

Circuit Court for Baltimore City
Case No. 24-C-21-000200

UNREPORTED*

IN THE APPELLATE COURT

OF MARYLAND

No. 709

September Term, 2023

INEXIAN CORPORATION

v.

VENABLE LLP

Wells, C.J.,
Shaw,
Harrell, Glenn T., Jr.
(Senior Judge, Specially Assigned),

JJ.

Opinion by Shaw, J.

Filed: October 10, 2024

*This is an unreported opinion. This opinion may not be cited as precedent within the rule of stare decisis. It may be cited for its persuasive value only if the citation conforms to Rule 1-104(a)(2)(B).

This is an appeal from the Circuit Court for Baltimore City. Appellant, Inexian Corporation (Inexian), filed a legal malpractice claim against Appellee, Venable LLP (Venable), for services that it rendered in relation to U.S. Patent No. 7,164,933. Following discovery, Venable filed four motions for summary judgment, including a motion arguing that the statute of limitations barred Inexian's claims. The circuit court granted Venable's motion for summary judgment on the statute of limitations issue. This appeal timely followed. Inexian presents one question for our review:

1. Did the Circuit Court err in granting [Venable's] Motion for Summary Judgment on [Inexian's] legal malpractice claim on the grounds that it was time-barred under the applicable statute of limitations?

We hold that the circuit court did not err in granting Venable's motion for summary judgment and, accordingly, we affirm the judgment of the circuit court.

BACKGROUND

In the 1990s, Inexian Corporation, then a company called Plowshare, began developing a device that would measure smoking behavior, such as flow rate and puff volume. The device was intended to help researchers who were studying smoking. Around 2000, Mark Likness, President of Inexian, created a portable version of the device that could be used outside of the laboratory. Inexian hired law firm, Venable LLP, to patent the portable device, known as CReSSmicro.

From 2001 to 2006, Venable prosecuted two patents for the CReSSmicro: a device patent and a method patent. Venable filed applications for both patents on August 8, 2002, with the United States Patent and Trademark Office (PTO). In 2004, the PTO issued an

application for the device patent: Patent No. 6,814,083, but rejected the application for a method patent finding that it was “double-patenting.”

Following the rejection, Venable filed on its initiative and without consultation with its client, a terminal disclaimer on Inexian’s behalf in order to overcome the double-patenting rejection. The terminal disclaimer stated “[t]he owner hereby agrees that any patent so granted on the instant application shall be enforceable only for and during such period that it and any patent granted on the second application are commonly owned.” With the terminal disclaimer, the patent holder could only enforce the terminally disclaimed method patent as long as the method patent was owned in combination with the listed device patent. In 2006, PTO issued a notice of allowance for the method patent. On January 16, 2007, PTO issued Inexian Patent No. 7,164,993. Likness and Inexian received from Venable a copy of the approved method patent and the disclaimer. The cover of the patent expressly stated that “[t]his patent is subject to a terminal disclaimer.”

Thereafter, Inexian negotiated with German company, Borgwaldt, KC, Incorporated (Borgwaldt), to sell its assets. On November 13, 2007, Inexian and Borgwaldt reached an agreement, and as part of that agreement, Borgwaldt bought the device patent from Inexian. Inexian cross-licensed their method patent with Borgwaldt’s newly-acquired design patent. This transaction separated ownership of the device patent from the method patent.

In 2014, Likness and Inexian had a discussion with a consultant, Donald Nicolson, about the possibility that e-cigarette or vaping manufacturers could be infringing on its patents. In an email from Likness to Nicolson in August of 2014, Likness stated, “we have

to gain an understanding of how the e-cigs work -AND- how they are marketed to know if there is infringement.” Likness continued the infringement claim discussions into January of 2015 with Nicolson. As a part of an email exchange, Likness sent Nicolson the Inexian and Borgwaldt patent licensing agreements. Likness also advised Nicolson that “[s]ome attorney is going to want to review these pretty early in the process before proceeding given they may have a material impact on what can be done.”

Likness and Nicolson also consulted with three subcontractors: John Skolas, Jim Sharpe, and Dan Nesbitt, to further investigate the infringement claim. Skolas and Sharpe sent the patent to Chuck Neuenschwander, an experienced patent consultant, in November 2015. Neuenschwander advised Skolas that “[t]his is pretty thin but should not be rejected out of hand.” Sharpe mentioned in his notes from their December 2015 meeting with Neuenschwander that “[w]e need to verify patent ownership and patent history, including the situation with other patent and sale of Plowshares.”

