

IN THE SUPERIOR COURT OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

YOUNG CONAWAY STARGATT)
& TAYLOR, LLP,)

Plaintiff, Counterclaim-Defendant,)

v.)

C.A. No.: N13C-02-085 WCC

OKI DATA CORPORATION and)
OKI DATA AMERICAS, INC.,)

Defendants, Counterclaim Plaintiffs.)

Submitted: March 21, 2014

Decided: August 1, 2014

**On Plaintiff's Motion for Summary Judgment As to Counterclaim –
GRANTED in part, DENIED in part**

OPINION

Donald E. Reid, Esquire. Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, Wilmington, DE 19899. Attorney for Plaintiff, Counterclaim-Defendant.

Kevin W. Gibson, Esquire. Gibson & Perkins PC, 1326 North King Street, Wilmington, DE 19801. Attorney for Defendants, Counterclaim-Plaintiffs.

CARPENTER, J.

Before this Court is Young, Conaway, Stargatt & Taylor, LLP's ("Plaintiff") Motion for Summary Judgment relating to the Counterclaim filed by Oki Data Corporation, Oki Data Americas, Inc., ("Defendants") with their Answer to the Complaint. Plaintiff's Motion argues that, even accepting all allegations as true, Defendants have failed to set forth facts in the Counterclaim from which this Court may rule in Defendants' favor. The Court finds that the undisputed material facts do not support Defendants' first claim of malpractice as the alleged error did not result in any harm to Defendants. However, there are material issues of fact as to the second claim and, thus, summary judgment thereon is not appropriate. Accordingly, the Motion for Summary Judgment is hereby **GRANTED** in part and **DENIED** in part.

A. BACKGROUND

I. Procedural History

In February 2013, Plaintiff filed the underlying Complaint against Defendants for unpaid legal fees and expenses in connection with Plaintiff's representation of Defendants in the U.S. District Courts for the District of Delaware and Eastern District of Pennsylvania. Thereafter, on May 7, 2013, Defendants filed an Answer and Counterclaim alleging that Plaintiff committed malpractice in their representation of Defendants before the International Trade

Commission in a separate but related matter (hereinafter, the “ITC Action”). Plaintiff filed the instant Motion for Summary Judgment As to Counterclaim on February 4, 2014 arguing that: (1) the alleged malpractice was more than three years ago and, thus, is barred by the statute of limitations and (2) the alleged malpractice, even if true, didn’t cause any harm to Defendants and, as such, is not actionable.

Argument on Plaintiff’s Motion was set for February 20, 2014, however, no response was filed by Defendants and, on February 18, 2014, Plaintiff wrote to the Court asking that the Motion be granted as unopposed. In response, Defendants’ counsel wrote a letter apologizing for the oversight and filed a Rule 56(f) Motion for Additional Time to Answer Plaintiff’s Motion for Summary Judgment, attaching a declaration of Marc R. Labgold, Ph.D. in support of the malpractice claims. The Court wrote to the parties and told them that Plaintiff’s Motion would still proceed to oral argument and Defendants could present their defense on the record. Accordingly, the Rule 56(f) Motion was denied and rejected.¹ After argument, the Court ordered the parties to submit supplemental briefing to explain with more particularity the parts of the ITC Action which were allegedly affected

¹ The record is devoid of Defendants’ Rule 56(f) Motion as the Court rejected it from filing. Further rejected was the attached declaration of Dr. Labgold on which Defendants relied at argument and in supplemental briefing. The Court finds that Defendants’ failure to attach the declaration to the supplemental briefing was merely an oversight and for purposes of this Motion, the Court will consider the declaration of Dr. Labgold.

by the malpractice. Both parties filed their supplements on March 7, 2014. Plaintiff was also granted leave to respond to Defendants' filing and did so on March 21, 2014.

