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Rich Prods. Corp. v Kenyon & Kenyon, LLP
2014 NY Slip Op 50937(U)
Decided on June 17, 2014
Supreme Court, Erie County
Walker, J.
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Decided on June 17, 2014

Supreme Court, Erie County

Rich Products Corporation, Plaintiff,

against

Kenyon & Kenyon, LLP, Defendant.

2011-259

Hodgson Russ LLP

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Attorneys for Plaintiff

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Attorneys for Defendant

Timothy J. Walker, J.

In this action, plaintiff ("Rich") alleges that defendant law firm ("Kenyon") failed to timely, and properly file applications for patent protection in Mexico and Columbia for a Rich invention. As a result, Rich seeks damages in excess of \$10 million. Kenyon has moved for summary judgment dismissing the action and Rich has cross-moved for partial summary judgment (on its first cause of action on the issues of liability and causation; on its second cause of action on the issue of liability; on its third cause of action on the issue of liability; on its fourth cause of action on the issue of liability; and striking Kenyon's statute of limitations defense). Prior to oral argument, Plaintiff moved for leave to file and serve an amended complaint, to add breach of fiduciary duty and fraud claims.

For the reasons that follow, the motion is granted in part; the cross-motion is granted in [*2]part; and the motion for leave to file and serve an amended complaint is denied.

BACKGROUND AND FACTS RELEVANT TO THE INSTANT

APPLICATIONS [\[EN1\]](#)

A. The Parties.

Rich is a family owned food company, headquartered in Buffalo, New York. It is a leading supplier to the foodservice, in-store bakery and retail market places. It is the founder of the non-dairy segment of the frozen food industry and a world leader in non-dairy toppings, icings and other emulsions.

Relevant here is Rich's invention, referred to as the "pourable dessert liquid product" (or alternatively, "Tres Riches" or "Tres Leches" (hereinafter, the "Invention")). It is a non-dairy, frozen version of a Mexican dessert that incorporates a three-milk syrup topping for cakes. The Invention's objective was to match the quality, consistency and taste for Mexican and Latin consumers.

Kenyon is an intellectual property law firm, which "focuses exclusively on protecting the intellectual property assets of leading companies worldwide." Kenyon markets itself as "a leader in the industry", with a "worldwide network of trusted patent counsel" available to "assist" Kenyon's clients.

Kenyon acted as Rich's general patent counsel for in excess of thirty (30) years, from the 1960s and throughout the 1990s and 2000s.

In the Amended Complaint, Rich alleges that Kenyon committed malpractice in relation to the filing of patent applications in Mexico and Columbia for the Invention (the "Mexican Patent Application" and the "Columbian Patent Application", respectively; collectively, the "Patent Applications"). Rich alleges further that Kenyon breached a contract with Rich with respect to the Patent Applications.

Kenyon was first informed of the Invention on March 7, 1997, when Rich solicited Kenyon's input on "potential patentability" of the Invention. At that time, Rich did not instruct Kenyon to proceed with the filing of patent applications (in the U.S. or elsewhere), nor did it identify any jurisdictions in which Rich would seek patent protection. Indeed, Rich indicated that "[a]s a starting point, we [Rich] will begin the patent search today."

Evident in the Record, there was no retainer agreement between Kenyon and Rich with respect to the Patent Applications. Instead, at the time Kenyon became involved with the Patent Applications, Rich had been a long-standing client, and the parties proceeded according to an established course of conduct namely, Kenyon tended to the prosecution of the patent for the Invention in the United States. If/when Rich decided to pursue a patent application in a foreign

country, it would notify Kenyon and Kenyon would refer the matter to foreign counsel in the relevant jurisdiction. A foreign law firm, not Kenyon, would perform services necessary for the filing of patent applications in foreign countries.

On March 19, 1997, Kenyon filed a provisional patent application for the Invention with the United States Patent and Trade Mark Office ("USPTO"). This triggered a number of relevant [*3]deadlines, including a one-year deadline to file for regular (i.e., non-provisional) U.S. patent protection; a one-year deadline to designate foreign jurisdictions for potential patent protection under the Patent Cooperation Treaty ("PCT"); and a thirty-month deadline within which to file national phase applications ("NPA") in any of the foreign jurisdictions designated under the PCT.