A “Consulting Agreement” was finalized on February 16, 2016, “between Inexian Corporation (‘Patent Holder’) ... together with Mark Likness (‘Inventor’),” the consultant, Orion, Inc., and the three subcontractors.¹ The Consulting Agreement acknowledged that Inexian owned the method patent, and that Borgwaldt agreed to cross-license the device patent with Inexian’s method patent. In the recitals, the parties agreed “Patent Holder

¹ Mark Likness and Don Nicolson signed the agreement for Inexian Corporation and Orion, Inc., respectively, on February 16, 2016. James Sharpe signed for his subcontractor on February 23, 2016. John Skolas, likewise, signed for his on March 4, 2016, and Daniel Nesbitt signed for his on April 12, 2016.

[Inexian] and Inventor [Likness] desire[d] to retain Consultant and subcontractors under Consultant’s direction, to explore opportunities to realize value from the Patent, ascertain the Patent’s potential value and ultimately facilitate disposition of the Patent.” In addition, the Consulting Agreement stipulated “the parties may during the Term enter into agreement(s) with third parties to represent the Patent Holder in disposition of the Patent and to provide specialized expertise and/or funding for marketing and enforcement of the patent.” The parties agreed to split the proceeds from the patent’s disposition and Inexian and Likness “agree[d] to cooperate with all reasonable requests for information relating to the Patent, the covered invention and the Patent’s prosecution history[.]”

In March 2016, Sharpe, Nesbitt, and Skolas held a meeting with patent attorney, Steve Driscoll, from Saul Ewing LLP. The trio wanted to discuss if the law firm would help bring infringement claims against e-cig manufacturers. In his notes from the meeting, Skolas wrote, “[t]hinks prosecution history is a real problem, up-hill battle.”

On October 31, 2016, Nesbitt sent an email to Sharpe stating that he “found what seems to be a more fatal problem with the ’933 patent.” According to Nesbitt, Inexian could no longer enforce the method patent with the terminal disclaimer because Inexian sold the device patent to Borgwaldt, thus separating ownership. Alerting the group of the patent’s unenforceability, Nesbitt stated:

In the pecking order to issues to examine when looking at the infringement of a US Patent, looking for and double checking the effect of a terminal disclaimer is on the list, but down lower. I regret that I am only now spotting this. And, regrettably, I am virtually certain that I am correct.

On October 7, 2019, Inexian sent a demand letter with a proposed tolling agreement to Venable. Inexian and Venable then agreed to a tolling agreement, specifying that October 14, 2019, would be the effective date for the statute of limitations.

In January 2021, Inexian filed a legal malpractice claim against Venable. Venable countered with a motion for summary judgment based on the statute of limitations. At the conclusion of the hearing, finding no genuine dispute of material fact, the circuit court granted the motion for summary judgment, stating, “the fact that Inexian was engaged in an investigation of infringement, which necessarily involves the enforceability of the patent, where the predicate facts concerning enforceability are well know[n], or easily obtainable, by [Inexian] puts [Inexian] on notice of discovering by reasonable diligence the unenforceability of the patent.”

STANDARD OF REVIEW

A motion for summary judgment is granted “when there is no genuine dispute of material fact and the moving party is entitled to judgment as a matter of law.” *Okwa v. Harper*, 360 Md. 161, 178 (2000). A finding of summary judgment decided properly on undisputed facts and the law will be upheld. *Bank of N.Y. v. Sheff*, 382 Md. 235, 247 (2004); *Frederick Road Ltd. P’ship v. Brown & Sturm*, 360 Md. 76, 93 (2000). The appellate court’s standard of review for a grant of summary judgment is *de novo*. *Dashiell v. Meeks*, 396 Md. 149, 163 (2006).

DISCUSSION

I. The circuit court did not err in granting summary judgment.

Section 5-101 of the Maryland Courts & Judicial Procedure Article provides, “[a] civil action at law shall be filed within three years from the date it accrues unless another provision of the Code provides a different period of time within which an action shall be commenced.” Under the common law, the statute of limitations began to accrue from the date of the wrong’s occurrence. Recognizing the “inherent unfairness of charging a plaintiff with slumbering on his rights where it was not reasonably possible to have obtained notice of the nature and cause of an injury,” Maryland adopted a different accrual standard, known as the discovery rule. *Dashiell*, 396 Md. at 168 (internal quotations omitted). Under the rule, a claimant’s cause of action accrues when the claimant knew or reasonably should have known of the facts giving rise to the cause of action. *Poffenberger v. Risser*, 290 Md. 631, 636 (1981).

