

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

ALTAPURE, LLC,

Plaintiff,

v.

REED SMITH LLP,

and

ABC INSURANCE COMPANY,

Defendants.

OPINION AND ORDER

12-cv-215-bbc

In December 2011 plaintiff Altapure, LLC brought this action for legal malpractice and breach of contract against defendant Reed Smith LLP in the Circuit Court for Lincoln County, Wisconsin. Plaintiff alleged that defendant failed to draft an international patent application in accordance with the rules of the Patent Cooperation Treaty and the European Patent Office. Defendant removed the case to federal court on the ground that plaintiff's claims arise under United States patent law. 28 U.S.C. § 1338(a).

Now before the court is plaintiff's motion to remand the case to state court and for attorney fees. Plaintiff argues that § 1338(a) does not apply because defendant's alleged negligence relates only to foreign patent law rather than an act of Congress. Defendant

argues that jurisdiction is present because plaintiff's international patent application necessarily relies on United States patent law.

After the parties finished briefing plaintiff's motion, the United States District Court for the Northern District of Illinois decided the same issue in a case removed from an Illinois state court involving the same parties. Dkt. #29-1. (Plaintiff says it filed cases in Wisconsin and Illinois because it was not sure which state could exercise personal jurisdiction over defendant.) The Illinois court granted plaintiff's motion to remand, concluding that it could not exercise jurisdiction under § 1338 because plaintiff's claims did not require the resolution of an issue of United States patent law. However, it denied plaintiff's motion with respect to its request for cost and fees.

I agree with the Illinois court on both issues because defendant has failed to show that plaintiff's claims turn on the resolution of United States patent law, but fees are not appropriate because of the lack of controlling case law on this issue. Because I am following the Illinois court, I need not decide whether issue preclusion should apply.

The facts set forth below are taken from plaintiff's complaint. Although defendant disputes some of plaintiff's allegations, it was not necessary to resolve these disputes in order to decide plaintiff's motion.

ALLEGATIONS OF FACT

Plaintiff Altapure, LLC is a Wisconsin corporation engaged in the business of developing technology related to aerosol products for "large area decontamination markets."

Among other things, it has developed technology that increases the performance and life span of certain components used in these systems.

Plaintiff sought to protect its investment by securing patent rights on the invention in both Europe and the United States. To accomplish this, plaintiff hired a Wisconsin law firm in 2005. That firm filed a provisional patent application on the invention in the United States Patent and Trademark Office, Application No. 60/711,858. However, in July 2006, plaintiff hired defendant to complete the patent prosecutions. Defendant picked up the United States patent prosecution where the Wisconsin firm had left off, filing a non-provisional U.S. utility patent application for plaintiff on August 26, 2006, Application No. 11/509,332. It also filed an international or “PCT” application under the Patent Cooperation Treaty, PCT/US2006/033122, which is the first step in the process for obtaining a European patent.

Both of plaintiff’s patent applications were “denied” as being anticipated by prior art references. (Defendant says that neither application was “denied”; rather, the applications were rejected in nonfinal opinions. The difference is not material to plaintiff’s motion.) Defendant refused to do further work on the applications, so plaintiff hired a third law firm to finish the work. The new firm was able to “save” the United States application “in large part [because of] the ability to incorporate the critical terms of the provisional patent application.” Cpt ¶ 47, dkt. #1-2. A United States patent was issued on January 5, 2010. However, the new law firm could not save the European patent application because “the rules, regulations and guidelines governing PCT and European Patent office applications .

. . prohibited incorporation of other documents and critical terms by reference.”

Defendant failed to inform plaintiff of the rules of the PCT and European Patent Office and failed to comply with those rules when filing the international patent application.

OPINION

A. Motion to Remand

The question presented by plaintiff’s motion is whether subject matter jurisdiction exists under 28 U.S.C. § 1338(a), which grants federal courts exclusive jurisdiction over “any civil act arising under any act of Congress relating to patents.” (Defendant does not argue that jurisdiction arises under 28 U.S.C. § 1331, which relates more generally to federal questions, so I do not consider that issue.) Claims “arise under” United States patent law in two situations: (1) the plaintiff’s cause of action is created by federal patent law; or (2) the “plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal [patent] law.” Christianson v. Colt Industrial Operating Corp., 486 U.S. 800, 808 (1988) (internal quotations omitted).

