</sup> The plaintiff filed the complaint on February 27, 1991, and the New York Supreme Court denied defendant’s motion for summary judgment on February 13, 1997.<sup>321</sup> The patent firm appealed this judgment, and the Appellate Division reversed, granting summary judgment on May 19, 1998.<sup>322</sup> The court was unsympathetic to the plaintiff: “Plaintiff, the inventor of a technique for producing monoclonal antibodies, seeks to wrest from its former counsel something that, thus far, has eluded it in the marketplace—a monetary return from its patented process.”<sup>323</sup>

The plaintiff admitted that it had suffered no present damages, but claimed that the patent would become extremely valuable in the future and hence claimed damages in the amount of \$150 million.<sup>324</sup> The court, however, noted that the value to be determined was not the speculated future value of any patent, but rather “the value of the patent on the date [plaintiff’s] malpractice action was commenced.”<sup>325</sup> This certainly seems too narrow a definition to limit the value of the patent as of the date that malpractice occurred, which would have been August 29, 1985, when the Convention date ended. One would expect the value of the patent to include any exploitation subsequent to this date, at least within the statute of limitations, which presumably was satisfied by plaintiff’s filing the complaint in 1991. Nonetheless, on the facts of this case, the plaintiff’s invention had evidently not been exploited anywhere as of the date of the Appellate Division’s decision in 1998, almost thirteen years after the alleged malpractice occurred. The court appears to be concerned not only about the magnitude of the future damages claimed, but also about the extension of the statute of limitations. The court stated that “[t]he magnitude of the sum sought to be recovered in this litigation is apparently exceeded only by the duration by which plaintiff would protract the Statute of Limitations for recovery in negligence

---

319. 672 N.Y.S.2d 867 (N.Y. App. Div. 1998).

320. *Id.* at 868.

321. *Id.*

322. *Id.* at 869.

323. *Id.*

324. *Id.* at 868.

325. *Id.*

against an attorney.”<sup>326</sup> The plight of the inventor of an invention that is not readily exploitable, i.e., one that is ahead of its time, is apparent.

Such an inventor is faced with the dilemma (or Hobson’s choice) of filing within the statute of limitations while not being able to demonstrate any actual damages, or of waiting to file until actual damages can be proven. This sort of dilemma also applies in other areas of the law, such as when a person is exposed to a toxic substance that may not manifest itself in disease until many years after exposure.<sup>327</sup> Nonetheless, it would seem that, in the case of a fundamental invention where expert testimony might establish the future value of the patent, a court should not be too quick to dismiss the possibility that damages are likely to accrue in the future.

Along these lines, in a more recent case, *Incline Pharmaceutical Co. v. Coleman*,<sup>328</sup> the same New York court (Department of the Appellate Division) greatly liberalized the damage pleading requirement—contrary to *Igen*. *Incline* involved the same allegation of negligence as in *Igen* (failing to file a patent application abroad (Asia)); however, the court held:

The alleged facts, if accepted as true, accorded the benefit of every possible favorable inference, and evaluated only as to whether they fit within any cognizable legal theory, sufficiently state plaintiff’s claim that defendants’ negligence in failing to timely file the Asian patent on the pharmaceutical product at issue caused the substantial diminution of the value of its worldwide license to manufacture, sell and sublicense the product . . . .<sup>329</sup>

The court stated that *Igen* was “readily distinguishable from the instant case in that the complaint was dismissed for failure to show actual damages on a motion for summary judgment after the matter had been pending for seven years and discovery had been completed.”<sup>330</sup>

The dissenting judge pointed out that “[n]o allegations are offered regarding what [the product in question] is, whether it has ever been marketed anywhere, whether it has even been manufactured, whether it is, indeed, a commercially viable product, and if so, whether there is any baseline for ascertaining its market, specifically in Asia.”<sup>331</sup> Accordingly, *Igen* should be controlling “[n]otwithstanding some minor factual distinctions between the cases.”<sup>332</sup>

326. *Id.* at 869.

327. See DOBBS, *supra* note 1, § 218, at 554 (“The problem of undiscovered harm is especially acute when the plaintiff is subjected to toxins that cause harm slowly over long periods of time.”); see also VICTOR E. SCHWARTZ ET AL., PROSSER, WADE AND SCHWARTZ’S TORTS 618 (2000) (summarizing cases where a more serious disease develops years after exposure to a toxic substance).

328. 759 N.Y.S.2d 62 (N.Y. App. Div. 2003).

329. *Id.* at 63.

330. *Id.*

331. *Id.* at 64 (Tom, J.P., dissenting).

332. *Id.* at 65 (Tom, J.P., dissenting).

A more sympathetic approach than *Igen* is also found in *Carnegie Mellon University v. Schwartz*,<sup>333</sup> where Carnegie Mellon University (“the University” or “CMU”) claimed that a patent attorney negligently disclaimed one of its patents and this disclaimer was not discovered until fifteen months later.<sup>334</sup> Thus, the University alleged that during the disclaimed period, intervening rights could be claimed by infringers of this patent who would rely upon the disclaimer.<sup>335</sup> The patent attorney moved for summary judgment on the basis that the publication of the errata in the Official Gazette of the Patent Office operated retroactively to cure the mistaken disclaimer and, therefore, eliminated any claim of intervening rights by third parties.<sup>336</sup> The Patent Office supported this position and the district court granted the motion.<sup>337</sup> However, on appeal, the Third Circuit reversed this decision.<sup>338</sup> The appellate court stated: “We are not so confident in the broad ameliorative powers of the certificate of correction.”<sup>339</sup> Buttressing the University’s case was the fact that it had filed infringement suits in California against several parties, and the court thus stated, “We cannot confidently predict that the certificate of correction will shield CMU from an ‘actual loss’ in that case.”<sup>340</sup> Thus the court concluded that it was best to hold the present malpractice action in abeyance until it could be determined whether CMU suffered an actual loss as a result of the intervening rights arising from the disclaimer.<sup>341</sup> It remanded the case to the district court with the recommendation that the court await the outcome of any pending infringement litigation.<sup>342</sup>

There would seem to be considerable merit in the approach of *Carnegie Mellon*, where the client claiming malpractice may file within the statute of limitations and have the actual loss be determined at a future date, provided this date is set at a reasonable time to assess damages.<sup>343</sup> Presumably, this would be the result after *Inkline*, with a reasonable time being afforded to assess damages and with *Igen* acting as a limit on extended pendency of malpractice cases. The downside would be the need to accrue funds by the malpractice insurance carrier as soon as the claim was filed and to maintain them for an extended period of time, but the accrued funds would, of course, be invested.

---

333. 105 F.3d 863 (3d Cir. 1997).

334. *Id.* at 864.

335. *Id.*

336. *Id.* at 866.

337. *Id.*

338. *Id.* at 867.

339. *Id.*

340. *Id.*

341. *Id.*

342. *Id.*

343. *See id.*

Another approach was taken in *Svedala Industries, Inc. v. Winston & Strawn*,<sup>344</sup> where the client could not presently show damages and the court accordingly granted the firm summary judgment. However, it concluded, “We do so, however, without prejudice in order to allow plaintiff the opportunity to reinstate its cause of action when, and if, it can prove that it has suffered a loss.”<sup>345</sup>

Finally, in a recent decision that should fill all patent attorneys with considerable trepidation, *Kairos Scientific Inc. v. Fish & Richardson, P.C.*,<sup>346</sup> a court awarded damages of \$30 million against a patent firm for failure to file a PCT application within the grace period:

[The firm] admitted that they failed to timely file the Patent Cooperation Treaty (PCT) application. [The firm] informed [the client] of this failure . . . . [A member of the firm] admitted that it was a “big error,” and he “even used the term malpractice.” As a result [the firm] quickly filed a non-priority PCT application . . . . [The firm] contacted many of their foreign associates asking them to determine if this error could be corrected. It could not. All foreign rights to [the client’s invention] were lost.<sup>347</sup>

In a bench trial, the court found causation based on evidence that foreign patents would have issued but for the failure to file in a timely manner.<sup>348</sup> The major issue then became damages—the value of nonexistent foreign patents to the client.<sup>349</sup> The difficulty of this issue was stated by the court:

Thus, the uncertainty here as to the amount of damage caused by [the firm’s] wrongful act exists because of the wrongful act. That is, had [the firm] not failed to timely file the PCT application, it would be much easier to measure the value of the foreign patent rights to [the client] by the value of the agreements licensing the right to practice the invention to others, for example. However, the facts establishing that measure did not come about precisely because of the wrongful conduct at issue here.<sup>350</sup>

Nonetheless, the court, based primarily on testimony of potential licensees for the domestic and foreign patent rights and also on the testimony of other damage experts, concluded that the clients had been damaged to the extent of \$30 million.<sup>351</sup>

---

344. No. 92 C 0010, 1993 WL 198918 (N.D. Ill. June 10, 1993).

345. *Id.* at \*4 (citations omitted).

346. No. 415736, 2003 WL 21960687 (Cal. App. Dep’t Super. Ct. July 29, 2003). In this bench trial, Judge Holm provides a comprehensive opinion totaling seventy-seven pages in Westlaw format with 437 footnotes. It may be that an appeal is anticipated. It is also interesting to note that the plaintiff client was represented by a sole practitioner from Malibu.

347. *Id.* at \*19 (citations omitted).

348. *Id.* at \*20.

349. *See id.* at \*71.