II. The ITC Action

The ITC Action involved allegations that Defendants infringed on a number of patents. Defendants hired Plaintiff to defend such claims and now allege malpractice was committed in the defense of the infringement allegations on one patent, termed the '690 patent. The '690 patent is for "a toner image fixing method" for printers. The patent is comprised of 16 claims, which define the scope of the patent. The first claim in the '690 patent contains a number of elements setting forth the general premise of the patent, the background of the invention, and the scientific formulas and materials used in the implementation of such (referred to as the independent claim). The remaining claims (2-16) incorporate the invention from claim one and add additional elements (referred to as the dependent claims).

Defendants were originally accused of infringing all claims in the '690 patent. However, as the case progressed, the patent holder withdrew a number of their allegations and only proceeded on claims 1, 2, 5, 6, 9, 10, 13, and 14. Defendants, through Plaintiff-counsel, planned to defend such claims by arguing

that two of Defendants' printers, the "OL400e Product" and the "OL1200 Product," encompassed all elements of all claims in the '690 patent and were on sale at least one year prior to the '690 patent's filing date; thus rendering the '690 patent invalid. If Defendants proved that either or both of these printers encompassed all elements of each claim in the '690 patent and were on sale at least one year prior to the patent's filing date, such would be called "invalidating prior art" and Defendants would be relieved of any infringement allegations.

Unfortunately, just prior to Defendants' expert's deposition, Defendants withdrew their on-sale defense as to the even-numbered claims (claims 2, 6, 10, and 14). Defendants contend that Plaintiff, as counsel to Defendants, gave incorrect legal advice to their expert and, due to this advice, the opinion of the expert as to the even-numbered claims was legally incorrect and irrevocably tainted. Plaintiff-counsel allegedly told the expert that if the independent claim (claim 1) was invalidated, due to the on-sale defense, all dependent claims (claims 2-16) were also invalidated. Thus, the expert's opinion explained why the on-sale defense invalidated claim 1 and then, without further analysis, determined that the even-numbered claims were automatically invalidated as well. Both parties agree that this conclusion is legally incorrect. Defendants contend that Plaintiff only realized and admitted their legal error when confronted by Dr. Labgold and, due to

such legal error, the expert could only opine intelligently as to the on-sale defense for the odd-numbered claims. To ensure the expert's credibility, Defendants withdrew the defenses to the even-numbered claims.

The matter was heard before an administrative law judge (the "ALJ") from May 17-25, 2010. The ALJ issued a decision on September 23, 2010 finding that Defendants had infringed on the '690 patent and rejecting Defendants' on-sale defense because the OL400e and OL1200 Products did not encompass all elements of claim 1.² Thus, the ALJ reasoned, because the products did not anticipate claim 1, they could not anticipate any of the remaining dependent claims, which incorporate all elements of claim 1. Defendants succeeded on all the other claims against them in the ITC Action.

Defendants appealed the decision against them for the '690 patent and their opposition appealed the remainder of the decision to the U.S. International Trade Commission (the "Commission"). On appeal, the Commission reversed the ALJ's decision on the '690 patent and found that claims 1, 5, 9, and 13 were anticipated by prior art, specifically by Defendants' OL400e Product. The Commission also affirmed the remaining rulings. Thus, once the Commission ruled, on

² As to the OL400e Product, the ALJ concluded that there was clear and convincing evidence that it was sold prior to the '690 patent's filing date; however, because the product did not encompass the 5th or 6th elements of claim 1 of the '690 patent, it was not invalidating prior art. As to the OL1200 Product, the ALJ found that there was not clear and convincing evidence that the product presented to the court as the OL1200 Product was identical to the product on sale prior to the critical date.

February 17, 2011, Defendants were completely absolved of all infringement claims alleged in the ITC Action.

B. STANDARD OF REVIEW

In reviewing a motion for summary judgment pursuant to Rule 56, the Court must determine whether any genuine issues of material fact exist.³ Specifically, the moving party bears the burden of showing that there are no genuine issues of material fact so that he is entitled to judgment as a matter of law.⁴ Further, the Court must view all factual inferences in a light most favorable to the non-moving party.⁵ Therefore, summary judgment will not be granted if it appears that there is a material fact in dispute or that further inquiry into the facts would be appropriate.⁶

C. DISCUSSION

Defendants allege that Plaintiff committed legal malpractice by (1) counseling Defendants' expert through misstatements of patent law thus requiring the withdrawal of certain on-sale defenses and (2) failing to produce documents to substantiate the on-sale defense.