Due to the filing of a provisional application on March 19, 1997, the 30-month deadline for filing NPAs to protect the Invention in designated foreign jurisdictions was September 19, 1999 (the "Deadline"). Because that date fell on a Sunday, the Deadline was automatically extended to Monday, September 20, 1999.

By letter dated February 10, 1998, Kenyon advised Rich of the above-referenced deadlines, and asked Rich to "let [Kenyon] know as soon as possible if [Rich is] interested in filing any foreign applications. If we do not hear from you in this regard by **March 5, 1998**, we will assume that no foreign applications are to be filed" (emphasis in original).

B. The Mexican Patent Application.

Kenyon tracked the Deadline, having "set" it internally for September 17, 1999, the last business day before the Deadline.

On September 15, 1999, pursuant to Rich's instruction, Kenyon sent a letter (via facsimile) to the Mexican law firm of Uthoff, Gomez Vega & Uthoff, S.C. ("Uthoff"), requesting that Uthoff file the Mexican Patent Application by September 17, 1999. By letter dated September 16, 1999, Rich "[confirmed] that [Kenyon would] file the [NPA] for the [Invention] in . . . Mexico."

Rich's in-house attorneys responsible for patent matters during the time frame relevant to the Mexico Patent Application testified that they were aware that a Mexican law firm would perform the filing, and that Kenyon would utilize its "network" of foreign counsel relationships to identify a firm to do so. Indeed, one of Rich's in-house attorneys responsible for managing Rich's patent

portfolio referred to Uthhoff as the "biggest and best firm in Mexico."

Kenyon utilized Uthhoff's services on prior occasions to perform work on behalf of other clients in Mexico.

By letter dated September 21, 1999, Uthhoff acknowledged Kenyon's September 15 letter, but stated that it did not review it (or its enclosures) until September 20, 1999, because its offices were closed from September 15 through September 19, due to a Mexican Holiday and the ensuing weekend. Uthhoff stated further that, "in view of [the office closure], we are immediately processing the [Mexican Patent Application for filing] . . . within the one-month grace term ie, month 31th [sic] from the [Deadline], which is acceptable under the practice of the Mexican Patent Office."

By letters dated September 27 and October 1, 1999, Uthhoff confirmed that the Mexican Patent Application had been filed **and accepted** by the Mexican Patent Office. By letter dated October 21, 1999, Kenyon advised Rich that the Mexican Patent Application "has been **entered on 27 September 1999**", (emphasis added). On October 22, 2001, the Mexican Patent Office issued a patent for the Invention (the "Mexican Patent").

Thereafter, a series of discussions took place within Rich, to determine whether and/or how to proceed with enforcement of the Mexican Patent. During this time, Rich also attempted [*4] to identify a substitute Mexican law firm to pursue any such enforcement proceedings, because Uthhoff had a conflict with respect to one of Rich's competitors. Ultimately, Rich retained the firm of Calderon y De La Sierra ("Calderon"), which commenced four (4) separate enforcement proceedings on behalf of Rich in Mexico. Kenyon did not prosecute, nor was it named as counsel or co-counsel in these actions. Indeed, Calderon communicated directly with Rich and/or Rich's Mexican joint venture company regarding these proceedings.

In late 2007 (six (6) years after the Mexican Patent was issued), an entity named Lactoproductos La Loma ("Lactoproductos") commenced a "cancellation proceeding", in Mexico, in which it challenged the Mexican Patent on the basis that, *inter alia*, the Mexican Patent Application was filed after the Deadline.

Calderon represented Rich in the Lactoproductos cancellation proceedings.

On or about September 8, 2008, the Mexican Patent Office issued a decision cancelling the Mexican Patent, (in part) because the Mexican Patent Application was filed after the Deadline.

Calderon (on behalf of Rich) appealed the decision to two different Mexican Courts. On June 23, 2009, the Mexican Patent Office determination was upheld. The court held that the Mexican Patent Office's practice of accepting applications in the 31st month (as was done in 1999 with the Mexican Patent Application) was "contrary to **current** Patent Law in Mexico . . ." [emphasis added].

