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Federal Circuit Patent Bulletin: *NeuroRepair, Inc. v. Nath Law Grp.*

January 15, 2015

"Congress had not intended to bar state courts from deciding state legal malpractice claims simply because they may involve an underlying hypothetical patent issue."

On January 15, 2015, in *NeuroRepair, Inc. v. Nath Law Grp.*, the U.S. Court of Appeals for the Federal Circuit (Wallach,* Chen, Hughes) vacated and remanded the district court's partial summary judgment, inter alia, that Nath committed patent prosecution malpractice, and instructed the district court to remand the case to state court. The Federal Circuit stated:

In its recent decision in Gunn v. Minton, the Court made clear that state law legal malpractice claims will "rarely, if ever, arise under federal patent law," even if they require resolution of a substantive question of federal patent law. The Court reasoned that while such claims "may necessarily raise disputed questions of patent law," those questions are "not substantial in the relevant sense." The Court emphasized that "[b]ecause of the backward-looking nature of a legal malpractice claim, the question is posed in a merely hypothetical sense" and that "[n]o matter how the state courts resolve that hypothetical 'case within a case,' it will not change the real-world result of the prior federal patent litigation." In view of the absence of a question that was "significant to the federal system as a whole" and the "'especially great'" state interest in regulating lawyers, the Court concluded that Congress had not intended to bar state courts from deciding state legal malpractice claims simply because they may involve an underlying hypothetical patent issue.

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The Court in Gunn [approved] a four-part test to determine when federal jurisdiction over a state law claim will lie. Under this test, a cause of action created by state law may nevertheless "arise under" federal patent law within the meaning of 28 U.S.C.§ 1338(a) if it involves a patent law issue that is "(1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress." . . . .

NeuroRepair's claims of professional negligence, breach of fiduciary duty, breach of written contract, breach of oral contract, breach of implied covenant of good faith and fair dealing, negligent misrepresentation, and false promise are each created by state, not federal, law. Therefore, a patent law issue will be necessarily raised only if it is a necessary element of one of the well-pleaded claims. [B]ecause NeuroRepair's complaint sets forth multiple bases in support of its allegation of professional negligence, a court could find NeuroRepair is entitled to relief based on this allegation without ever reaching a patent law issue. Therefore, it would not "necessarily require the application of patent law to the facts of [this] case" for NeuroRepair "to prevail on [its] legal malpractice claim." Similarly, NeuroRepair could prevail on its remaining six causes of action under alternate bases that do not necessarily implicate an issue of substantive patent law.

Although a court would not necessarily be required to reach the patent law issues that underlie the causes of action alleged by NeuroRepair, at least one patent law issue is actually disputed by the parties. NeuroRepair claims Defendants' wrongdoing hindered its ability to timely obtain patents of the same scope it would have obtained but for Defendants' delay and mishandling. Defendants counter that the patent did not issue sooner because the claims as initially presented were not patentable and that Defendants had not narrowed the claims because "NeuroRepair had expressly ordered [Defendants] not to." Whether the patent could have issued earlier and with broader claims is thus actually disputed by the parties.

Even if the disposition of this matter necessarily required the resolution of patent law issues, those issues would not be of sufficient importance "to the federal system as a whole," as required under the third part of the Gunn test. . . . The Supreme Court has described three nonexclusive factors that may help to inform the substantiality inquiry, none of which is necessarily controlling. [F]ederal jurisdiction is lacking here under Gunn because no federal issue is necessarily raised, because any federal issues raised are not substantial in the relevant sense, and because the resolution by federal courts of attorney malpractice claims that do not raise substantial issues of federal law would usurp the important role of state courts in regulating the practice of law within their boundaries, disrupting the federal-state balance approved by Congress. . . . Defendants seek to distinguish Gunn on the basis that it involved alleged malpractice within the patent litigation context while the present matter involves alleged malpractice within the patent prosecution context. Gunn made no such distinction. Accepting Defendants' invitation to carve out a broad exception for patent prosecution malpractice

would conflict with the Supreme Court's description of such exceptions as comprising a "slim category."