Legal malpractice requires: "a) the employment of the attorney; b) the

³ Super. Ct. Civ. R. 56(c); *Wilm. Trust Co. v. Aetna*, 690 A.2d 914, 916 (Del. 1996).

⁴ *Moore v. Sizemore*, 405 A.2d 679 (Del. 1979).

⁵ *Alabi v. DHL Airways, Inc.*, 583 A.2d 1358, 1361 (Del. 1990).

⁶ *Ebersole v. Lowengrub*, 180 A.2d 467, 470 (Del. Super. 1962), *rev'd in part* on procedural grounds and *aff'd in part*, 208 A.2d 495 (Del. 1965).

attorney's neglect of a professional obligation; and c) resulting loss.”⁷ “In connection with the final element, the plaintiff must demonstrate that the underlying action would have been successful but for the attorney's negligence.”⁸ Plaintiff concedes legal representation of Defendants and, for purposes of this Motion, the Court will assume that the alleged errors reflect a deficiency in Plaintiff's professional duty. However, Plaintiff argues that regardless of such neglect, there was no harm to Defendants because the errors were not the but-for cause of the ALJ's ruling against Defendants. Before the Court delves into the substantive issues presented, it must first address Plaintiff's statute-of-limitations argument.

I. Statute of Limitations

Legal malpractice actions are subject to a three-year statute of limitations.⁹ The ITC Action hearing began on May 17, 2010, and the record reflects that the error in the recitation of patent law to the expert was discovered and the defenses were withdrawn on March 10, 2010. However, it is unclear when the precise failure in discovery production occurred.

⁷ *Flowers v. Ramunno*, 2011 WL 3592966, at *2 (Del. Aug. 16, 2011).

⁸ *Id.*

⁹ *Oropeza v. Maurer*, 2004 WL 2154292, at *1 (Del. Sept. 20, 2004).

Plaintiff uses the March 10, 2010 date as the time when the alleged malpractice occurred and the statute of limitations on Defendants' legal malpractice claim began to run. Under such time frame, Plaintiff argues that the statute expired in March of 2013, prior to Defendants' Counterclaim which was filed on May 7, 2013. Defendants counter that the continuous representation rule tolled the statute until Plaintiff's representation of Defendants ended. While the Court is not willing to stretch the statute of limitations to the degree argued by Defendants, whether the alleged errors would constitute malpractice could not have been ascertained until the ALJ decision was issued. Therefore, Defendants would not be on notice of a possible claim until that time and the significance of those mistakes was known by the ALJ issuing an unfavorable decision on the '690 patent on September 23, 2010. As such, the Court finds that the statute began to run on September 23, 2010 and the Counterclaim filed on May 7, 2013 was timely. The Court now moves onto the substantive issues raised in Plaintiff's Motion.

II. Issues with the Expert Report

Defendants first contend that Plaintiff committed malpractice by giving the Defendants' expert incorrect legal advice. Assuming that such is true, the Court must determine if that faulty advice harmed Defendants and that, without such, they would have prevailed. Stated another way: could the ALJ have found that one

of the even-numbered claims was anticipated even though the ALJ found that the independent claim was not anticipated? The answer is clearly “no.”

Patent law dictates that if the independent claim is not anticipated by prior art, the dependent claims, which incorporate such, also cannot be anticipated.¹⁰ This is because to be anticipated, each element of the claim must be present in the prior art. A dependent claim incorporates every element of the independent claim; thus, if the prior art does not satisfy all elements of the independent claim, it cannot satisfy all elements of the dependent claim. Accordingly, the ALJ held: “since, however, I have found claim 1 to be *not* anticipated, claims 5, 9 and 13 are necessarily not anticipated, because they each depend from claim 1 and necessarily contain all of the elements of claim 1.”¹¹

Plaintiff’s alleged malpractice resulted in Defendants withdrawing their defenses to Defendants’ even-numbered claims. However, even if those claims had remained, it is clear the ALJ still would have summarily dismissed the defenses to the even-numbered claims because the ALJ found that certain elements of the independent claim were lacking. There is nothing to suggest or support the contention that the ALJ would have treated Defendants’ defenses to the even-numbered claims differently than it did the odd-numbered claims and, as such,

¹⁰ *In re Fritch*, 972 F.2d 1260, 1266 (Fed. Cir. 1992) (stating “dependent claims are nonobvious if the independent claims from which they depend are nonobvious”).