The Mexican Patent Office's determination, without explanation, overturned an acknowledged and accepted practice for many years in Mexico, that had the force and effect of law. As Calderon noted:

. . . the Mexican Patent Office actually ADOPTED the term of 31 months and applied same during more than 13 years. General principles of law in Mexico dictate that habits, customs or repetitive conducts exercise by the authorities are sources of law and actually become law, whenever these are not contrary to existing legal provisions. In the particular case, the fact that the Mexican Patent Office consistently accepted, tried and granted Applications filed with the 31st month, falls within the principle noted above and results in that the legally valid term to enter National Phase Applications in Mexico was legally extended to 31 months (Emphasis in original).

As a result of the Mexico Patent Office's determination, the Invention lacks patent protection in Mexico.

C.The Columbian Patent Application.

Because Columbia was not a signatory to the PCT during the relevant timeframe, the Columbian Patent Application did not follow the PCT procedure. Instead, it was required to be filed within one year of the U.S. provisional application. Thus, on March 18, 1998, Kenyon sent a letter to the South American law firm Daniel Goytia & Associates ("Goytia"), requesting that Goytia file the Columbian Patent Application by March 19, 1998, and provided the initial documents necessary for Goytia to do so, indicating that the Power of Attorney, Assignment and Priority Document would "follow."

On March 31, 1998, Goytia confirmed that it filed the Columbia Patent Application on [*5] March 19, 1998, and requested that Kenyon provide the Power of Attorney and Assignment no later than April 30, 1998 (the "Requested Documents"). Goytia advised Kenyon further that the Requested Documents had to be "duly signed by all inventors and an authorized Officer of the Company notarized and [authenticated] by the [U.S. Consulate]." Kenyon instructed Goytia to

obtain an extension, which it did, through July 8, 1998 (the actual deadline was August 3, 1998). Despite Goytia's repeated requests for the originals of the Requested Documents, **faxed** copies of a Declaration and Agreement were filed with the Columbian PTO on August 3, 1998, and on August 11, 1998, **faxed** copies of the Assignment and General Power of Attorney (neither of which had been authenticated) were filed.

The original of the Power of Attorney was not provided to Goytia until December 18, 2001, which Goytia then filed.

On September 19, 2003, the Columbian PTO issued a resolution denying the Columbian Patent Application, because the incorrect documents were initially filed (i.e., Kenyon provided a Declaration and Power of Attorney instead of the required authenticated original General Power of Attorney).

On October 24, 2003, an appeal was filed and, on December 29, 2003, the Columbian PTO's decision was affirmed.

DISCUSSION

A. Summary Judgment Standard - Generally. To obtain summary judgment, the moving party must make a *prima facie* showing of entitlement to judgment as a matter of law (*Ferluck AJ v. Goldman Sachs & Co.*, 12 NY3d 316, 230 [2009]). This requires sufficient evidence to shift the burden to the opposing party to produce evidentiary proof sufficient to establish the existence of material issues of genuine fact (*Id* at 320). "Mere conclusions, expressions of hope or unsubstantiated allegations or assertions are insufficient" to defeat summary judgment (*Gilbert Frank Corp. v. Fev. Ins. Co.*, 70 NY2d 966, 967 [1988] [citation omitted]).

Moreover, factual issues raised by the opposing party must be genuine, as opposed to speculative ([Trahwen LLC v. Ming 99 Cent City No.7, Inc.](#), 106 AD3d 1467, 1468 [4th Dept 2013]).

B. Plaintiff's Legal Malpractice Claims (First and Third Cause of Action).

To sustain a cause of action for legal malpractice, a plaintiff must show "(1) that the attorney was negligent; (2) that such negligence was a proximate cause of [the] plaintiff's losses; and (3) proof of actual damages" ([Brooks v. Lewin](#), 21 AD3d 731, 734 [1st Dept 2005], *lv denied* 6 NY3d 713 [2006]).