A claimant’s notice may be express or implied. *Id.* (quoting *Baltimore v. Whittington*, 78 Md. 231, 235-36 (1893)). Express notice “embraces not only knowledge, but also that which is communicated by direct information, either written or oral, from those who are cognizant of the fact communicated.” *Id.* at 636-37. Implied notice, also known as inquiry notice, accrues the statute of limitations when the claimant “reasonably should have known of the wrong.” *Id.* at 636. *See also id.* at 637. (“Implied notice ... arises where the party to be charged is shown to have had knowledge of such facts and circumstances as would lead him ... to a knowledge of the principal fact.”). A claimant is on inquiry notice if he or she possesses enough knowledge that “reasonable people in their position [would] undertake an additional, or more thorough investigation, which, if pursued

with reasonable diligence, would have led to discovery of the ... wrongdoing[.]” See *Frederick Road Ltd. P’ship*, 360 Md. at 103. Courts determine as a matter of law whether a party has inquiry notice and thus, whether an action is barred by the statute of limitations. *Sheff*, 382 Md. at 247.

“Constructive notice is notice presumed as a matter of law.” *Windesheim v. Larocca*, 443 Md. 312, 327 (2015). Constructive notice relies on “strictly legal presumptions which are not allowed to be controverted[.]” *Poffenberger*, 290 Md. at 637 (quoting *Whittington*, 78 Md. at 235-36). For example, in *Poffenberger*, the Maryland Supreme Court noted constructive notice could be gained through legal documents such as deeds and plats in the land records. *Id.* at 636. There, the Court determined that actual notice, and not constructive notice, triggers the statute of limitations for the discovery rule. The Court stated that to rule otherwise “would recreate the very inequity the discovery rule was designed to eradicate[.]” *Id.*; *Pennwalt Corp. v. Nasios*, 314 Md. 433, 442 (1988) (“[C]onstructive notice is insufficient to give a plaintiff knowledge of the wrong.”); *Windesheim*, 443 Md. at 327 (“Unlike inquiry notice, constructive notice does not trigger the running of the statute of limitations under the discovery rule.”).

Inexian argues the statute of limitations began to run on October 31, 2016, when, it was informed that the patent was unenforceable. Inexian argues it discovered a cause of action on that date, and that was the first time it had “any suggestion that a wrong had occurred.” To support its argument, Inexian cites *Lutheran Hospital of Maryland v. Levy*, 60 Md. App. 227 (1984). In that case, a physician employed by Lutheran Hospital treated

a patient’s injured ankle and then told her that she no longer needed crutches and that she should get “orthopedic shoes, and walk on the ankle.” *Id.* at 233. Several months later, after continuing to experience pain in her ankle, the patient sought review from another medical professional who informed her that her ankle would not get better. *Id.* Three years later, she underwent surgery to repair her ankle and she filed a cause of action one year afterwards. *Id.* at 234.

This Court held that appellant’s claim was barred by the statute of limitations. We held that appellant was put on inquiry notice of a potential claim when the second medical professional informed her that her ankle did not heal properly. *Id.* at 236. We determined that the crucial date was not the date an expert concluded there had been malpractice or when she met with a lawyer to discuss her claim. *Id.* Citing *Jones v. Sugar*, we stated, “a cause of action accrues when there are facts known ... which would serve as the basis of an actionable claim and not necessarily when the patient is informed by counsel that he has a cause of action.” *Id.* at 240 (citing 18 Md. App. 99, 105 (1973)) (internal quotations omitted).

Venable argues that Inexian was on inquiry notice at least a year prior to October 2016, and points to an opinion by the Maryland Supreme Court in *Bank of New York v. Sheff*, as instructive. There, a law firm failed to file a financing statement on behalf of its clients. *Sheff*, 382 Md. at 240. As a result, the clients’ interests were not perfected, and a creditor obtained a first lien superior to their interests. *Id.* at 238. The Supreme Court found that Bank of New York had inquiry notice when the bank began investigating the

other creditor's transaction to determine the effect of that transaction on the bank's own loan. *Id.* at 246. The Court rejected the Bank's argument that the bank did not have inquiry notice until the bank discovered the law firm never filed the financing statement with the District of Columbia Recorder of Deeds. *Id.*; *see also Windesheim*, 443 Md. at 334, 337-38 (stating that knowledge of the contents of a signed mortgage application, even when applicants may not have had time to read its contents, put the applicants on inquiry notice). The Court held that the statute of limitations began to run when the firm was on inquiry notice that financing statements may not have been filed, triggering a duty on its part to make an investigation.