350. *Id.*

351. *See id.* at \*77 (citations omitted). The court stated:

The total sum of damages to Plaintiff caused by Defendants would be \$30,000,000. This sum has not been discounted to present dollars. As far as I can tell there is no evidence presently before

Punitive or exemplary damages are generally not available for malpractice actions based merely on professional negligence; however, if more egregious conduct is involved, such damages may be awarded against the offending lawyer.<sup>352</sup> A case involving the claim for punitive damages by a client against a patent firm based on breach of fiduciary duty is discussed *infra*.<sup>353</sup>

#### D. Malpractice Based on Breach of Fiduciary Duty

So far, this Article has considered malpractice to be a species of professional negligence, with liability being imposed when a patent attorney breaches the duty owed to the client by engaging in conduct that falls below the professional standard of care of a patent attorney. The tort of breach of fiduciary duty (sometimes called “constructive fraud”<sup>354</sup>) involves the failure of a lawyer to act according to professional standards of ethical conduct, including those imposed by the Model Code of Professional Responsibility, the Model Rules of Professional Conduct, or the common law.<sup>355</sup> Mallen and Smith identify “the basic fiduciary obligations” as being “two-fold: undivided loyalty and confidentiality.”<sup>356</sup> Anderson and Steele particularize “fiduciary duties” as including “acting with utmost fairness to clients, making full disclosure, avoiding representation which conflicts with that of the client, and preserving confidences of the client.”<sup>357</sup>

In the context of patent practice, breaches of fiduciary duties tend to fall into certain patterns. Conflicts of interest have been and are likely to continue to be a recurring problem for patent attorneys, particularly in an age where patent practitioners are being integrated into large general practice firms. This was a major issue in the *CMI* litigation discussed

---

this Court that would enable me to determine the present value of that sum given the various years it would have been earned by Plaintiff. Therefore, the parties are ordered to present evidence to me of the present value of that sum. In addition, the parties are ordered to present to me evidence of the present value of Plaintiff's cost to obtain the foreign patents she would have sought.

*Id.*

352. As concluded in 3 MALLEN & SMITH, *supra* note 1, § 20.16, at 156, “The courts agree that exemplary damages require an improper intent, typically fraud, malice or oppression.” (citations omitted)

353. For the possibility of punitive damages against a patent firm in the context of breach of fiduciary duty, see *infra* text accompanying notes 390–408.

354. See 1 MALLEN & SMITH, *supra* note 1, § 8.11, at 831 (“Constructive fraud consists of acts or omissions that the law treats as fraudulent, no matter the attorney’s intent or motive. Constructive fraud reposes exclusively in the fiduciary obligations and simply is a characterization of a breach of such a duty.”) (citations omitted); see also *Dream Makers, Inc. v. Marshek*, No. 81249, 2002 WL 31839190, at \*4 (Ohio Ct. App. Dec. 19, 2002) (allegations of fraud against an attorney who was not a patent attorney for accepting “a contingent fee for services that he neither performed nor was capable of performing”); Anderson & Steele, *supra* note 37, at 240 (“[V]iolation of the fiduciary standard is often given the sobriquet ‘constructive fraud’ . . .”).

355. See 2 MALLEN & SMITH, *supra* note 1, § 14.2.

356. *Id.* § 14.1, at 530 (citation omitted).

357. Anderson & Steele, *supra* note 37, at 241 (citations omitted).

*supra*.<sup>358</sup> Often, disqualification of a particular attorney or firm is the remedy sought in a conflict situation.<sup>359</sup> In situations where damages are alleged to result from the conflict, the tort is directly involved.<sup>360</sup>

Patent attorneys receive a large amount of confidential information related to inventions and the unauthorized disposition of this information may lead to a claim for breach of confidence. Also, patent attorneys receive inside information as a result of their representation of inventors and enterprises and may be tempted to profit from it. This situation may occur when confidential information concerning an invention is received by a patent attorney from a client and that information is used contrary to the interests of the client, e.g., as the basis for filing a patent application in the patent attorney's own name.<sup>361</sup> In addition, information obtained by a patent attorney from one client might be communicated to another client or person, to the detriment of the former. For example, in *Trinity Industries, Inc. v. Myers & Associates, Ltd.*,<sup>362</sup> it was alleged that a patent firm that had handled a client's patent matters for nine years breached its fiduciary duty by counseling a competitor in the preparation and prosecution of patent litigation against the client.<sup>363</sup>

---

358. See *supra* text accompanying notes 185–248.

359. Mallen and Smith attribute the disproportionately large number of disqualification motions against patent attorneys to the relatively small number of patent firms in a given geographical location. See 3 MALLEN & SMITH, *supra* note 1, § 23.25, at 602–20 nn.1–55. For a Federal Circuit case applying Second Circuit law, see *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 836 F.2d 1332 (Fed. Cir. 1988) (attorneys not disqualified under Code of Professional Responsibility from representing interests seeking to invalidate patent, where patent had been assigned to patentee who was not client of attorneys, proof of invalidity of patent was limited to prior art that was not known at time that application was prosecuted, and there was no showing that attorneys obtained actual confidences that would give their present client unfair advantage).

360. See, e.g., *Berkeley Ltd. P'ship v. Arnold, White & Durkee*, 118 F. Supp. 2d 668, 674 (D. Md. 2000) (finding a breach of fiduciary duty by patent firm for conflict of interest as entitling client to either compensatory damages or disgorgement of legal fees, but not both, and indicating that “disgorging the legal fees is in the nature of a punitive measure designed to discourage behavior and punish attorneys for their violations”).

361. See *Water Hammer Arrester Corp. v. Tower*, 66 F. Supp. 732, 737–38 (E.D. Wis. 1944), *aff'd*, 156 F.2d 775 (7th Cir. 1946). The court stated:

But, in any event, defendant is estopped to assert that he is the inventor. Patent attorneys by the very nature of their duties are charged with a confidence and trust of the highest degree. The law does not favor the filing of an application for letters patent by patent counsel, especially where it relates to the subject matter of his engagement. The relation between the attorney and his client is too sacred to admit even the shadow of abuse. Every doubt will be resolved in favor of the client.

*Id.*

362. 41 F.3d 229 (5th Cir. 1995).

363. See *Trinity Indus.*, 41 F.3d at 230. For more examples, see *Hawkins v. Gen. Motors Corp.*, 427 F.2d 148 (4th Cir. 1970) (per curiam) (alleging misappropriation of invention); *Ill. Tool Works Inc. v. Kovac*, 357 N.E.2d 639 (Ill. App. Ct. 1976) (alleging representation of another client in a similar technology after receiving confidential information from former client); *Sentinel Prod. Corp. v. Platt*, 64 U.S.P.Q.2d 1536 (D. Mass. 2002) (alleging that patent attorney filed a patent application similar to plaintiff's for former employees of plaintiff); and *Lakoff v. Lionel Corp.*, 137 N.Y.S.2d 806 (N.Y. Sup. Ct. 1955) (alleging disclosure of client's invention to corporation).

In addition, patent attorneys may be tempted to take an interest in an invention in lieu of legal fees. In *Rhodes v. Buechel*,<sup>364</sup> the court held that “a relationship based upon [the patent attorney’s] performance of legal services in exchange for an interest initially in [the clients’] inventions, and then in the corporation, and later the trusts, set up to exploit those inventions” was void *ab initio* as a breach of fiduciary duty to the client.<sup>365</sup> The ethical violations were based on failure to advise the client of other fee arrangements, potential conflict of interests, and the need for independent legal advice.<sup>366</sup>

The procedural consequences of being accused of a breach of fiduciary duty can be severe. In *Goodrum v. Clement*,<sup>367</sup> a patent attorney who was accused of filing a patent application in his own name on an invention allegedly communicated to him by his client was required by the court to disprove the communication.<sup>368</sup> As stated by the court:

The relation of attorney and client is one of the highest trust and confidence, and demands the utmost good faith on the part of the attorney. This relation is not only highly confidential, but presents so many opportunities for the reaping of special benefits at the expense of the client by an attorney so disposed, that courts will closely scrutinize any transaction in which the attorney has assumed a position antagonistic to his client. And where, as here, the evidence shows that as a result of assuming such a position the attorney has gained an advantage, the burden is on him to prove good faith, rather than on the client to prove the absence of it.

. . . If such conduct on the part of an attorney, and particularly a patent attorney, whose opportunities for personal gain as the result of the relation, are perhaps even greater than those of a general practitioner, may go unrebuked, and the attorney be permitted to profit thereby, courts of justice will have ceased to function.<sup>369</sup>

The conduct resulting in a claim of breach of fiduciary duty may be intentional, as in *Goodrum*. However, the conduct involved may be due

---

364. 685 N.Y.S.2d 65 (N.Y. App. Div. 1999) (mem.).

365. *Id.* at 65; *see supra* note 247 (indicating the patent attorney was awarded \$1.5 million for services rendered to the client).

366. *Id.* at 65–66.

367. 277 F. 586 (D.C. Cir. 1922).

368. *Id.* at 591.

369. *Id.* at 591–92; *see* 2 MALLEN & SMITH, *supra* note 1, § 14.2, at 541 (“The rationale for shifting this burden is the preservation of the integrity of the profession in a situation that imperils the fundamental concept of loyalty.”). In a recent case, the Federal Circuit did not take kindly to the argument by an accused infringer that the inventor’s patent attorney was the true inventor:

As for the suggestion that Solomon’s attorney might be the true inventor, we regard that argument as misguided. An attorney’s professional responsibility is to assist his or her client in defining her invention to obtain, if possible, a valid patent with maximum coverage. An attorney performing that role should not be a competitor of the client, asserting inventorship as a result of representing his client . . . . Thus, to assert that proper performance of the attorney’s role is a ground for invalidating the patent constitutes a failure to understand the proper role of a patent attorney.

*Solomon v. Kimberly-Clark Corp.*, 216 F.3d 1372, 1382 (Fed. Cir. 2000) (citation omitted).

to negligence, e.g., a patent attorney negligently sends a draft of a patent application to the wrong person. Indeed, it has yet to be resolved whether fiduciary breach may be classified as a strict liability tort.<sup>370</sup> In any event, one of the most common defenses in patent litigation is “inequitable conduct before the Patent Office” or, as it used to be called, “fraud on the Patent Office.”<sup>371</sup> As dramatically stated by the Federal Circuit: “The habit of charging inequitable conduct . . . has become an absolute plague.”<sup>372</sup> “Plague” or not, a finding of “inequitable conduct” renders an otherwise valid and infringed patent unenforceable and would lead one to suspect that the “plague” would spread to the patent attorney found to have engaged in such conduct on the basis of breach of fiduciary duty.