To show negligence, the plaintiff must establish that the attorney failed to exercise that degree of care, skill and diligence commonly possessed and exercised by a member of the legal community (*see, e.g., Darby & Darby, P.C. v. VSI International, Inc.*, 95 NY2d 308, 313 [2000]; [Utica Cutlery Co. v. Hiscock & Barclay, LLP](#), 109 AD3d 1161, 1162 [4th Dept 2013]; and *Williams v. Kublick*, 302 AD2d 961 [4th Dept 2003]).

To establish proximate cause, the plaintiff is required to demonstrate that "but for" the attorney's negligence, it "would have prevailed in the underlying matter or would not have sustained any ascertainable damages" (*Brooks v. Lewin*, 21 AD3d at 734).

1. *The Mexican Patent Application.*

Kenyon satisfied its burden of proof that it exercised reasonable skill and care with respect to the filing of the Mexican Patent Application as a matter of law, and Rich failed to raise material issues of fact which require a trial (*Alvarez v. Prospect Hosp.*, 68 NY2d 320, 324 [1986]). The cancellation of the Mexican Patent almost a decade after the Mexican Patent Application was filed and accepted, was the result of an inexplicable change in the rules, customs, practices and procedures applicable to, and accepted by the Mexican PTO for NPA filings in Mexico. Kenyon's representation as to the Mexican Patent Application is to be measured at the time it rendered the services at issue, and "[a]ttorneys are free to act in a manner that is reasonable and consistent with the law as it existed at the time of representation . . ." ([Bua v. Purcell & Ingrao, P.C.](#), 99 AD3d 843, 846-7 [2nd Dept 2012] [internal citations and quotations omitted]; *see also Noone v. Stieglitz*, 59 AD3d 505, 506-7 [2nd Dept 2009]; *Darby & Darby, P.C.*, 95 NY2d at 315; and [AmBase Corp. v. Davis Polk & Wardell](#), 8 NY3d 428, 435 [2007]).

The fact that the Mexican Patent was **issued** establishes that Uthhoff followed a reasonable course of conduct, consistent with then-existing Mexican law and practice, in filing and prosecuting the Mexican Patent Application. Indeed, the one-month grace term had been accepted and applied by the Mexican Patent Office for more than thirteen (13) years, with respect to over 1,500 patents. Had the Mexican Patent Application not complied with the legal requirements applicable at that time, the Mexican Patent would not have been issued.

The reversal in practice and procedure by the Mexican Patent Office is the very type of "hindsight determination" for which a reasonable practitioner can not be held responsible (*Darby &*

Darby, P.C., 95 NY2d at 315; *AmBase Corp.*, at 435). When Uthhoff filed the Mexican Patent Application within the one-month grace term, it followed the accepted and reasonable practice and procedure applicable at the time. Thus, Uthhoff cannot be held liable for exercising reasonable judgment and, to the extent its conduct may be imputed to Kenyon, Kenyon cannot be held liable either.

Assuming *arguendo*, Kenyon committed malpractice in connection with the Mexican Patent Application (directly, or by assuming responsibility for the actions of Uthhoff under a "sub-agency" theory) (*see, e.g., Whalen v. DeGraff*, 55 AD3d 912, 913 [3rd Dept 2008]), the claim is nonetheless time-barred, because it was not commenced within three (3) years of accrual (CPLR §214(6); *Glamm v. Allen*, 57 NY2d 87 [1982][legal malpractice claim accrued upon expiration of filing deadline]).

By the time this action was commenced, the events at the core of Rich's claims pertaining to the Mexican Patent Application had occurred over a decade earlier, such that its claim accrued in 1999 - when the Mexican Patent Application was filed.

The "continuous representation" rule is likewise inapplicable. That doctrine only tolls the statute of limitations until such time as the attorney's representation in that particular matter is complete (*see Glamm*, 57 NY2d at 93-94; *Offshore Express, Inc. v. Milbank, Tweed, Hadley & McCloy, LLP*, 2007 U.S. Dist. LEXIS 17368 [S.D.NY Mar. 13, 2007]).