In our view, both cases point to the principle that inquiry notice occurs when the claimant has knowledge of circumstances that would cause a reasonable person in the position of the claimant to undertake an investigation, which, if pursued with reasonable diligence, would have led to knowledge of a cause of action. *Sheff*, 382 Md. at 244. Inquiry notice does not allow a claimant to wait to file a claim until a lawyer or expert opines on a cause of action. It is simply when a reasonable person's knowledge of facts and circumstances would have caused him or her to undertake investigative measures. We agree with the circuit court that Inexian had sufficient knowledge to be on inquiry notice prior to October 31, 2016.

The material facts in this matter are not in dispute. From our review of the record, it is clear that, at least by 2007, Inexian was aware that its transaction with Borgwaldt separated the device patent from the method patent. The method patent, issued that year,

contained an express terminal disclaimer sought by Venable. In addition, in 2014, Likness, the president of Inexian, an experienced engineer, began to actively work with business and legal professionals to investigate potential infringement claims. Those professionals included Donald Nicholson, John Skolas, Jim Sharpe, and Dan Nesbitt. As evidenced by email exchanges and notes, Likness and the consultants were aware of the two patents, the separate licensing agreements, and they discussed examining the ownership and history of the patents and agreements.

In January 2015, Likness, in an email to Nicolson, stated “[s]ome attorney is going to want to review [the patent licensing agreements] pretty early in the process before proceeding given they may have a material impact on what can be done.” In December 2015, Sharpe noted after an interview with a patent professional, that the team needed to research the patents’ ownership and history. In March 2016, Skolas wrote after a meeting with a patent attorney from Saul Ewing that “the prosecution history could be a real problem.”

As the trial judge concluded, “[i]t is very clear on undisputed facts, to me, that both Mr. Likness, on behalf of Inexian and Mr. Nicholson, Mr. Nesbitt, the others who are involved in investigating possible infringement action were aware of those predicate facts early on in their investigation and certainly well before October 14 of 2016.” The court held that the conclusion reached by Mr. Nesbitt on October 31 was a “legal conclusion” and “not a factual conclusion” and thus, it was not dispositive of whether Inexian was on inquiry notice.

Inexian argues that the court “conflated Inexian and Mark Likness’s implied notice with the constructive notice they would possess through their agents.” Inexian contends that the court inferred that the consultants should have discovered sooner that the patent was unenforceable. Inexian’s argument is without merit. The circuit court’s opinion is devoid of any reference to constructive notice, it does not address strictly legal presumptions or infer that the consultants should have discovered sooner problems with the patent. It also does not resolve any such inferences in Venable’s favor.

Inexian also argues that there were disputes of material fact that should not have been resolved by a summary judgment. Inexian asserts that there was a dispute as to when it possessed the requisite knowledge. Although we agree with Inexian that there are sometimes, circumstances where summary judgment is not an appropriate disposition in statute of limitations cases, we do not agree that the present case is such a scenario. We agree with the trial judge that there were basically two facts, which are not in dispute, that put Inexian on inquiry notice. We also agree that a claimant’s express conclusion based on predicate facts is not required for inquiry notice. While Mr. Nesbit may have concluded that the patent was unenforceable on October 31, Inexian was on inquiry notice, prior to October 14, 2016, based on facts within its knowledge.

Those two facts are the existence of the terminal disclaimer, which is a matter of public record. It’s on the face of the patent itself, and certainly available from anyone searching the Patent Office records of these patents. And second, the fact that the ownership of the two patents was split. Because you could also say that there’s a third fact, which is the fact that there were two patents, and they were split in the 2007 transaction with Borgwaldt, which they split ownership of them at the point.

It's very clear on undisputed facts that both Mr. Likness, on behalf of Inexian and Mr. Nicholson, Mr. Nesbitt, the others who were involved in investigating possible infringement action, were aware of those predicate facts early on in their investigation and certainly well before October 14th of 2016.

As discussed in *Sheff* above, inquiry notice does not rely on a claimant's recognition of a cause of action. Rather inquiry notice stems from factual circumstances that would lead a reasonable person to know of, or investigate further, possible wrongdoing. Inexian was on inquiry notice prior to October 14, 2016, and as a result, the court properly granted summary judgment, finding that the statute of limitations had run.

**JUDGMENTS OF THE CIRCUIT COURT
FOR BALTIMORE CITY AFFIRMED;
COSTS TO BE PAID BY APPELLANT.**