As defined by the Federal Circuit in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, “[i]nequitable conduct resides in failure to disclose material information, or submission of false material information, with an intent to deceive, and those two elements, materiality and intent, must be proven by clear and convincing evidence.”<sup>373</sup> The consequences to the patent owner are indeed severe if the accused infringer is able to sustain the defense of inequitable conduct. A court may hold the entire patent unenforceable, as well as any related patents based upon the underlying invention, even though claims in the patent would be valid and infringed irrespective of the inequitable conduct.<sup>374</sup> In other words, claims that were allowable and had no relevancy to the claimed inequitable conduct would still be unenforceable.

In *J.P. Stevens & Co. v. Lex Tex Ltd.*,<sup>375</sup> the Federal Circuit determined that the designation “inequitable conduct,” rather than “fraud on the Patent Office,” more accurately represents the conduct of a patent attorney who intentionally misrepresents or misleads a patent examiner.<sup>376</sup> Such conduct is broader than that under the common law

---

370. See DOBBS, *supra* note 1, § 487, at 1395 (footnote omitted) (“It is quite possible to think that some fiduciary duties are strict and that liability will follow whether or not the lawyer was at fault in breaching them.”).

371. The change in terminology was initiated by the Federal Circuit in *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984) (citation omitted), but other courts continue to use “fraud on the Patent Office.”

372. *Burlington Indus. Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

373. 863 F.2d 867, 872 (Fed. Cir. 1988) (citing *J.P. Stevens & Co.*, 747 F.2d at 1559).

374. See *id.* at 877 (“When a court has finally determined that inequitable conduct occurred in relation to one or more claims during prosecution of the patent application, the entire patent is rendered unenforceable. We, *in banc*, reaffirm that rule as set forth in *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).”) (parallel citations omitted).

375. 747 F.2d at 1553.

376. *Id.* at 1559. As stated by the court in *J.P. Stevens*:

Conduct before the PTO that may render a patent unenforceable is broader than “common law fraud” . . . . It includes failure to disclose material information, or submission of false material information, with an intent to mislead. Because the “fraud” label can be confused with other forms of conduct, this opinion avoids that label and uses “inequitable conduct” as a more accurate description of the proscribed activity, it being understood that the term encompasses

tort of fraudulent misrepresentation, where reliance is required by the party to whom the misrepresentation is made.<sup>377</sup> The patent examiner need not rely upon the misrepresentation, but the asserter of the defense need only establish materiality on the basis that there is “a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent.”<sup>378</sup> With respect to a client whose patent is rendered unenforceable by such a misrepresentation by the patent attorney, the nature of the cause of action would not be fraudulent misrepresentation vis-à-vis the client, but would be better based on breach of fiduciary duty.

There seems to be little doubt that intentionally making a material misrepresentation to the patent-granting authority constitutes a failure on the part of the attorney to satisfy the fiduciary duties of loyalty and honesty to a client. Due to the unenforceability of the entire patent, the “case-within-a-case” requirement could be satisfied if claims of the patent could otherwise be shown not to be invalid and infringed. This leads to one of the minor mysteries of this area of the law: why does only one reported case exist that is based on breach of fiduciary duty against a patent attorney, after the attorney is found to have engaged in inequitable conduct before the Patent Office?<sup>379</sup>

In *Lex Tex Ltd. v. Skillman*,<sup>380</sup> the D.C. Court of Appeals held that a patent attorney who had “transacted business” on behalf of its client before the Patent Office was subject to the personal jurisdiction of the District of Columbia courts under the District’s “long-arm” statute.<sup>381</sup> The bases for the underlying suit by the client against the patent attorney were two previous judicial opinions, each holding the client’s patents unenforceable because of the “inequitable conduct” of the patent attorney before the Patent Office.<sup>382</sup> The client had obtained a \$9 million

---

affirmative acts of commission, e.g., submission of false information, as well as omission, e.g., failure to disclose material information.

*Id.*

377. *Id.* (citing *Norton v. Curtiss*, 433 F.2d 779, 793 (C.C.P.A. 1970)). In *Stevens*, the court defines “common law fraud” as requiring:

(1) misrepresentation of a material fact, (2) intent to deceive or a state of mind so reckless respecting consequences as to be the equivalent of intent (scienter), (3) justifiable reliance on the misrepresentation by the party deceived, inducing him to act thereon, and (4) injury to the party deceived, resulting from reliance on the misrepresentation.

*Id.* See also *DOBBS*, *supra* note 1, § 470, at 1345:

Courts list anywhere from four to nine elements of the common law fraudulent misrepresentation claim, but whatever the number, they agree in substance that the plaintiff must prove (1) an intentional misrepresentation (2) of fact or opinion (as distinct from a promise) (3) that is material and (4) intended to induce and (5) does induce reasonable reliance by the plaintiff, (6) proximately causing pecuniary harm to the plaintiff.

*Id.*

378. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 (Fed. Cir. 1995).

379. Presumably these cases are settled out of court, but clients would seem to have some incentive to have a jury decide damages.

380. 579 A.2d 244 (D.C. 1990).

381. *Id.* at 249–50.

382. *Id.* at 245.

verdict in the first case, tried in Florida, with the Federal Circuit holding the patents to be unenforceable due to inequitable conduct.<sup>383</sup> A district court in North Carolina held another patent unenforceable on the same grounds.<sup>384</sup> As reported in *Skillman*, the allegations of the client were:

[The patent attorney] acted negligently, willfully and wantonly, and in breach of his contract with [the client's] assignor by failing to disclose to the Patent Office the existence of prior art, which was "known or in the exercise of reasonable care should have been known" to the [patent attorney]. [The client] claimed that [the patent attorney's] actions had resulted in "substantial economic loss due to the unenforceability" of the patents.<sup>385</sup>

. . . [The patent attorney] acted negligently or culpably when he appeared before a reissue examiner and failed at that point to disclose to [the client], who by this time had succeeded to the patents, that he had "engaged in gross negligence or reckless conduct in connection" with the initial patent applications. Such disclosure, [the client] contended, would have induced [the client] to settle with the allegedly infringing parties rather than pursue litigation with its attendant expense.<sup>386</sup>

In sum, the potpourri of allegations would seem to amount to allegations of professional negligence (including aggravated forms—willful, wanton, gross, and reckless) and breach of contract. Based upon the decisions finding that the patent attorney had engaged in inequitable conduct before the Patent Office resulting in the patents being held unenforceable, however, the tort of breach of fiduciary duty would seem to be the most appropriate theory.

In *G.D. Searle & Co. v. Pennie & Edmonds, LLP*,<sup>387</sup> still pending at the time of this writing, significant questions of breach of fiduciary duty by a patent firm are raised, where the firm represented two clients in acquiring patent rights to allegedly the same technology—COX-2 inhibitors.<sup>388</sup> The potential magnitude of the damages against the law firm and the fact that the firm was dissolved at the end of 2003 also

---

383. *J.P. Stevens & Co.*, 747 F.2d at 1557.

384. *Lex Tex Ltd. v. Am. Barmag Corp.*, 4 U.S.P.Q.2d 1273, 1283 (W.D.N.C. 1987).

385. *Skillman*, 579 A.2d at 245.

386. *Id.* at 245 n.3.

387. No. 602374/00, No. 406372/01, (N.Y. Sup. Ct. Jan. 27, 2003), available at <http://www.nycourts.gov/comdiv/law%20report%20files/march%202003/searle.wpd>, *aff'd*, 764 N.Y.S.2d 686 (N.Y. App. Div. 2003). In separate actions against the firm, the plaintiffs are (1) G.D. Searle & Co., Pharmacia Corp., and Pfizer, Inc. (No. 602374/00) and (2) University of Rochester (No. 406372/01). *Id.* See Dolak, *Risky Business*, *supra* note 1, at 424–29 (discussing the background of this case at the pleading stage).

388. *Searle*, No. 602374/00, No. 406372/01, at \*2–3. A COX-2 inhibitor is a type of drug that selectively blocks the enzyme cyclooxygenase-2. Blocking this enzyme impedes the production of the chemical messengers that cause the pain and swelling of arthritis inflammation. Examples of such drugs are Celebrex and Vioxx. See Cox-2 inhibitor, MedicineNet.com Medical Dictionary, at <http://www.medterms.com/script/main/art.asp?articlekey=7098> (last visited Dec. 12, 2004).

increase the interest in this case.<sup>389</sup> The facts are relatively complicated but present a good example of the potential conflict of interest problems faced by a patent firm when a common or closely related technology is involved.

The University of Rochester had retained the firm to handle its patent portfolio commencing in 1995, including filing and prosecuting applications relating to COX-2 inhibitors.<sup>390</sup> The University alleged that the firm also represented Searle and Pfizer with respect to patents on Celebrex, a COX-2 inhibitor, very profitably marketed by those companies.<sup>391</sup> The firm also represented the University in interference proceedings involving Merck's COX-2 inhibitors, including Vioxx.<sup>392</sup> In addition, the firm represented Searle against Merck in an interference concerning priority of invention of COX-2 inhibitors.<sup>393</sup> The firm had represented Searle since 1992 and Pfizer since 1980.<sup>394</sup>

On April 11, 2000, the University's COX-2 inhibitor patent issued and immediately, on that same day, the University filed an infringement action against Searle and Pfizer for its marketing of the allegedly infringing Celebrex.<sup>395</sup> The following day the firm then "retired" the University as a client, but continued its relationship with Searle and Pfizer.<sup>396</sup> Shortly thereafter, Searle terminated the firm's representation in the Merck interference proceedings, and none of the defendants in the infringement action retained the firm.<sup>397</sup>

---

389. See Anthony Lin, *Pennie and Edmonds Lawyers Begin Exodus*, 26 LEGAL TIMES No. 51, Dec. 22, 2003, at 17. Lin writes:

The movement of as many as 100 Pennie & Edmonds lawyers to the New York office of Jones Day is under way, as the 120-year-old intellectual property boutique prepares to shut down by Dec. 31.

....

As Pennie & Edmonds lawyers decide what their next step may be, Manhattan Supreme Court Justice Charles Ramos is also weighing the firm's future. On Dec. 16, Ramos heard oral arguments on Pfizer Inc.'s motion for summary judgment in its malpractice suit against the law firm.

*Id.*

390. *Searle*, No. 602374/00, No. 406372/01, at \*2-3.

391. *Id.* at \*3.

