

## On My Mind Blog

### Be Careful with Contract Boilerplate--A Forum Selection Clause May Preclude Challenges in the USPTO Tribunals

07.20.2022 By [William M. Borchard](#)



Under a decision by the U.S. Court of Appeals for the Federal Circuit (Federal Circuit), if you enter into a contract requiring disputes to be resolved by lawsuits brought in a specified court, you may be precluded from challenging the validity of a patent or trademark in a proceeding in the Patent Trial and Appeals Board (PTAB) or the Trademark Trial and Appeals Board (TTAB) of the U.S. Patent and Trademark Office (USPTO).

#### Possible Patent Challenges

The validity of a patent may be challenged in the USPTO in various ways, including:

- *During examination*, anyone may anonymously submit to the USPTO relevant prior art to show that the invention is either not novel or is obvious to prevent the issuance of a patent or to reduce its scope.
- *Within 9 months from patent grant*, anyone may request a “Post-Grant Review” (PGR) challenging a patent’s validity on a wide variety of bases.

- *After 9 months from patent grant*, anyone may request an “Inter-Partes Review” (IPR) challenging a patent’s validity on the basis that the invention is either not novel or is obvious in light of published prior art.
- *At any time after patent grant*, anyone may request but not participate in an “Ex Parte Reexamination” challenging a patent’s validity in light of published prior art (similar to the IPR proceeding).

## Possible Trademark Challenges

The validity of a trademark application or registration may be challenged in the USPTO in various ways, including:

- *During examination*, anyone may submit a “Letter of Protest” to the USPTO with evidence relevant to any ground for refusal of an application.
- *Within 30 days after an application is published for opposition*, anyone who believes he, she or it would be damaged by the registration may file an opposition.
- *Within 5 years after registration*, any person may petition the Director of the USPTO for an “Ex Parte Reexamination” of the registration for deletion of some or all of the recited goods or services on the basis that the mark was not in use in commerce on or in connection with those goods or services when the application was filed (if use-based,) or when an amendment to allege use was filed or the filing period expired (if intent-to-use-based).
- *Between 3 and 10 years after registration*, any person may petition the Director of the USPTO for “Ex Parte Expungement” of the registration for some or all of the recited goods or services on the basis that the mark has never been used in commerce on or in connection with those goods or services.
- *Anytime after registration*, anyone with standing may petition for cancellation on various grounds, depending on how long the registration has existed.

See [“Trademark Law Alert—Regulations Implement the Trademark Modernization Act of 2020.”](#)

## Contract Forum Selection Clause

The ruling by the U.S. Court of Appeals for the Federal Circuit in *Nippon Shinyako Co., Ltd. (Nippon) v. Sarepta Therapeutics, Inc.*, 25 F.4th 998 (Fed Cir. 2022) suggests that a forum selection clause in a Confidentiality Agreement may preclude some or all of these procedures.

In that case, Nippon and Sarepta had entered into an agreement concerning their potential business relationship. The agreement contained a *mutual covenant not to sue*, wherein each party agreed that, during a specified time period (Covenant Term)

[I]t shall not directly or indirectly assert or file any legal or equitable cause of action, suit or claim or otherwise initiate any litigation or other form of legal or administrative proceeding against the other Party . . . in any jurisdiction in the United States or Japan of or concerning intellectual property in the field of Duchenne Muscular Dystrophy. For clarity, this covenant not to sue includes, but is not limited to, patent infringement litigations, declaratory judgment actions, patent validity challenges before the U.S. Patent and Trademark Office or Japanese Patent Office, and reexamination proceedings before the U.S. Patent and Trademark Office.

The agreement also contained a *forum selection clause*:

[T]he Parties agree that all Potential Actions arising under U.S. law relating to patent infringement or invalidity, and filed within two (2) years of the end of the Covenant Term, shall be filed in the United States District Court for the District of Delaware and that neither Party will contest personal jurisdiction or venue in the District of Delaware and that neither Party will seek to transfer the Potential Actions on the ground of *forum non conveniens*.

## The Dispute

On the day the Covenant Term ended, Sarepta filed seven IPR petitions challenging the validity of Nippon patents in the PTAB, which subsequently granted the institution of these proceedings.

Less than one month later, Nippon sued Sarepta in the U.S. District Court for the District of Delaware seeking a declaration of noninfringement and invalidity regarding Sarepta's patents and a declaration of infringement related to Nippon's patents, and claiming a breach of the forum selection clause by Sarepta's filing of the IPR actions in a tribunal other than the Delaware District Court. Nippon moved for a preliminary injunction requiring Sarepta to withdraw its IPR petitions.

The Delaware District Court ruled for Sarepta. It reasoned the IPR petitions would have been time-barred if they could not be brought during the Covenant Term plus the two-year forum selection clause because under 35 U.S.C. § 315(b),

An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.

The District Court reached its result by interpreting the two-year forum selection clause as applying only to cases brought in a federal district court, not to petitions in the PTAB.

## The Appeal

Nippon appealed to the Federal Circuit, which reversed the Delaware District Court's decision and granted Nippon's preliminary injunction motion.

The Federal Circuit reasoned that the plain language of the forum selection clause was clear that Sarepta was required to bring in the Delaware District Court all disputes regarding the validity of the patents for two years after the end of the Covenant Term. It recognized that the parties could bargain away the right to file IPR petitions. Moreover, the concern that the IPRs will be time-barred was a result of the early filing of Nippon's complaint, not the parties' contract. If Nippon had sued Sarepta during the second year of the forum selection clause restriction, Sarepta's IPR petitions would not have been time-barred.

The Appellate Court concluded that the forum selection clause precluded the filing of the IPR petitions during the two-year period following the expiration of the Covenant Term as a matter of law. As a result, the patent validity issues would have to be determined by the Delaware District of Court.

**[Nippon Shinyako Co., Ltd. v. Sarepta Therapeutics, Inc., Case. No. 2021-2369 \(Fed. Cir. February 8, 2022\).](#)**

**Author's Note:** Although the *Nippon* case precluded IPR patent petitions in the PTAB, its reasoning would seem to be applicable to trademark petitions or proceedings in the TTAB. Accordingly, you should take care that a boilerplate choice of a forum contract clause is not worded in a way that may unintentionally preclude action in the USPTO tribunals.

For further information, please contact [William M. Borchard](#) or your CLL attorney.

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Bill advises on domestic and international trademark matters at the highest level. His practice consists of counseling clients and handling domestic and international trademark and copyright matters including clearance, registration, proper use, licensing, contested administrative proceedings and infringement claims.