In short, the "on-going relationship" must pertain to the specific matter in which the alleged malpractice is claimed to have occurred, and not merely the continuation of a general professional relationship or even the provision of services similar to those which involved the [*6] alleged legal malpractice (*see, Williamson v. Price Waterhouse*, 9 NY3d 1, 7-8 [2007]; [R. Brooks Assoc. v. Harter, Secrest & Emery, LLP](#), 91 AD3d 1330 [4th Dept 2012]; and [Maurice W. Pomfrey & Assocs. Ltd v. Hancock & Estabrook LLP](#), 50 AD3d 1531 [4th Dept 2008]).

Under New York law, a transactional matter and litigation related to that transaction are not considered the same specific matter for continuing representation purposes (*see Pomfrey, supra; Offshore Express, supra*).

Accordingly, Rich's malpractice cause of action pertaining to the Mexican Patent Application shall be dismissed.

2.The Columbian Patent Application.

Rich has established, as a matter of law, that Kenyon failed to timely submit the correct documents to Goytia in connection with filing the Columbian Patent Application. Kenyon has failed to raise an issue of material fact requiring a trial regarding this cause of action. Failure to correctly perform these services constitutes malpractice as a matter of law (*see, eg., Deb-Jo Const. Inc. v. Westphal*, 210 AD2d 951 [4th Dept 1994]; *Lory v. Parsoff*, 296 AD2d 535, 536 [2nd Dept 2002]).

While Kenyon timely retained Goytia on March 18, 1998, its "instructions" to Goytia were incomplete - indicating that the necessary Power of Attorney, Assignment and Priority Document would "follow". While Goytia filed the Columbian Patent Application by the March 19, 1998 deadline, it specifically advised Kenyon that the notarized and authenticated Power of Attorney and Assignment were due by April 30, 1998. Despite these clear instructions, Kenyon failed to prepare and deliver the required documents to Goytia by the deadline.

Equally relevant here, Goytia requested these documents no less than three (3) more times, and even obtained a filing extension to accommodate Kenyon's failure to provide them. Kenyon finally provided Goytia with additional, but still incorrect documentation days prior to the extended deadline, as well as a **faxed copy** of the Power of Attorney (that was not authenticated), after the deadline had passed. The faxed copy of the Power of Attorney was insufficient, as the Columbian PTO required an authenticated original.

Three years later, Goytia was still waiting for the authenticated Power of Attorney. In the end, the required documents were filed in December 2001 - more than three (3) years after the extended deadline. Ultimately, the Columbian PTO declared the Columbian Patent Application invalid, because incorrect documents were filed by the extended deadline.

As such, Rich is entitled to summary judgment on its Third Cause of Action on the issue of liability.

C.Plaintiff's Breach of Contract Claims (Second and Fourth Causes of Action).

A cause of action for breach of contract relating to a claim of legal malpractice may only be maintained where there is an additional promise by the attorney extending beyond the duty of care an attorney owes his client (*see Dischiavi v. Calli*, 892 N.Y.S.2d 700 [4th Dept 2009]; *Reidy v.*

Martin, 77 A.D.3d 903 [2nd Dept 2010]; and *Saveca v. Reilly*, 111 AD2d 493 [3rd Dept 1985]).

Rich alleges that Kenyon "specifically agreed and contracted" to perform a specific task and/or obtain a specific result regarding the Invention.

However, Rich has failed to sustain its burden of proof regarding these claims.

To the extent Rich bases its breach of contract claims on implied promises, such claims [*7] are contrary to New York Law (*see In Re Kliment*, 3 NY3d 538, 541-42 [2004] [explaining the evolution of the statute of limitations applicable to non-medical malpractice claims, explicitly discussing the intent of the New York Legislature in the 1996 Amendment to the CPLR to prevent the use of implied agreements to perform professional services with due care as providing a basis for asserting a malpractice claim couched as a breach of contract claim]).

Finally, Rich's breach of contract claims are duplicative of its legal malpractice claims, containing the same allegations of fact, and seeking the same relief (*see Nevelson v. Carro*, 290 AD2d 399, 400 [1st Dept 2002]; *see also Murray Hill Investments v. Parker Chapin Flattau & Klimpl, LLP*, 305 AD2d 278, 229 [1st Dept 2003]).