The parties agree that plaintiff’s claims are not created by federal law, so the question is whether the claims fall within the second situation. The parties focus on plaintiff’s malpractice claim, so I will do the same. They break the issue into two: whether plaintiff’s malpractice claim “necessarily depends” on United States patent law and whether any issues of patent law are “substantial” and then address each one separately. Because I am resolving the first issue in plaintiff’s favor, I need not address the second.

To prevail on its malpractice claim, plaintiff will have to prove that “but for the negligence of the attorney, the client would have been successful in the prosecution or defense” of the mishandled legal action. Glamann v. St. Paul Fire & Marine Insurance Co., 144 Wis. 2d 865, 870, 424 N.W.2d 924, 926 (1988). In the context of this case, plaintiff will need to show that its failure to obtain approval of its international patent application was the result of defendant’s negligence.

Defendant does not argue that the Patent Cooperation Treaty or the rules of the European Patent Office qualify as an “act of Congress” under § 1338. Although there are some situations in which an international patent application may raise issues of United States patent law, e.g., Helfgott & Karas, P.C. v. Dickenson, 209 F.3d 1328, 1334 (Fed. Cir. 2000), defendant does not argue and the allegations in plaintiff’s complaint do not suggest that this is the situation in this case. Rather, defendant argues that “to prove that it could have obtained foreign patent protection ‘but for’ Reed Smith’s alleged negligence, Altapure’s Complaint makes clear that it will rely on the prosecution of an identical application that Reed Smith filed in the U.S. with the U.S. Patent & Trademark Office.” Dft.’s Br., dkt. #20, at 2. In particular, defendant says that plaintiff “will have to prove its allegation that the U.S. application had to be ‘saved’ by incorporating ‘critical terms’ from the provisional.” Id. at 8.

This is simply not true. Plaintiff may have included allegations in its complaint that the United States patent application defendant drafted was faulty, but plaintiff does not have to prove those allegations to prevail on its claim. For the purpose of this motion,

plaintiff's malpractice claim is straightforward. Plaintiff contends that defendant was negligent by failing to follow *foreign* rules regarding patent applications. It may be that plaintiff could attempt to buttress its claim by pointing to the prosecution of its United States patent, but defendant identifies no reason to believe that plaintiff *must* choose that route, which is what defendant needs to show to establish jurisdiction. Christianson, 486 U.S. at 810 (“[A] claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories.”). It also may be true that the European rules and American rules regarding patent prosecution are very similar with respect to issues in dispute in this case. However, so long as plaintiff is proving its case by showing that defendant failed to comply with foreign rules, it makes no difference that United States law may be similar or even the same.

Throughout its brief, defendant argues that plaintiff abandoned its international patent application before it received a final decision from any foreign country. If that is true, it may be that plaintiff will have to overcome another hurdle if it is to prove that it was defendant's negligence that was the proximate cause of plaintiff's inability to obtain a European patent. However, that is an issue on the merits, not jurisdiction, so it is not relevant to plaintiff's motion.

B. Attorney Fees & Costs

Plaintiff also requests an award of costs and fees. Under 28 § 1447(c), a district court may award attorney fees only if the removing party lacked an objectively reasonable basis

for seeking removal. Martin v. Franklin Capital Corp., 546 U.S. 112, 141 (2005). This rule casts § 1447(c) in the light of its primary purpose: to deter the use of removal as a tool for prolonging litigation and imposing costs on the opposing party. Id. at 140. District courts retain some discretion to deviate from this rule when it is warranted and the departure is “faithful to the purposes” of § 1447(c), but care must be taken to prevent awarding fees where doing so might “undermine Congress' basic decision to afford defendants a right to remove as a general matter, when the statutory criteria are satisfied.” Martin, 546 U.S. at 140-41.

Although the question is a close one, I am not persuaded that plaintiff is entitled to fees in this case. In the absence of controlling case law on this issue, I cannot say that defendant’s notice of removal was objectively unreasonable. Further, because the issues of foreign and domestic patent law are somewhat related in this case, defendant had some basis for concluding that jurisdiction existed under § 1338(a).

ORDER

IT IS ORDERED that

1. Plaintiff’s amended motion to remand is GRANTED and this case is remanded to the Circuit Court for Lincoln County, Wisconsin;
2. Plaintiff's request for reimbursement of costs and attorney fees under 28

U.S.C. § 1447(c) is DENIED.

Entered this 19th day of July, 2012.

BY THE COURT:
/s/
BARBARA B. CRABB
District Judge