392. *Id.*

393. *Id.*

394. *Id.*

395. *Id.* at \*4. This action was filed by Morrison & Foerster on behalf of the University. The defendants comprised G.D. Searle & Co., Inc.; Pfizer, Inc.; Monsanto Co.; and Pharmacia Corp. Pharmacia moved to have Morrison & Foerster disqualified from representing the University because of a conflict of interest arising from the firm's previous representation of Pharmacia. The district court denied this motion. See *University of Rochester v. G.D. Searle & Co.*, No. 00-CY-616LB, 2000 WL 1922271, at \*1 (W.D.N.Y. Dec. 11, 2000).

396. As put by Justice Ramos: "The day after the Infringement Action was filed, P&E 'retired' the University as a client, keeping [Searle, Pfizer, and Pharmacia] as clients." *Searle*, No. 602374/00, No. 406372/01, at \*4.

397. *Id.*

In May 2000, the University filed a breach of fiduciary duty and breach of contract action against the firm in New York state court.<sup>398</sup> That June, Searle and Pfizer filed a similar action in another county of New York.<sup>399</sup> On the motion of the University, the court granted a change of venue and consolidated the two actions for trial.<sup>400</sup>

In the consolidated case, the University moved to stay the proceedings pending the outcome of the infringement action.<sup>401</sup> The court denied this motion on the rationale that the issues in this and the infringement case were different.<sup>402</sup> As concluded by the court:

The two actions in this Court question whether [the patent firm] violated its ethical obligations by representing the University and [Searle and Pfizer] at the same time in related matters, which turns on whether their interests were adverse at the time of the representation. The Infringement Action, on the other hand, addresses the validity of patents. Whether the patents are found to be valid or invalid, [the firm's] clients' interests could have been adverse.<sup>403</sup>

The court also made clear the "untenable" position in which the firm found itself by the allegations of conflict of interest by the affected clients:

[The firm] is in the untenable position of having to defend itself against two former clients without disclosing to either the privileged information of the other. [The firm] cannot defend itself against an accusation of conflict of interest arising from certain information allegedly in its possession, without using the information which plaintiffs assert is privileged.<sup>404</sup>

The consolidation of the two cases placed questions of privilege, confidentiality, and waiver before the same court. Rather interestingly, the court noted that the University had strongly asserted its privilege in the past by warning its former counsel "that if it discloses privileged information and Searle and Pfizer use it to invalidate the University's patent, the damage to the University will ultimately cost [the firm] billions."<sup>405</sup>

The University also moved to amend its complaint to include a demand for the award of punitive damages against the firm.<sup>406</sup> The bases for this award were that the firm allegedly breached its fiduciary duty by

---

398. *Id.* at \*5.

399. *Id.*

400. *Id.* at \*5 n.5. The consolidation was only for discovery and trial.

401. *Id.*

402. *See id.* at \*9.

403. *Id.* at \*7-8 (citations omitted).

404. *Id.* at \*5.

405. *Id.* at \*6. Justice Ramos indicates in a footnote: "In its complaint, the University seeks damages arising from the fees paid to P&E and the cost of replacement counsel. The University has now moved to amend its complaint against P&E to seek billions in compensatory damages." *Id.* at \*6 n.7.

406. *Id.* at \*13-14.

giving advice not in the best interests of the University; misrepresenting its relationship with Searle and Pfizer, including advising a licensing strategy that would benefit the firm's other (and more lucrative) clients; and denying their representation of the other clients and the sharing of confidences with other of the firm's attorneys representing the other clients.<sup>407</sup> While indicating that punitive damages were recoverable against lawyers in New York, the court concluded that the award depended upon more egregious conduct than was alleged in the case, and hence denied the motion to amend with respect to punitive damages.<sup>408</sup>

Shortly after the state court denied the University's motions, the University suffered a major setback in its quest to win the COX-2 inhibitor "lottery." In the infringement action that the University had brought against Searle and Pfizer, the federal district court granted summary judgment for the defendants, declaring the University's patent invalid on two grounds: (1) failure to satisfy the "written description" requirement, and (2) failure to provide an "enabling disclosure."<sup>409</sup> The Federal Circuit affirmed summary judgment based on the failure to comply with the written description.<sup>410</sup>

The state court action based on breach of fiduciary duty and contract is still pending. During an oral hearing on a motion for summary judgment by the University, Justice Ramos is quoted as saying, in evident hesitation to grant the motion, "I'm not a scientist and neither are you," when speaking to the attorneys before him.<sup>411</sup> Justice Ramos also stated that while the patent firm might be guilty of ethical misconduct, he feared that asking the firm to disgorge millions in legal fees might be an extreme punishment.<sup>412</sup> "We don't want them to be going sixty," he said, "[w]e want them going ninety with the beer can out the window."<sup>413</sup>

The saga is likely to continue. After all, the patent firm drafted and prosecuted the University's patent that the court held invalid on "written description" and "lack of enablement" grounds.<sup>414</sup>

---

407. *Id.* at \*14.

408. *Id.* at \*15–19. The court concludes that punitive damages have not been awarded in New York for breach of contract and cites cases where they were denied for breach of the Code of Professional Responsibility. *See id.* at \*8.

409. *See* Univ. of Rochester v. G.D. Searle & Co., 249 F. Supp. 2d 216, 235 (W.D.N.Y. 2003).

410. Univ. of Rochester v. G.D. Searle & Co., 358 F.3d 916 (Fed. Cir. 2004) (considering the enablement issue thereby moot), *reh'g and reh'g en banc denied*, 375 F.3d 1303 (Fed. Cir. 2004).

411. Lin, *supra* note 389.

412. *Id.*

413. *Id.*

414. Of course, the University would have to prove professional negligence on the part of the firm, which may prove problematic considering the controversial nature of the written description requirement. The Federal Circuit, by a seven to five vote, refused to grant an en banc rehearing. *Univ. of Rochester*, 358 F.3d at 916. *See generally* Stephen B. Maebius et al., "Possession" Beyond Statutory Enablement, The Remains of the Day after Rochester (July 21, 2004) (paper prepared for presentation to the Foley & Lardner IP Roundtable in Osaka, Japan, discussing the written description requirement in the context of the *University of Rochester* case), at [http://www.foley.com/files/tbl\\_s88EventMaterials/FileUpload587/106/Rochester.pdf](http://www.foley.com/files/tbl_s88EventMaterials/FileUpload587/106/Rochester.pdf).

## III. DEFENSES AGAINST CLAIMS OF MALPRACTICE

A. *Contributory Negligence*

A defense that may be asserted against negligent conduct by a patent attorney is contributory negligence, which may act as either a complete defense or a partial defense to mitigate damages in this age of comparative fault.<sup>415</sup> A client does not always act with reasonable care with respect to its own self-interest.<sup>416</sup> A client may provide inaccurate information, which could result in the invalidity of a patent, while the attorney also may have been negligent in not recognizing the inaccuracy or verifying its accuracy. Another example may be where the client negligently fails to advise its patent attorney that the product sought to be patented had been marketed on a particular date, and the attorney negligently fails to establish an “on sale” bar date. In the *Carabotta* case discussed *supra*,<sup>417</sup> the client suspected that a design it wanted to copy was patented, but provided inaccurate and incomplete information to the patent attorney who was to perform an infringement clearance search.<sup>418</sup> Defense counsel in a patent attorney malpractice suit should investigate these and many other examples related to contributory negligence. Of course, a causal relationship must exist between the alleged negligence of the plaintiff client and the resulting injury that occurs due to the concurrent negligence of the patent attorney. Whether contributory negligence will serve as a complete defense to professional negligence or be mitigated on a comparative fault basis will depend upon state law.<sup>419</sup>

B. *In Pari Delicto*

Contributory negligence is generally not a defense to intentional misconduct, such as an intentional breach of fiduciary duty by an attorney.<sup>420</sup> Nonetheless, a client could participate in or even induce the intentional breaching conduct of its patent attorney and be barred from recovery. For example, in *General Car & Truck Leasing System, Inc. v. Lane & Waterman*,<sup>421</sup> a trademark firm was successful in asserting an *in pari delicto* defense against a client that signed affidavits in connection with a trademark renewal registration prepared by the firm that included misrepresentations.<sup>422</sup> The PTO subsequently cancelled the registration

---

415. See generally 3 MALLEN & SMITH, *supra* note 1, § 21.2.

416. See, e.g., *Pelton v. Andrews*, 74 P.2d 528, 530 (Cal. Dist. Ct. App. 1937) (involving a situation where the client delayed requesting the attorney to prepare a response to the Patent Office until three weeks before the response was due and the attorney was on vacation).

417. See *supra* text accompanying notes 119–64.

418. *Carabotta v. Mitchell*, No. 79165, 2002 WL 42948, at \*1 (Ohio Ct. App. Jan. 10, 2002).

419. See 3 MALLEN & SMITH, *supra* note 1, § 21.2, at 179–80.

420. See *id.* at 180.

421. 557 N.W.2d 274 (Iowa 1996).

422. *Id.* at 276.

due to the misrepresentations.<sup>423</sup> The client then brought a malpractice action against the firm, claiming that the false statements were made at the direction of the firm.<sup>424</sup> The court summarized the law as follows: “The doctrine of *in pari delicto* is the legal counterpart to the equitable doctrine of unclean hands.”<sup>425</sup> The court went on to say that “[t]he doctrine . . . applies where the defendant proves ‘(1) a material misrepresentation, (2) made knowingly (scienter), (3) with intent to induce [another] to act or refrain from acting, (4) upon which the [other] justifiably relies.’”<sup>426</sup> The court makes clear that the intent need not be to “deceive,” but merely to “induce” conduct.<sup>427</sup> In addition, to be a defense, “the parties to a transaction [must] be equally guilty or blameworthy.”<sup>428</sup> Here the court found equality, but, being somewhat uncomfortable with the result, concluded:

We recognize our decision has the effect of relieving [the firm] from any civil liability for its participation in [the client’s] deception of the PTO. We share the public’s interest in discouraging misleading conduct by lawyers as well as by their clients. The interest in deterring misconduct by lawyers, however, can be better addressed through grievance procedures designed to deal with the unethical actions of attorneys, rather than by rewarding one of the participants in the misconduct.<sup>429</sup>

Perhaps deterrence could better be served by comparative fault and diminishing the client’s recovery accordingly.<sup>430</sup> It is not apparent who is to undertake the reporting—the district court or counsel for defendants. In *Allen Engineering Corp. v. Bartell Industries, Inc.*, the court stated,

---

423. *Id.*

424. *Id.*

425. *Id.* at 279.

