

UNITED STATES DISTRICT COURT
FOR THE
WESTERN DISTRICT OF NEW YORK

FMC CORPORATION,)
)
 Plaintiff,)
)
 v.) Case No. 1:21-cv-487
)
 SYNGENTA CROP PROTECTION AG,)
)
 Defendant.)

**DECISION ON DEFENDANT’S MOTION TO DISMISS OR, IN THE ALTERNATIVE,
TO COMPEL ARBITRATION AND STAY THE PROCEEDINGS
(Docs. 12, 32)**

This case concerns a dispute over the rights to develop and market a particular type of agricultural herbicide. Both parties are large multi-national corporations with significant experience in bio-chemical projects. The primary issue raised by Defendant Syngenta Crop Protection AG’s (“Syngenta”) Motion to Dismiss concerns the arbitrability of their dispute. The court heard argument on the motion on September 28, 2021.

Factual Background

The essential facts are not in dispute.

In the years prior to 2015, Plaintiff FMC Corporation’s (“FMC”) predecessor, E.I. du Pont de Nemours, commenced work on a new family of herbicides known as the SGF45 family. (Doc. 1 ¶ 2.) Syngenta, a company owned by the Chinese government, also developed an interest in this group of chemicals.

In June 2015, the parties signed a Collaboration Agreement to govern their joint research and development of SGF45 herbicides. The stated purpose of the Collaboration Agreement was to “increase the potential effectiveness of [FMC and Syngenta’s] evaluation and pre-development activities, and enable [the companies] to more quickly and efficiently research and

develop new Candidate Herbicides, share or lower the risk associated with, investments in such evaluation and pre-development, and potentially bring more herbicide products to the market.”

(*Id.* ¶ 24.)

I. Arbitration Clauses

The Collaboration Agreement contains the following arbitration clause:

9.7 Dispute Resolution and Venue

- (a) Any controversy or claim arising out of or relating to a Party’s performance or non-performance under this Agreement, or the interpretations, validity or effectiveness of this Agreement, and any other provision of this Agreement, in the event the Parties fail to agree, shall upon the written request of a Party, be referred to designated senior management of representatives of the Parties for resolution. Such representatives shall promptly meet and, in good faith, attempt to resolve the controversy, claim or issues referred to them.

- (b) If the dispute has not been resolved on or before sixty (60) calendar days after the referral of the dispute to the designated senior management of representatives as provided in Section 9.7(a) above, then the dispute shall be settled by binding arbitration, in accordance with the American Arbitration Association in accordance with its Commercial Arbitration Rules (“AAA”), by three (3) arbitrators who shall be qualified by experience and training to arbitrate commercial or IP disputes, depending on the nature of the dispute, of whom each Party involved in the arbitration shall appoint one, and the two appointees shall select the third, subject to meeting the qualifications for selection. The place of arbitration shall be in New York City, and all proceedings shall be conducted in English. The arbitrators shall apply the substantive laws of the State of New York without regard to its conflicts of law principles, and their decision thereon will be final and binding on the Parties. Discovery shall be limited to no more than ten (10) interrogatories (including subparts or compound requests), no more than ten (10) requests for production (including subparts or compound requests) and no more than three (3) depositions for each Party, and each deposition shall not last more than two (2) hours. All discovery shall be concluded on or before ninety (90) calendar days after service of the notice of arbitration and each Party shall pay for its own costs, and the costs of the arbitration and any fees of the arbitrators or any other costs of arbitral body shall be shared equally by the Parties. The Parties agree that the arbitration process, outcomes and awards shall be confidential.

(Doc. 32-2 at 24–25.) Additional provisions governed appeals through the AAA Optional Appellate Arbitration Rules, an agreement that the provisions of the arbitration clause are mandatory, and provisions governing confidentiality. (*Id.* at 25.)

The Collaboration Agreement also contains a dispute resolution clause directed at patent challenges. Section 4.3(a) provides:

During the Term, in the event any Party or its Affiliate . . . determines to initiate or participate in a Patent Challenge against (i) DuPont . . . or (ii) Syngenta . . . , the Challenging Party shall provide the Challenged Party with at least ninety (90) days prior written notice of such determination . . . , and together with such notice, a competent opinion of counsel outlining the legal position the Challenging Party intends to assert against the Challenged Patents. Without limiting the foregoing, and subject to the remaining provisions of this Section 4.3, the Challenging Party hereby further agrees to bring any such Patent Challenge with respect to any United States Patent in the United States District Court for the District of Delaware in Wilmington, Delaware or the United States Patent and Trademark Office, as applicable. During the 90 Day Notice Period: (i) the Parties may refer this matter to their respective management in order to attempt to resolve the dispute; and (ii) the Challenged Party shall have a right to give notice to the Challenging Party of the Challenged Party’s intent to have the dispute addressed by either binding or non-binding alternative dispute resolution proceedings, held in Wilmington, Delaware or, in the case of Europe, Middle East or Africa patent properties, in Geneva, Switzerland, in accordance with fair and equitable practices recommended by the American Arbitration Association, and upon providing such notice, any Patent Challenge shall be subject to such alternative dispute resolution proceeding. . . .