¹¹ Pl.’s Mot. Aff. Of Adam Poff Ex. A at 260.

Defendants still would have lost. Since the alleged malpractice was not the but-for cause of the ALJ ruling and it is clear the ALJ would have still ruled against them even if the alleged malpractice never occurred, Defendants' first malpractice claim cannot succeed. As such, the Motion for Summary Judgment as to the first claim is granted.

III. Issues with Document Production

Defendants' second allegation of malpractice is that Plaintiff failed to produce documents to prove the on-sale defense. Specifically, Defendants allege:

[w]hen preparing to present the on-sale [defense] at trial, [Plaintiff's employee] informed Marc R. Labgold, Esquire that there was a problem concerning the on-sale [defense] evidence. They learned that, despite [Plaintiff's employee's] previous assurances, the sales documents necessary to substantiate the on-sale bar defense were not on the exhibit list.

Plaintiff's answer provided: "Denied, except it is admitted that three documents relating to the date on which the OL1200 was on sale had inadvertently not been produced and were not on the exhibit list." Plaintiff's Motion argues that Defendants' claims only relate to the three documents they admit were not produced. However, the Counterclaim, as quoted above, does not specify the particular documents but rather states that "sales documents" necessary for the on-sale defense were not produced.

A successful on-sale defense is accomplished when the alleged infringer

proves, by clear and convincing evidence, that a device embodying the patent was on sale in the United States more than one year prior to the application date.¹²

Plaintiff contends that since the ALJ determined the OL400e was on sale for the requisite period, the Counterclaim must only be referring to issues with the OL1200 documents produced. In that vein, Plaintiff argues that there were other fatal issues with the OL1200 Product, which the ALJ would have used to rule against Defendants even if such sales documents were presented. Specifically, Plaintiff contends that the ALJ found issues with Defendants' testing of the OL1200 Product and those alone would have been sufficient for the ALJ to find against Defendants.

While the Court is inclined to agree with Plaintiff regarding the effect the missing documents may have had on the litigation before the ALJ, in fairness to Defendants, the Court is not in a position to grant summary judgment at this juncture. Surprisingly, the "missing documents" have not been provided to the Court in the summary judgment pleadings and, without reviewing them or having counsel argue with particularity their significance, or the lack thereof, it is difficult to ascertain whether they would have addressed the concerns of the ALJ. Without a more developed record, the Court cannot determine if Defendants suffered any

¹² 35 U.S.C. § 102 (b).

harm from the yet-to-be specified failure in production. So, in spite of some significant skepticism as to the nature of the documents, the Court will allow discovery to proceed on this portion of the Counterclaim.

Accordingly, the Motion is denied as to Defendants' second claim of malpractice.

CONCLUSION

Therefore, for the aforementioned reasons Plaintiff's Motion for Summary Judgment is hereby **GRANTED** in part as to the expert-related malpractice and **DENIED** in part as to the discovery-production malpractice.¹³

IT IS SO ORDERED.

/s/ William C. Carpenter, Jr. _____
Judge William C. Carpenter, Jr.

¹³ While the Court has only addressed the issues specifically argued by the parties, it continues to be unclear what damages Defendants believe they suffered from the conduct of Plaintiffs in the ITC Action. It appears the matter was hotly contested and the losing party before the ALJ would appeal to the Commission and, therefore, the litigation cost would have occurred regardless of the ALJ decision. Since Defendants' claims were successful on appeal, it would appear that any alleged malpractice did not affect the ultimate outcome of the litigation and the cost for the appeal would have occurred as a matter of course.