426. *Id.* at 281 (quoting *Rosen v. Bd. of Med. Exam’rs*, 539 N.W.2d 345, 349 (Iowa 1995)).

427. *Id.*

428. *Id.* at 282.

429. *Id.* at 283.

430. If the issue is going to be litigated, it is not apparent why the full loss of the fraudulent conduct should fall on either party. One would presume that breach of fiduciary duty by a lawyer is a serious matter. Judge Posner of the Seventh Circuit has been known to refer copies of his opinions disclosing ethical violations to the state disciplinary board. *See, e.g., In re Carlson*, 263 F.3d 748 (7th Cir. 2001); *Stoe v. INS*, 256 F.3d 498 (7th Cir. 2001); *Sullivan v. Ford City Bank*, 846 F.2d 377 (7th Cir. 1988). The Federal Circuit has also expressed its concern. *See Fullerton v. Fahrenkopf*, No. 98-1389, 1999 U.S. App. LEXIS 13337, at \*3-4 (Fed. Cir. June 17, 1999) (per curiam). In *Fullerton*, the court stated:

If Defendants acted as alleged by Plaintiffs, their conduct raises serious concerns, not only from a malpractice perspective but also from an ethical perspective. Indeed, the allegations appear to set forth various professional violations including breach of the duty of confidentiality, prohibited conflicts of interests and business transactions with a client, and failure to report professional misconduct. *See, e.g.,* D.C. Rules of Professional Conduct Rules 1.6, 1.8, 8.3; Va. Code of Professional Responsibility DR 4-101, DR 5-101, DR 5-104, DR 1-103. While recognizing that at this stage we have only allegations, we are troubled by the allegations and concerned that, as admitted by Defendants’ counsel at oral argument, no report has been made to the appropriate bar authorities. Careful consideration of whether the matters need to be reported is in order; the reporting requirement is not discharged by the mere termination of the partnership relationship with an attorney.

*Id.*

“Counsel who undertake patent infringement litigation should know the difference between validity and infringement and are expected to accurately explain the difference to the court.”<sup>431</sup> Even though the court did not refer the matter to a state disciplinary board à la Judge Posner, one commentator offers: “Perhaps seeking to become the alpha male of the federal appellate courts, the [Federal Circuit] here [in the *Allen* case] kicks in doors and takes names, castigating counsel for ‘obfuscation,’ ‘deflection,’ ‘mischaracterization,’ and ‘serious misstatements of the law.’ They left out public humiliation.”<sup>432</sup>

### C. Assumption of Risk

Assumption of risk in tort law is generally defined as the voluntary assumption of a known risk by a party to whom a duty is otherwise owed.<sup>433</sup> The assumption must be voluntary, in the sense that there are reasonable alternatives to this course of conduct.<sup>434</sup> Not only must the risk be known, but the court also generally requires that the magnitude of the risk must be subjectively known by the injured party.<sup>435</sup> In the professional malpractice context, this defense would likely come into play when the professional has advised the client of the material risks of a particular course of conduct. In other words, the client has given informed consent to a particular course of conduct, and the client explicitly or implicitly consents with awareness of the potential consequences. If the disclosed risks come to fruition and the client is injured, the client is in no position to complain that this course of conduct fell below professional norms.

For example, the Chicago firm in the *CMI* cases, discussed *supra*,<sup>436</sup> advised the client that it recommended pursuing only lost profit damages against an accused infringer, rather than pursuing both lost profits and reasonable royalties, to avoid confusing the jury.<sup>437</sup> Moreover, the firm advised that reasonable royalty evidence could be introduced in rebuttal.<sup>438</sup> The court, however, refused to admit rebuttal evidence.<sup>439</sup> The client then alleged that lower damages were awarded than would otherwise have been had reasonable royalty evidence also been introduced.<sup>440</sup> What risks, if any, did the client assume? In that case, was the predominant risk that introducing evidence of only lost profits could

---

431. 299 F.3d 1336, 1351 (Fed. Cir. 2002).

432. John L. Rogitz, *CAFC Happenings*, INTELL. PROP. TODAY 38, 38 (Oct. 2002).

433. See generally DOBBS, *supra* note 1, § 211.

434. See *id.*

435. See RESTATEMENT (SECOND) OF TORTS §§ 496C, 496D (1965).

436. *CMI-I*, No. 95-C-7457, 1996 WL 559951 (N.D. Ill. Sept. 30, 1996); *CMI-II*, No. 95-C-7457, 1999 WL 92257 (N.D. Ill. Feb. 11, 1999); see *supra* text accompanying notes 185–248.

437. *CMI-II*, 1999 WL 92257, at \*3.

438. *Id.*

439. *Id.* at \*4.

440. *CMI-I*, 1996 WL 559951, at \*8.

result in lower damages? Rather, was the risk that such evidence would not be admissible in rebuttal? Was the client advised that the strategy might result in the court's refusal to admit the evidence at all? Also note that the client's Oklahoma City patent attorney attended the strategy meeting, but did not voice any objection to the strategy adopted at that time.<sup>441</sup>

In any event, the defense of assumption of risk should be available under appropriate circumstances, particularly when the client is brought into the discussions on strategy, represented by independent counsel, and made aware of any material risks associated with the suggested course of conduct, which should be fully discussed and agreed upon.<sup>442</sup> If the risks are made fully known to the client, the client may still consent, despite the fact that the attorney may have been negligent in selecting this particular course of conduct.<sup>443</sup> As with contributory negligence, assumption of risk is now generally incorporated into the particular comparative fault system of the relevant state.<sup>444</sup>

#### D. Statute of Limitations

The first defense that counsel in a legal malpractice case is likely to investigate is whether or not the appropriate statute of limitations has run against the former client's claim, and rightly so, as this defense has proven to be the most effective in such cases.<sup>445</sup> What then is the appropriate statute of limitations? It could be, *inter alia*: (1) the general tort statute of limitations relating to negligence; (2) a separate professional negligence statute of limitations for malpractice claims; (3) a separate statute for breach of fiduciary claims; (4) a separate fraud or misrepresentation statute; or (5) the contract statute of limitations.<sup>446</sup>

---

441. *CMI-II*, 1999 WL 92257, at \*3.

442. *See* DOBBS, *supra* note 1, § 211.

443. Thus, fully advising clients of the course of conduct to be undertaken and the risks associated with this course has a dual benefit of (1) precluding a claim of lack of informed consent when the outcome is not achieved but a disclosed risk materializes; and (2) rendering available the defense of assumption of risk when the client voluntarily and knowingly accepts that disclosed risk.

444. *See* DOBBS, *supra* note 1, §§ 211, 214.

445. *See* 3 MALLEEN & SMITH, *supra* note 1, § 22.1.

446. *See generally id.* §§ 22-2 to -8; Anderson & Steele, *supra* note 37, at 259-60 (indicating that courts may require careful pleading to obtain a longer statute of limitations). Indeed, a court may refuse to differentiate among the various theories. *See, e.g.,* Sherman Indus., Inc. v. Goldhammer, 683 F. Supp. 502, 506 (E.D. Pa. 1988) ("One important limitation on pleading malpractice claims in Pennsylvania under a contract theory, however, is that a malpractice plaintiff may not sidestep the two-year limitation on tort actions by pleading tort claims as breaches of contract."). The court held that to obtain the longer contract statute of limitation in Pennsylvania it was necessary to show that the client specifically instructed the attorney to advise on a particular issue. *Id.* *See also* Marley Mouldings, Inc. v. Suyat, 970 F. Supp. 496, 498 (W.D. Va. 1997):

Therefore, the issue before this court is whether the letters put forth by [the client] establish a written contract for the purposes of the statute of limitations. If this court determines that they do constitute a written contract, then the [five]-year statute of limitations is applicable to this action and [the client's] suit against [the patent firm] survives this motion to dismiss. If, however, the letters do not constitute a written contract, then the [three]-year statute of limitations is applicable and the suit is barred.

Once the applicable statute is determined, the critical and often difficult issue that must be addressed is when this statute began to run or, in the common language of statutes of limitations, when did the cause of action “accrue.”<sup>447</sup> If the cause of action requires damages, such as professional negligence, then presumptively the statute of limitations clock would begin to run when the client has suffered damages causally related to the negligent conduct of the professional. Accordingly, under the “damage” rule, the statute of limitations begins to run when the client could have brought a malpractice suit involving the four elements of duty, breach, causation, and damages.<sup>448</sup> However, all jurisdictions do not agree with this view. A number of jurisdictions hold that the statute of limitations begins to run at the time the negligent conduct occurred (the “occurrence” rule), i.e., when the duty was breached, irrespective of whether any actual damages have occurred to the client at that time.<sup>449</sup> This view dramatically shortens the time period that the client has available to bring a malpractice cause of action. The problem to clients is apparent in jurisdictions following this view. If the client does not institute the malpractice cause of action within the statute of limitations triggered by the negligent conduct, the action would be dismissed for lack of proof of damages.<sup>450</sup> This is exactly what occurred in the *Igen* case, discussed *supra*.<sup>451</sup>

Whether a jurisdiction follows the “damage” rule or the “occurrence” rule, the second major issue is whether there are any circumstances under which the statute may be tolled so that the time for filing an action may be extended beyond the normal “accrual” event. The most notable tolling device is the “discovery” rule, which permits the aggrieved party to delay the filing of the action until the party knew or should have known of the occurrence or damage.<sup>452</sup> According to

*Id.*

447. See DOBBS, *supra* note 1, § 217; 3 MALLEEN & SMITH, *supra* note 1, § 22.9.

448. See 3 MALLEEN & SMITH, *supra* note 1, § 22.11–12. See, e.g., *Keller v. Clark Equip. Co.*, 715 F.2d 1280, 1286 (8th Cir. 1983), *cert. denied*, 464 U.S. 1044 (1984) (identifying the accrual time as the time royalty payments stopped rather than the time at which the patent was time-barred, concluding that “even though the Kellers technically lost their right to exclude others in 1962 when the patent was untimely filed, they continued to receive royalty payments for ten years . . . . Thus, the [client’s] theoretical loss of their right to exclude infringing competitors did not actually harm them.”).