(*Id.* at 15–16.) Section 4.3 contains additional terms concerning potential limitations periods in some countries, reimbursement for legal fees in the event of an unsuccessful challenge, and non-applicability of Section 4.3 when a party is defending itself against an action for infringement of the patent. (*Id.* at 16.)

Finally, the Collaboration Agreement contains a provision governing disputes over the relative valuation to be assigned to the work of each side. Section 5.7 describes a two-stage “Valuation Process Procedure.” (*Id.* at 19.) In the first stage, the parties may agree to hire an experienced intellectual property valuation expert to provide non-binding recommendations. If

the dispute persists, Section 5.7(c) refers the parties to the arbitration procedures described in Section 9.7(b):

If the valuation has not been resolved by the process described in Section 5.7(b) or through escalation as described in Section 9.7(a), then the dispute shall be settled by arbitration as described in Section 9.7(b) using arbitrators who shall be qualified by experience and training to arbitrate intellectual property disputes. . . .

(*Id.*)

II. Period of Collaboration

In recounting the history of their collaboration, each party seeks to take the greater share of credit for discoveries concerning the SGF45 family of molecules during their years of collaboration. They agree, however, on the general areas of investigation. These included: (1) the synthesis of the TVE29 genus of molecules which showed promise as an herbicide for rice; and (2) the development of the VJP79 genus of molecules as a possible herbicide for corn and soybean (broadleaf) crops. (*See* Doc. 1, ¶¶ 38–60; Doc. 32 at 3–4.) Commencing in June 2015, scientists from both companies worked closely together through the Collaboration Agreement on both the rice and the broadleaf initiatives. (Doc. 1 ¶ 3; Doc. 32 at 3–4.) In early 2019, the collaboration foundered over disagreements related at first to development of the TVE29 molecule. The dispute was sufficiently serious to bring cooperation on the VJP79 program to an end as well. In August 2019, both parties demanded arbitration.

III. Patent Applications

Both parties filed patent applications related to the SGF45 family of molecules. In 2013, prior to the Collaboration Agreement, DuPont filed a patent application in the United States seeking protection for a group of chemicals including the TVE29 molecule. In 2019, FMC filed an American patent application concerning the VJP79 molecule and related substances. The American patent application gave credit to both FMC and Syngenta individual inventors.

Not to be outdone, Syngenta filed its own patent applications, beginning with an application in Britain for mixtures of herbicides, including VJP79. The patent application omitted reference to scientist-inventors employed by FMC. Syngenta later filed six or more American patent applications relating to both TVE29 and VJP79. The American patent applications have resulted in the issuance of multiple U.S. patents held by Syngenta. The parties are engaged in administrative challenges to their various patents before the United States Patent and Trademark Office, the European Patent Office, and the China National Intellectual Property Administration. (Doc. 1 ¶¶ 89–92.)

FMC filed this lawsuit in April 2021. FMC seeks the following relief: (1) Correction of inventorship of the four U.S. patents already issued to Syngenta to include three FMC scientists as inventors (Counts I–IV); (2) Injunctive relief barring Syngenta from disclosing confidential information in patent applications, an order reassigning Syngenta’s interest in the British patent concerning VJP79 and the related U.S. patents to FMC, as well as an order prohibiting Syngenta from developing products related to the VJP79 substances (Count V); and (3) Money damages for misappropriation of FMC’s trade secrets and an injunction preventing Syngenta’s further use of these secrets (Counts VI–VII). (Doc. 1 ¶¶ 93–140.)

Syngenta responds that FMC’s claims are all subject to the § 9.7 arbitration clause in the Collaboration Agreement. Syngenta seeks a dismissal of the lawsuit and an order compelling arbitration. (*See* Docs. 12, 32.)

IV. Pending Arbitration Proceeding

Following reciprocal demands for arbitration, a panel of three distinguished arbitrators convened under the procedures of the International Center for Dispute Resolution. (*See* Doc. 30 at 15–55.) The panel has proceeded with dispatch. It met for a preliminary hearing in November

2019 to establish a schedule for discovery and final hearing. Commencing at the end of August 2020, the panel conducted a multiple-day hearing ending in late September 2020. The panel issued an interim award in June 2021. The interim award reaches the following conclusions about the scope of the panel’s jurisdiction:

