

## Time to take a look at patent prosecution practices

by Bryan R. Feldhaus

Published: August 26th, 2011

Since the enactment of the Patent Act of 1870, the United States patent system has been based on a "first-to-invent" priority system, which entitles an inventor to a patent if the inventor first conceived and diligently reduced to practice his or her invention in accord with the patent law. Patent reform legislation currently pending before Congress could change this.

This legislation, the America Invents Act of 2011, proposes a "first-to-file," system, under which patent priority will be determined by the filing date of the application, regardless of the date of invention.

With reform looming, patent prosecution counsel should critically evaluate their existing prosecution practices from a liability perspective and prepare for the first-to-file system. To assist in that preparation, this article outlines the elements of a legal malpractice action in Minnesota, describes the existing standard of care for Minnesota attorneys, and identifies how prosecution counsel should prepare themselves to satisfy the standard of care and limit professional liability exposure in the proposed first-to-file system.



Bryan R. Feldhaus

### The attorney's standard of care under Minnesota law

To prevail in a legal malpractice claim under Minnesota law, a plaintiff must establish the following: (1) the existence of an attorney-client relationship; (2) acts constituting negligence or breach of contract; (3) that such acts were the proximate cause of plaintiff's damages; and (4) that but for the defendant's conduct, the plaintiff would have been successful in the prosecution or defense of the action, or would have obtained a more favorable result in the underlying transaction than the result obtained.

An attorney's conduct in a legal malpractice claim is evaluated according to the standard of care. Minnesota's standard of care requires an attorney to use the same degree of skill and learning that a practitioner would use who is: (1) in good standing; (2) in a similar practice; and (3) in similar circumstances. An attorney must act in good faith and use reasonable care in applying such skill and learning when representing a client. An attorney is not negligent, however, if that attorney makes an error in judgment as long as he or she acted in the reasonable belief that the advice was well-founded and in the client's best interests. Expert testimony is generally required to establish the standard of care applicable in a legal malpractice action as well as whether an attorney's conduct deviated from the applicable standard of care.

### Legal malpractice in a first-to-file priority system

If the patent reform legislation is enacted, including the conversion from a first-to-invent to first-to-file priority system, the standard of care applicable to patent prosecution will likely change to satisfy the demands unique to a first-to-file system.

The most significant change to the standard of care will concern the timely filing of patent applications to establish patent priority. A greater burden will be placed upon patent prosecution counsel to ensure that patent applications are filed quickly and that other steps are taken to ensure that a client's priority rights are protected. This is because in a first-to-file system the date to establish patent priority is the date of filing, not invention. Any delay in filing a patent application in a first-to-file system could preclude a client from receiving a patent, or the patent priority to which the client would otherwise be entitled, and result in liability exposure for patent prosecution counsel.

Claims based on an attorney's failure to timely file an application are not unique to patent prosecution. In *Blue Water Corp. v. O'Toole*, 336 N.W.2d 279 (Minn. 1983), plaintiffs alleged their attorney, whom they retained to obtain a bank charter, was negligent by failing to timely file a charter application. Two other banks filed applications and were approved charters before the plaintiffs' application had been filed. The plaintiffs contended their application would have been granted but for the attorney's failure to file the application.

The Minnesota Supreme Court held that the plaintiffs were required to establish the attorney was negligent in failing to file the application and that had the application been timely filed the charter would have been granted.

The court concluded that although the plaintiffs established a breach of the standard of care, the plaintiffs failed to establish that but for the attorney's failure to timely file the application they would have obtained the charter. The court explained "[d]eciding what action an administrative agency vested with broad discretion would take is inherently problematic for judges and jury" and rests upon "impermissible conjecture."

Although *Blue Water Corp.* concerned the untimely application for a bank charter, similar claims may arise due to patent counsel's failure to timely file a patent application in the proposed first-to-file system. As a result, and in light of that proposed legislation, counsel should undertake a thorough review and audit of their own patent prosecution procedures to ensure compliance with the current standard of care and to prepare for the standard of care in a first-to-file priority system.

Although the contours of the standard of care in a first-to-file system are currently unknown, the standard may require prosecution counsel to implement new practices, such as the more frequent use of provisional patent applications, or other similar procedures to ensure the timely filing of a client's patent application. Counsel may also want to modify their existing retainer agreements or undertake other administrative changes to protect themselves the liability risks inherent in a first-to-file system.

While this review and audit will not prevent all legal malpractice claims, critically analyzing the applicable standard of care and existing procedures should better position patent prosecution counsel to prepare for and satisfy the standard of care in a first-to-file priority system.

*Bryan R. Feldhaus is an attorney with Lommen, Abdo, Cole, King & Stageberg, P.A. He can be reached at 612-336-4389 or [bryan@lommen.com](mailto:bryan@lommen.com).*

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