449. See 3 MALLEEN & SMITH, *supra* note 1, § 22.10.

450. *Dincher v. Marlin Firearms Co.*, 198 F.2d 821, 823 (2d Cir. 1952) (Frank, J., dissenting). In his dissent, Judge Frank posited:

Except in topsy-turvy land, you can’t die before you are conceived, or be divorced before ever you marry, or harvest a crop never planted, or burn down a house never built, or miss a train running on a non-existent railroad. For substantially similar reasons, it has always heretofore been accepted, as a sort of legal “axiom,” that a statute of limitations does not begin to run against a cause of action before that cause of action exists, i.e., before a judicial remedy is available to the plaintiff.

*Id.*

451. *Igen, Inc. v. White*, 672 N.Y.S.2d 867, 869 (N.Y. App. Div. 1998); see *supra* text accompanying notes 319–26.

452. See 3 MALLEEN & SMITH, *supra* note 1, §§ 22.15–16. The plaintiff may have a duty to investigate and discover the existence of suspicious circumstances. *Id.* See also, e.g., *Shannon v.*

whichever view the jurisdiction follows, the statute would accordingly be tolled until the reasonable discovery of damage suffered or the occurrence of the negligent conduct. Other circumstances may also result in the tolling of the statute, including the continuing representation of a client,<sup>453</sup> concealment of the malpractice,<sup>454</sup> or an equitable estoppel theory that the attorney should be estopped from claiming the statute of limitations based upon representations made to the client.<sup>455</sup>

The applicability of the foregoing doctrines and rules in the context of patent malpractice claims warrants careful and detailed consideration well beyond the scope of this present study. Nonetheless, in order to illustrate some of the problems associated with defining the accrual point, the following paradigm case is discussed in some detail. In *Harsco Corp. v. Kerkam, Stowell, Kondracki & Clarke, P.C.*,<sup>456</sup> the client corporation brought a malpractice action against the firm and two patent attorneys in the firm who had represented it in defending an infringement claim.<sup>457</sup> At the close of the patentee's case in the infringement action, the defendant patent attorneys moved for judgment as a matter of law, but had not satisfied the requirements of Federal Rule

---

Gordon, 670 N.Y.S.2d 887, 888 (N.Y. App. Div. 1998) (citations omitted). In *Shannon*, the inventor alleged that his name was forged on an assignment of the patent by defendants, one of which was a patent attorney. *Id.* The court concluded that "the issue of when a plaintiff could have discovered an alleged fraud turns upon whether the plaintiff possessed knowledge of facts from which he or she could reasonably have inferred that fraud had occurred. A plaintiff may not shut his or her eyes to facts which call for investigation." *Id.* A state court may refuse to adopt the discovery rule in deference to the legislature. See *Boehm v. Wheeler*, 223 N.W.2d 536 (Wis. 1974) (refusing to adopt discovery rule and holding that statute of limitations began to run when patent application was barred and when trade secret was disclosed). *Boehm*, however, was overruled by *Hansen v. A.H. Robins, Inc.*, 335 N.W.2d 578 (Wis. 1983). The *Hansen* court held:

In the interest of justice and fundamental fairness, we adopt the discovery rule for all tort actions other than those already governed by a legislatively created discovery rule. Such tort claims shall accrue on the date the injury is discovered or with reasonable diligence should be discovered, whichever occurs first. All cases holding that tort claims accrue at the time of the negligent act or injury are hereby overruled.

*Id.* at 583.

453. See 3 MALLEN & SMITH, *supra* note 1, § 22.13. In the patent practice context, see *Luk Lamellen U. Kupplungbau GmbH v. Lerner*, 560 N.Y.S.2d 787, 789 (N.Y. App. Div. 1990). The court found that:

For the continuous representation doctrine to apply to an action sounding in legal malpractice or breach of contract by an attorney, there must be clear indicia of an ongoing, continuous, developing, and dependent relationship between the client and the attorney which often includes an attempt by the attorney to rectify an alleged act of malpractice. One of the predicates for the application of the doctrine is continuing trust and confidence in the relationship between the parties. However, its application is limited to instances in which the attorney's involvement in the case after the alleged malpractice is for the performance of the same or related services and is not merely the continuity of a general professional relationship.

Here, the defendant continued to represent the plaintiff with regard to the same patent from which the alleged malpractice stems. Hence, the Statute of Limitations was tolled . . .

*Id.* (citations omitted).

454. See 3 MALLEN & SMITH, *supra* note 1, § 22.14.

455. See *id.*

456. 961 F. Supp. 104 (M.D. Pa. 1997).

457. A district court in Michigan heard the infringement action. *W.S. Molnar Co. v. IKG Indus.*, No. 93-CV-60028-AA (E.D. Mich. Mar. 31, 1995), *aff'd*, 39 U.S.P.Q. 2d (BNA) 1219 (Fed. Cir. 1996).

of Civil Procedure 50(a)(2).<sup>458</sup> This Rule requires that “[s]uch a motion shall specify the judgment sought and the law and the facts on which the moving party is entitled to the judgment.”<sup>459</sup> The jury returned a verdict of \$1.81 million in favor of the patentee.<sup>460</sup> The patent attorneys then filed a post-trial motion for judgment as a matter of law, now relying upon a “best mode” defense to the validity of the patent.<sup>461</sup> This motion was again opposed on the basis of Rule 50(a)(2).<sup>462</sup>

In August 1994, the defendant patent attorneys discussed the Rule 50(a)(2) issue with in-house counsel for the client, who also received copies of the briefs of the parties on this issue.<sup>463</sup> In March 1995, the district court denied the post-trial motion on the basis that the corporation had not properly preserved its right to so move.<sup>464</sup> The Federal Circuit affirmed in March 1996, agreeing that counsel had waived the “best mode” defense due to the failure to comply with Rule 50(a)(2).<sup>465</sup> The corporation filed the malpractice action on October 1, 1996, in the District Court for the Middle District of Pennsylvania.<sup>466</sup> The laws of Pennsylvania, which prescribed a two-year statute of limitations for legal malpractice actions, governed in the matter.<sup>467</sup>

The court indicated that Pennsylvania follows the “occurrence” rule and cited a Pennsylvania Supreme Court decision, *Bailey v. Tucker*,<sup>468</sup> holding that the statute of limitations “commences at the time *the harm is suffered*,”<sup>469</sup> which would seem to be a statement of the “damage” rule, unless nominal damages are presumed from the occurrence of negligence. The court also indicated that Pennsylvania alternatively recognizes the discovery rule as a judicially-created exception “to protect against a potential time-bar to suit if *the harm* could not have been reasonably discovered when it happened.”<sup>470</sup> Thus, on this rationale, the discovery rule usually is relied upon by a plaintiff to extend the statute (the discovery presumably is of the “harm”).<sup>471</sup> Here, however, there is a

---

458. *Harsco Corp.*, 961 F. Supp. at 105.

459. FED. R. CIV. P. 50(a)(2).

460. *Harsco Corp.*, 961 F. Supp. at 106.

461. *Id.*

462. *Id.*

463. *Id.*

464. *Id.*

465. *Id.*; see also *W.S. Molnar Co. v. IKG Indus.*, 39 U.S.P.Q.2d (BNA) 1219, 1221 (Fed. Cir. 1996).

466. *Harsco Corp.*, 961 F. Supp. at 106.

467. *Id.*

468. 621 A.2d 108 (Pa. 1993).

469. *Harsco Corp.*, 961 F. Supp. at 106 (quoting *Bailey*, 621 A.2d at 115) (emphasis added).

470. *Id.* (emphasis added).

471. See, e.g., *In re SMEC, Inc.*, 160 B.R. 86, 92 (Bankr. M.D. Tenn. 1993). The *SMEC* court stated:

SMEC’s knowledge of possible fault by its attorneys did not arise until judgment was entered against it. Prior to this time, SMEC had no awareness that the defendants might have neglected to consider patent infringement under the doctrine of equivalents. Moreover, the defendants allegedly represented to SMEC that [the patent owner’s] complaint was meritless and merely designed to harass SMEC.

role reversal. The patent attorneys argued that the discovery rule should apply, which would move the triggering date to August 1994, when the client was made aware of the patentee's arguments that Rule 50(a)(2) had not been complied with.<sup>472</sup> On the other hand, the client argued for the occurrence rule, which accordingly would start the statute running in March 1995, when the district court denied the post-trial motions.<sup>473</sup>

The court adopted the discovery rule and did the defendants one step better by setting the discovery date back to May 20, 1994, when the jury verdict was first entered.<sup>474</sup> The jury verdict was the triggering event, based upon the alleged negligent conduct of the failure to comply with Rule 50(a)(2), which occurred during the course of the trial.<sup>475</sup> The court rejected the plaintiff's alternative argument that under the discovery rule it "could not have known about its lawyers' negligence, or the fact or cause of injury, until the date the district court denied its post-trial motions."<sup>476</sup> The ground for the rejection was that it was not actual knowledge, but constructive knowledge ("should have known") of the negligence of its attorneys when they failed to properly move for judgment as a matter of law at the end of the trial.<sup>477</sup> The court seemed to go beyond a reasonable person standard as to what the plaintiff (client) should have known, but referred to the fact that in-house counsel represented the client, who evidently "should have known."<sup>478</sup> However, all was not lost by the client. The court agreed to consider a motion to file an amended claim based upon a contract theory because, in Pennsylvania, a malpractice claim could be heard both in tort and contract, with the latter having a four-year statute of limitations.<sup>479</sup>

While the *Harsco* case exemplifies the difficulties that the parties and the court had in identifying the triggering event that resulted in the

---

*Id.*; cf. *Am. Med. Elec., Inc. v. Korn*, 819 S.W.2d 573, 578 (Tex. Ct. App. 1991). In *Korn*, the court found the accrual to begin at an earlier point in time:

[The client] maintains that it could not have known that it had been damaged until [the patentee] sued it. We disagree. The initial damage to [the client], although perhaps nominal, occurred when its right to receive professional and complete advice from its attorneys was violated. [The client] knew or should have known that it had been damaged at the time that [the patent attorney providing a second opinion] told it that a court would probably hold that it had no shop right. Thus, under the discovery rule, [the client's] cause of action against [the defendant patent attorney] accrued when it received the letter from [the patent attorney providing the second opinion] in July 1987. The fact that [the client] did not know the full extent of its damages at that time did not prevent the statute of limitations from running.