Accordingly, Rich's causes of action based upon breach of contract shall be dismissed.

D. Plaintiff's Motion for Leave to File and Service a Second Amended Complaint.

New York law is well-settled that a cause of action for breach of fiduciary duty based on alleged legal malpractice is duplicative of malpractice claim and cannot stand (*see, e.g., Waggoner v. Caruso*, 14 NY3d 874 [2010]; *Cobble Creek Consulting, Inc. v. Sichenzia Ross Friedman Ference LLP*, 110 AD3d 1691 [4th Dept 2009]); and *Murray Hill Investments v. Parker Chapin Flattau & Klimpl, LLP*, 305 AD2d 228, 229 [1st Dept 2003]). This is particularly true where the breach of fiduciary claim seeks the same relief as the malpractice claim (*see Cobble Creek*, 110 AD3d at 551; *Palmieri*, 108 AD3d at 608).

Similarly, a cause of action for fraud in the context of a legal malpractice claim is insufficient, where it alleges merely that a defendant purportedly concealed or failed to disclose its alleged malpractice, and does not allege any damages separate and apart from those purportedly generated by the alleged malpractice itself (*see, e.g., White of Lake George, Inc. v. Bell*, 251 AD2d 777, 778

[3d Dept 1998] ["Where . . . a fraud claim is asserted in connection with charges of professional malpractice, it is sustainable only to the extent that it is premised upon one or more affirmative, intentional misrepresentations — that is, something more egregious than mere concealment or failure to disclose [one's] own malpractice — which have caused additional damages, separate and distinct from those generated by the alleged malpractice"] [internal citations and quotations omitted]; *see also* *Dischiavi v. Calli*, 975 N.Y.S.2d 266 [4th Dept 2013]; [*Long v. Cellino & Barnes, PC*, 59 AD3d 1062](#) [4th Dept 2009]; and *Tasseff v. Nussbaumer & Clark, Inc.*, 298 AD2d 877 [4th Dept 2002]).

Here, Rich repeats the basis of the alleged malpractice - i.e. that Kenyon failed to provide Rich with competent, careful, and non-negligent legal services (Proposed Second Amended Complaint, ¶ 113). The proposed breach of fiduciary claim is also duplicative of the proposed fraud cause of action. In particular, both claims set forth a "mere concealment or failure to disclosure" the purported malpractice (Proposed Second Amended Complaint, ¶¶ 114-127, 131-145). Further, neither of these proposed causes of action allege damages distinct and separate from the damages alleged in relation to the malpractice claims - indeed, all of the causes of action seek the same monetary damages ("in excess of \$10 million") (Proposed Second Amended Complaint, ¶¶ 94, 99, 105, 110, 128 and 149).

In short, the proposed claims are legally insufficient.

Accordingly, it is hereby

ORDERED, that Defendant's motion is granted in part, and Defendant is entitled to [*8] summary judgment dismissing Plaintiff's First, Second and Fourth Causes of Action; and it is further

ORDERED, that Plaintiff's cross-motion is granted in part, and Plaintiff is entitled to summary judgment on its Third Cause of Action on the issue of liability; and it is further

ORDERED, that Plaintiff's motion for leave to file and serve a Second Amended Complaint is denied.

This constitutes the Decision and Order of this Court. Submission of an order by the Parties is not necessary. The delivery of a copy of this Decision and Order by this Court shall not constitute notice of entry. Dated: June 17, 2014

Buffalo, New York

HON. TIMOTHY J. WALKER, J.C.C.

Acting Supreme Court Justice

Presiding Justice, Commercial Division

8th Judicial District

Footnotes

Footnote 1: The parties' respective submissions consist of numerous affidavits/affirmations, containing scores of exhibits, including no less than 13 deposition transcripts and competing expert affidavits (*see, e.g.*, Defendant's Exhibits "A"-"000"; Plaintiff's Exhibits "1"-"101"), and the facts relied upon by the Court in this Decision and Order are contained therein.