



Forum Selection Clause, on Its Own, Does Not Bar PTAB from Instituting IPR Petition

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Petitioner filed an IPR challenging claims of a patent directed to the design, operation and method of manufacture of an efficient inductor and related systems. Patent Owner and Petitioner signed an NDA containing a forum selection clause that specified that “[a]ny legal action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby must be instituted exclusively . . . within the Borough of Manhattan, City of New York, State of New York and in no other jurisdiction.” After their business relationship deteriorated, Patent Owner filed suit against Petitioner in the Eastern District of Texas (EDTX). Petitioner successfully filed a motion to transfer the case to the Southern District of New York (SDNY) on the grounds that Patent Owner’s causes of action fell within the scope of the NDA’s forum selection clause. After Petitioner filed the IPR, Patent Owner filed a motion for preliminary injunction requesting that the district court order Petitioner to withdraw its petition. The court denied the motion and stayed the infringement litigation pending resolution of the IPR proceeding.

Before the Board, Patent Owner made four arguments for why the Board should not institute the IPR. First, Patent Owner stated that the parties had litigated the forum selection clause issue in EDTX, resulting in a transfer to SDNY and, therefore, issue preclusion foreclosed Petitioner from bringing an invalidity challenge in any other forum. On this issue, the Board disagreed that issue preclusion was applicable because the Board had consistently held that equitable estoppel defenses, including contractual estoppel based on a forum selection clause, are not a proper basis to deny institution. The Board noted that while Congress expressly allowed for estoppel in limited circumstances, such as estoppel based on a party’s

previous challenge to the same patent, Congress had not allowed contractual estoppel as a defense to unpatentability. Furthermore, even if equitable estoppel defenses were proper in IPR proceedings, Patent Owner had already argued issue preclusion in SDNY and lost. According to that court, Patent Owner had failed to show that the claims at issue were subject to the forum clause; furthermore, the NDA had expired more than a year before Petitioner filed its petition; and the petition did not relate to the surviving confidentiality obligations. Additionally, the Board noted that SDNY found that Petitioner did not brief, and EDTX did not decide, whether the NDA's forum selection clause could apply to an IPR proceeding unrelated to a disclosure of confidential information and filed after the expiration of the NDA. Therefore, the Board rejected the issue preclusion argument.

Second, Patent Owner asserted that the Federal Circuit's decision in *Dodocase VR, Inc. v. MerchSource, LLC*, No. 2018-1724, 2019 WL 1758481 (Fed. Cir. Apr. 18, 2019) controlled the outcome of Petitioner's IPR challenge. In that case, Dodocase sought an injunction against MerchSource to prevent the cessation of royalty payments under a Master License Agreement with a forum selection clause. *Dodocase*, 2019 WL 175848 at *1. MerchSource then filed petitions before the Board, and Dodocase filed a motion for preliminary injunction requesting withdrawal of those petitions. *Id.* The district court granted the preliminary injunction and, on appeal, the Federal Circuit agreed that the parties could not pursue validity challenges before the Board and ordered MerchSource to withdraw its petitions. *Id.* at *2. Patent Owner argued that here, like in *Dodocase*, the forum selection clause would control, and thus the Board should deny institution. The Board distinguished *Dodocase* by referring to the analysis from SDNY, which had determined that the claims at issue were not subject to the forum selection clause. The Board further noted that, even if they were subject to the forum selection clause, the *Dodocase* was still distinguishable because in that case the license agreement included a clause in which the licensee agreed not to challenge the patents. When considered together with *Dodocase*'s status as a non-precedential opinion, the Board concluded that the Federal Circuit's decision had little relevance to the present matter.

Third, Patent Owner argued that because Petitioner made statements regarding the scope of the forum selection clause when seeking to transfer the case to SDNY, it was judicially estopped from controverting these statements before the Board, and had therefore waived its right to request the Board to exercise its jurisdiction. The Board reiterated that judicial estoppel, like contractual estoppel, is not a defense to an IPR and determined that SDNY's findings were sufficient to conclude that the forum selection clause did not apply to this case.

Finally, Patent Owner asserted that Petitioner had made allegedly inconsistent statements before the district courts and the Board, and in light of those statements, the Board should have denied institution. In particular, Patent Owner argued that Petitioner did not inform the Board of the history between the parties, the forum selection clause, or that Petitioner had sought enforcement of the clause in another forum, thus acting inconsistently with its previous filing in EDTX. Furthermore, Patent Owner alleged that Petitioner had argued before SDNY that the purpose of an IPR is to define the scope of the prior art, rather than what Patent Owner believed to be the actual purpose, that is, cancelling one or more patent claims. The Board stated that EDTX had not decided whether Petitioner is barred from requesting an IPR, and SDNY had indicated by denying the preliminary injunction (and issuing a stay) that Petitioner was not precluded from pursuing the IPR petition. Therefore, the Board was unconvinced that Petitioner's statements required it to exercise its discretion to deny the IPR.

Practice Tip: Patent owners should be aware that a forum selection clause on its own may not prevent a petitioner from bringing an IPR before the Board. Instead, patent owners wishing to avoid Board review should consider pairing the forum selection clause with a clause in which the would-be petitioner agrees not to challenge the patents.

Case: *Samsung Elecs. Co., Ltd. v. NuCurrent, Inc.*, IPR2019-00863, Paper 14 (PTAB Oct. 7, 2019)

Categories

Patent Trial & Appeal Board

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