*Korn*, 819 S.W.2d at 578.

472. *Harsco Corp.*, 961 F. Supp. at 106.

473. *Id.* at 106-07.

474. *Id.* at 108.

475. *Id.* at 108-09.

476. *Id.* at 108.

477. *Id.* The final argument of the client was that the cause of action did not accrue until the Federal Circuit had affirmed the district court's decision on the waiver of the "best mode" defense. However, the client had failed to present any evidence on this position, evidently intending to reserve it for trial. The court held that the evidence could not be reserved for trial but must be presented at the motion. *Id.*

478. *Id.* at 108-09.

479. *Id.* at 109.

“accrual” of the negligence, it is more troubling in the implications that it may have on the attorney–client relationship if followed to its logical conclusion. First, should the discovery rule be used to shorten rather than toll the statute of limitations? After all, the policy underlying the discovery rule exception is that certain occurrences and injuries are not readily discoverable, and it would be unjust to deny a party recovery for negligence when the occurrence and/or injury was undiscoverable, even exercising reasonable care.<sup>480</sup>

The court in *Harsco* never mentioned the “damage” rule, even though the rule quoted from the Pennsylvania Supreme Court has the statute commencing “at the time the harm is suffered.”<sup>481</sup> The court then ignored “harm” and held that it was the discovery of negligence (the first motion that failed to comply with Rule 50(a)(2)) that triggered the statute of limitations.<sup>482</sup> The court seemed to presume damage from the alleged negligence and the entering of judgment on the jury verdict. The client, however, still had available both post-trial motions and an appeal to the Federal Circuit. Patent counsel, after all, was presumably confident that they would prevail in one or the other of these proceedings.

If a jurisdiction follows the occurrence rule (where only the breach of the duty is required) or the discovery rule as applied by the court in *Harsco* (where no actual damages need be shown to start the statute of limitations running), serious consequences could arise with respect to the attorney–client relationship. Accordingly, when the trial court enters judgment against a client, the limitations period begins to run against any prior negligence of its attorneys. At this point, a malpractice case is ripe for filing against the allegedly negligent lawyers. A client could dismiss the attorney and file a malpractice claim. The client would, of course, have to satisfy the “case-within-a-case” requirement, including proving damages. Is this likely to occur with post-trial motions and appeals available? Presumably, clients would continue to have confidence in their attorneys and would follow their advice that the trial court was in error and that the client would ultimately prevail on the motions or appeals. Is a client to be expected to forego the advice of its lawyers, dismiss them, and proceed with a malpractice action rather than with motions and appeals? After all, the same issues would be involved in the malpractice action as in the motions and appeals.

In *Harsco*, while the statute was running, the same firm of patent attorneys pursued the post-trial motions and the appeal, presumably with the full confidence of the client.<sup>483</sup> Yet, according to the court’s decision, the client should have filed a malpractice case by May 20, 1996 (within

---

480. See DOBBS, *supra* note 1, § 218.

481. *Harsco Corp.*, 961 F. Supp. at 106 (quoting *Bailey v. Tucker*, 621 A.2d 108, 115 (Pa. 1993)).

482. *Id.* at 106–07.

483. See *id.* at 105–06.

two years from the entering of judgment).<sup>484</sup> The client did not file the malpractice action until October 1, 1996.<sup>485</sup> The Federal Circuit affirmed the district court on March 21, 1996.<sup>486</sup> Thus, the client had two months to file the malpractice case. Nonetheless, the appellate decision could easily still have been pending at the time the statute ran out.

In any event, the court's decision seems to undermine the relationship between attorney and client and to place them at odds at any time during the course of a proceeding where malpractice may occur, ranging from negligent pleadings to evidentiary matters and beyond. If the client "knows or should have known" that its attorneys were negligent, it should dismiss them and file a malpractice action within the limitations period. Relying upon its lawyers for potential appellate vindication may result in any claim of malpractice by the client being barred.

A better approach for both clients and attorneys would be to require actual damages to trigger the statute. This was the approach of the Tennessee Supreme Court in *Ameraccount Club, Inc. v. Hill*,<sup>487</sup> where the plaintiff alleged malpractice against the lawyers for failing to file a complete trademark application and for failing to search the PTO files before filing the application.<sup>488</sup> The trial court granted summary judgment, based on the rationale that the negligence cause of action accrued when the client became aware of the negligent conduct.<sup>489</sup> The client had discovered the malpractice at a time greater than the statutory period before the action was filed.<sup>490</sup> The Tennessee Supreme Court reversed, stating, "The Court of Appeals erred in holding that the plaintiff's cause of action accrued and the statute of limitations began to run when the plaintiff became aware of the negligence of the defendant attorneys; still more was required, viz., damage or injury to the plaintiff resulting from that negligence."<sup>491</sup> The court then concluded that the plaintiff had not suffered damage until the PTO refused to register the plaintiff's mark, and the plaintiff had filed the action within the limitations period from that time.<sup>492</sup> Applying this rule to *Harsco* would mean starting the limitations period when the appeals were exhausted.

---

484. See *id.* at 108.

485. *Id.* at 106.

486. *Id.*

487. 617 S.W.2d 876 (Tenn. 1981).

488. *Id.* at 876-77.

489. *Id.*

490. *Id.* at 877. The *Hill* court stated:

On September 2, 1975, President Smith met with the defendants, his attorneys, at which time the defendants admitted that they had not made a search of the Patent Office's records before filing plaintiff's application; neither had they determined in advance of filing how many copies of the application and logo were required to be filed. On this same occasion, the defendants advised President Smith to employ a Washington, D.C. attorney to further pursue the application.

*Id.*

491. *Id.* at 878 (footnote omitted).

492. *Id.*

This would have the desirable consequences of permitting the attorneys to vindicate themselves, as well as having the clients receive the benefit of a vigorous appeal and retaining the expertise gained by counsel already familiar with the litigation, while preserving the malpractice action for the client.

Another approach is for the court to apply the “continuous representation” rule, which has the effect of tolling the statute of limitations until the attorney–client relationship has terminated.<sup>493</sup> This rule was applied in *Biomet, Inc. v. Barnes & Thornburg*<sup>494</sup> as an exception to the discovery rule. The fact pattern is similar to that in *Harsco*—the patent firm represented the defendant in an infringement suit.<sup>495</sup> The trial court held the patent not invalid and infringed.<sup>496</sup> The Federal Circuit affirmed.<sup>497</sup> In Indiana, the statute of limitations is two years for legal malpractice.<sup>498</sup> The client filed the malpractice suit more than two years after the district court judgment, but within the two-year period from the date of the Federal Circuit decision.<sup>499</sup> As in *Harsco*, the patent attorneys argued that the discovery rule should apply and that the client knew or should have know of any malpractice during the course of the trial by the time the district court judgment was entered.<sup>500</sup> The trial court in the malpractice action adopted this reasoning.<sup>501</sup> The appellate court reversed, following the policy reasons behind the “continuous representation” rule in the *Mallen and Smith* treatise, by stating:

We find the policies favoring the rule to be compelling. First, the continuous representation rule avoids disruption of the attorney–client relationship and gives attorneys the chance to remedy mistakes before being sued. At the same time, a client is not required to constantly second-guess the attorney, and in some cases, be forced to obtain other legal opinions regarding the attorney’s handling of the case. Furthermore, a client may fully be aware that his attorney has erred to his detriment and still be willing to place his confidence in the attorney’s ability to correct the error. We see no compelling reason for interfering with this fiduciary relationship.

Second, this rule does not limit the client’s ability to seek redress immediately. The client may terminate the relationship without

---

493. See 3 MALLEN & SMITH, *supra* note 1, § 22.13.

494. 791 N.E.2d 760 (Ind. Ct. App. 2003).

495. *Id.* at 761–72.

496. *Id.* at 763.

497. *Id.* The Indiana Court of Appeals stated:

On appeal of the judgment to the Federal Circuit, a three-judge panel affirmed the judgment of infringement, but reversed the finding of willful infringement. The appellate court noted that the infringement was not a literal one and that Biomet had sufficiently attempted to design around the Ramos device to shield it from a finding of willfulness. The Federal Circuit did, however, affirm the district court’s rejection of the defense of laches . . . .

*Id.*

498. *Id.* at 765.

499. *Id.*

500. *Id.*

501. *Id.* at 764.

providing the attorney an opportunity to mitigate the damages, and make a claim of legal malpractice within two years of the date of termination. At the same time, the rule prevents the client from having to adopt inherently different litigation postures, thereby compromising the success of both proceedings, by defending the attorney's actions in the appeal of the underlying action in which the alleged malpractice was committed and contesting the attorney's actions in the malpractice action. The rule further prevents an attorney from defeating a malpractice claim by continuing representation until the statute of limitations has expired.<sup>502</sup>

The court then concluded:

We adopt the continuous representation doctrine as an exception to our discovery rule . . . . In a situation where the attorney continues to represent the client in the same matter in which the alleged malpractice occurred, the date of accrual begins at the termination of an attorney's representation of a client in the same matter in which the alleged malpractice occurred.<sup>503</sup>

Thus, the continuous representation rule is expressed as an exception to the discovery rule. A more straightforward approach would seem to hold that the discovery rule does not shorten the normal "accrual" statute of limitations. The discovery rule, after all, was intended to protect plaintiffs from the injustice of undiscovered harm, not as a shield for defendants to avoid the normal triggering of the statute of limitations.<sup>504</sup>

An alternate theory that courts sometimes apply is equitable estoppel, which bars the lawyer from asserting the statute of limitations based upon representations that the trial court was in error and that the client would ultimately prevail on appeal. For example, in *Jackson Jordan, Inc. v. Leydig, Voit & Mayer*,<sup>505</sup> the Illinois Supreme Court applied equitable estoppel sua sponte after the intermediate appellate court held that the client who had brought a malpractice action against a patent law firm had waived this defense.<sup>506</sup> Justice Heiple reasoned:

The law firm in this case was hired for its advice. The advice was given and the client relied on it, allegedly to its ultimate detriment. Throughout the proceedings, however, the client was reassured as to the soundness of its legal position. The mere assertion of a contrary claim or the filing of a lawsuit were not, in and of themselves, sufficiently compelling to induce the client to seek a second legal opinion. Meritless claims and nuisance lawsuits are, after all, a fairly commonplace occurrence. It would be a strange

---

502. *Id.* at 766–67 (citations and notes omitted).

503. *Id.* at 767.

504. Steve McConnico & Robyn Bigelow, *Summary of Recent Developments in Texas Legal Malpractice Law*, 33 ST. MARY'S L.J. 607, 664–65 (2002).

505. 633 N.E.2d 627 (Ill. 1994).

506. *Id.* at 632.

rule if every client were required to seek a second legal opinion whenever it found itself threatened with a lawsuit. Moreover, in the case at hand, the client was lulled into a false sense of security by the firm's soothing reassurances and advice.<sup>507</sup>

It is not apparent whether such reasoning would undercut the ethical responsibility of attorneys under Canon 7 of the Model Code of Professional Responsibility (to "Represent a Client Zealously Within the Bounds of the Law").<sup>508</sup> In this case, the negligence alleged by the client was that the firm had missed a patent in its clearance search for a particular product to be marketed by the client.<sup>509</sup> The patent owner subsequently brought this patent to the attention of the client and threatened to sue unless a settlement could be reached.<sup>510</sup> This communication was made more than five years prior to the client's filing the malpractice action, where the applicable statute of limitations was five years and the "discovery" rule was applicable in Illinois.<sup>511</sup> As stated by the dissenting justice, "Under the discovery rule, a cause of action accrues when the party knows or reasonably should know that he has been injured and that his injury was wrongfully caused."<sup>512</sup> Evidently, in the majority's view, the confidence and reassurances of the patent firm trumped any knowledge of damage (real or constructive).

#### *E. Jurisdiction*

A defense based on lack of subject matter or personal jurisdiction may also be available. Patent attorneys have been largely unsuccessful in asserting lack of subject matter jurisdiction by state courts based on exclusive federal jurisdiction over patent matters.<sup>513</sup> Malpractice actions, after all, are grist for the common law mill, whether the professional is a physician, accountant, general practitioner, or tax or patent law specialist. On the other hand, a number of federal courts have dismissed

---

507. *Id.*

508. MODEL CODE OF PROF'L RESPONSIBILITY Canon 7 (1969); *cf.* Canon 6 ("A Lawyer Should Represent a Client Competently").

509. *Jackson Jordan, Inc.*, 633 N.E.2d at 628.

510. *Id.* at 629.

511. *Id.* at 630.

512. *Id.* at 633.

513. *See, e.g.,* *IMT Inc. v. Haynes and Boone, L.L.P.*, No. Civ.A. 3:98-CV-2634, 1999 WL 58838 (N.D. Tex. Feb. 1, 1999) (remanding to state court the question of whether an original patent application rather than a continuation-in-part application should have been filed by patent attorneys); *Commonwealth Film Processing, Inc. v. Moss & Rocovich, P.C.*, 778 F. Supp. 283 (W.D. Va. 1991) (stating the malpractice claim against patent attorney did not arise under federal law); *Voight v. Kraft*, 342 F. Supp. 821 (D. Idaho 1972) (finding no federal jurisdiction over malpractice case involving failure to obtain patent); *Delta Process Equip., Inc. v. New England Ins. Co.*, 560 So. 2d 923 (La. Ct. App. 1990) (stating that patent malpractice case was not subject to exclusive federal jurisdiction); *Fotodyne, Inc. v. Barry*, No. 89-0031, 1989 WL 142846 (Wis. Ct. App. Sept. 26, 1989) (stating malpractice claim against patent attorney not barred in state court by "arising under" federal subject matter jurisdiction); *cf. Air Measurement Tech., Inc. v. Hamilton*, No. SA-03-CA-0541-RF, 2003 WL 22143276 (W.D. Tex. Sept. 5, 2003) (retaining federal jurisdiction because resolution of issues of infringement and patent defenses depended on substantial questions of federal patent law).

state law claims based on the lack of personal jurisdiction over the defendant patent attorneys.<sup>514</sup> Others have found personal jurisdiction to exist. For example, in *Storage Technology Corp. v. Abrams*,<sup>515</sup> a client alleged that as a result of defendants' legal malpractice, a judgment for patent infringement of \$70.6 million plus attorney fees and costs was entered against it.<sup>516</sup> The defendants included: forty-seven general partners of the patent firm who did not work out of the California office of the firm, were non-residents, and were not members of the California bar; the firm itself; and two general partners from the California office.<sup>517</sup> The trial court quashed service of process against the forty-seven non-resident partners.<sup>518</sup> The appellate court reversed since these partners had waived the jurisdictional issue by entering a general appearance when an answer was filed on behalf of all defendants (including affirmative defenses), and they also participated in case management proceedings and discovery prior to the motion to quash.<sup>519</sup>

#### IV. IMPLICATIONS AND CONCLUSIONS

Legal malpractice is an omnipresent danger for all lawyers. The danger seems particularly pressing with respect to patent practitioners, especially in view of the often metaphysical nature of patent law, the ever-increasing sophistication of technology, and the law designed to protect that technology. It thus becomes progressively more important that patent attorneys be aware of the scope and consequences of this danger. The acquisition of patents is costly, as is their enforcement. Damages can be horrendous. The full expectations of clients cannot always, if ever, be fulfilled. It would not be Quixotic to follow Don Quixote's advice: "forewarned, forearmed."<sup>520</sup> Deterrence as a primary goal of tort law can only be achieved with foresight of the potential damaging consequences of particular conduct. If that conduct is not

---

514. See, e.g., *We're Talkin' Mardi Gras, LLC v. Davis*, 192 F. Supp. 2d 635 (E.D. La. 2002) (explaining mere attorney-client relationship not sufficient to impose personal jurisdiction on patent attorney); *Kaempe v. Myers*, No. IP 01-0424-C-H/K, 2001 U.S. Dist. LEXIS 18386 (S.D. Ind. Nov. 6, 2001) (noting insufficient contacts under Indiana long-arm statute to establish personal jurisdiction over patent attorney); *Univ. of Iowa Research Found. v. Beveridge, DeGrandi, Weilacher & Young, LLP*, 50 U.S.P.Q.2d 1620 (S.D. Iowa 1998) (finding contacts too limited to establish personal jurisdiction over patent firm in malpractice case).

515. No. A093320, 2001 WL 1359850 (Cal. Ct. App. Nov. 6, 2001).

516. *Id.* at \*1.

517. *Id.*

518. *Id.* at \*2.

519. *Id.* at \*3. See also *Wahl v. Foreman*, 398 F. Supp. 526 (S.D.N.Y. 1975) (establishing personal jurisdiction against patent attorney under New York long-arm statute where bases for tort claims were allegedly committed in New York and contracts were negotiated in New York); *Lex Tex Ltd. v. Skillman*, 579 A.2d 244 (D.C. 1990) (establishing personal jurisdiction under Washington, D.C.'s long-arm statute in a patent attorney malpractice action).

520. JOHN BARTLET, *FAMILIAR QUOTATIONS* 170 (Emily Morison Beck ed., 15th ed., 6th prtg. 1980).

deterred, then the other primary goal of compensation must be imposed for reasons of corrective justice.<sup>521</sup>

To be “forewarned,” patent attorneys, like other attorneys, should be fully cognizant of the fundamentals of liability for malpractice in the forms of negligence and breach of fiduciary duty. As discussed in this Article, this would entail particular attention to the elements of a malpractice cause of action: duty, breach of duty (the professional standard of care), causation (the “case-within-a-case” requirement), and damages. An awareness of evolving tort theories—such as the doctrines of informed consent and loss of chance—is also important. Defenses to malpractice claims tend to be afterthoughts and do little to deter. Nonetheless, understanding the applicability and scope of such defenses (in particular, statutes of limitations) may be invaluable in relationships anticipated to be potentially troublesome.

Ethical violations are generally admitted as evidence of malpractice and, if damages result as a consequence of the violation, liability will ensue from the breach of the fiduciary duty. Charging that an attorney has breached a fiduciary duty to a client obviously places the attorney in an unenviable position in front of a jury, and can also have significant adverse consequences to professional reputations. Conflict of interest situations are especially troubling to patent firms, particularly in the age of assimilating patent attorneys into large general practice firms. In short, adherence to ethical standards cannot merely be aspirational.<sup>522</sup> There are significant professional and practical consequences that require active foresight for effective deterrence.

In reference to the goal of deterrence, the wisdom of Judge Learned Hand may again be invoked,<sup>523</sup> both in the context of malpractice in the form of professional negligence or breach of fiduciary duty. If there is a potential for high losses to be suffered by a client by a particular course of conduct, even when these losses are discounted by the improbability of their occurring, the attorney should be forewarned that this conduct may be suspect, and additional thought and evaluation should be given before proceeding.

---

521. Professor Abraham puts it the other way: “The imposition of tort liability not only corrects wrongs that have already occurred; it also helps to prevent future tortious actions, by threatening potential wrongdoers with liability if they cause actionable harm.” KENNETH S. ABRAHAM, *THE FORMS AND FUNCTIONS OF TORT LAW* 15 (1997). See generally Symposium, *Corrective Justice and Formalism: The Care One Owes One's Neighbors*, 77 IOWA L. REV. 403 (1992).

522. On the distinction between mandatory and aspirational duties under the Model Code of Professional Responsibility and the Model Rules of Professional Conduct, see RONALD D. ROTUNDA, *PROFESSIONAL RESPONSIBILITY* § 1–2.1 (2001).

523. See *supra* text accompanying notes 102–03.