- The crux of the Parties’ dispute in connection with contract interpretation is what rights, if any, Syngenta has to commercialize TVE29. There is also a dispute with respect to the intellectual property rights to continue research and development of the pyrazole compounds for corn/soy crops. (*Id.* at 17.)
- The contract terms at the heart of this dispute survived termination [of the Collaboration Agreement], because they set forth in detail both the parties’ rights, as well as the dispute resolution process that will be undertaken in precisely these circumstances. (*Id.* at 31.)
- On its face, the Collaboration Agreement clearly and unambiguously grants the Tribunal jurisdiction to decide the issues presented by the parties in this matter. (*Id.* at 34.)
- [T]he subject matter of co-development/commercialization is within the Arbitrators’ jurisdiction. (*Id.* at 35.)
- The provisions of the Collaboration Agreement also vest the Tribunal with jurisdiction to determine rights and obligations as to the pyrazole compounds. (*Id.* at 37.)
- The Tribunal finds that it has jurisdiction to determine FMC’s claim to ownership of the pyrazole compound patents, to the extent that they are Project IP. Similarly, this Tribunal has jurisdiction over Syngenta’s claim that its work on the pyrazole compounds is work on a “Project” under the Collaboration Agreement, because it is work on herbicide compounds employing the DHOD mode of action described by Schedule A of the Agreement. (*Id.* at 38–39.)

With respect to the merits of the dispute, the panel concluded that FMC is the rightful owner of “the patent to TVE 29, as well as the Project IP developed as to this molecule.” (*Id.* at 41.) In the event that FMC proceeds to develop these compounds on its own—as has indeed occurred—then “Syngenta is entitled to obtain a license from FMC to FMC’s Project and Background IP.” (*Id.*) Syngenta would have to pay for this license in an amount to be determined in a subsequent hearing. The interim award concludes by describing the process of resolving the remaining dispute over how much Syngenta must pay FMC for the use of the intellectual property. A further hearing is anticipated to take place in early 2022.

Analysis

The Motion to Dismiss poses a single question: does the arbitration clause in Section 9.7 of the Collaboration Agreement require the parties to submit the claims presented here by FMC to binding arbitration? That question has several sub-parts.

I. Who Decides Arbitrability?

Section 9.7 provides that disputes “arising out of or relating to a Party’s performance or non-performance under this Agreement” shall be “settled by binding arbitration, in accordance with the American Arbitration Association in accordance with its Commercial Arbitration Rules.” (Doc. 32-2 at 24.) These rules include a grant of authority to the arbitration panel to resolve disputes about the scope and application of the arbitration clause. “The arbitrator shall have the power to rule on his or her own jurisdiction, including any objections with respect to the existence, scope, or validity of the arbitration agreement or to the arbitrability of any claim or counterclaim.” AAA Rule R-7 (Jurisdiction), Commercial Arbitration Rules and Mediation Procedures (Oct. 1, 2013).

The question of arbitrability in this case is governed by the Federal Arbitration Act, 9 U.S.C. §§ 1–16 (the “FAA”). “Under the FAA, there is a general presumption that the issue of arbitrability should be resolved by the courts.” *Contec Corp. v. Remote Sol., Co.*, 398 F.3d 205, 208 (2d Cir. 2005) (citing *First Options of Chicago, Inc. v. Kaplan*, 514 U.S. 938 (1995)). Referral of arbitrability to the arbitrator requires “*clear and unmistakable evidence* from the arbitration agreement, as construed by the relevant state law, that the parties intended that the question of arbitrability shall be decided by the arbitrator.” *Bell v. Cendant Corp.*, 293 F.3d 563, 566 (2d Cir. 2002) (quoting *PaineWebber Inc. v. Bybyk*, 81 F.3d 1193, 1198–99 (2d Cir. 1996)). Such evidence is present when “parties explicitly incorporate rules that empower an arbitrator to

decide issues of arbitrability.” *Contec*, 398 F.3d at 208. The *Contec* decision also involved the incorporation of the AAA Commercial Arbitration Rules. As here, the text of Rule 7 served as evidence of the parties’ intent to submit disputes as to arbitrability to the arbitrator. *See id.*; *see also Shaw Grp. Inc. v. Triplefine Int’l Corp.*, 322 F.3d 115, 122 (2d Cir. 2003) (incorporation of International Chamber of Commerce rules is evidence of the parties’ intent to submit questions of arbitrability to the arbitration panel).

With these principles before the court, it is easy to see that the panel acted correctly in assuming jurisdiction over the question of arbitrability. The contract incorporated procedural rules that referred arbitrability to the panel. Second Circuit case law is clear that the parties’ decision to incorporate these rules into their arbitration clause establishes their intent to submit arbitrability issues to the panel.

II. Does Section 4.3 Govern Arbitrability?

FMC points out that Section 4.3 is inconsistent with Section 9.7, and argues that Section 4.3 should govern arbitrability of patent disputes. Section 4.3 allows for arbitration of patent disputes but only upon demand by the challenged party defending itself against a claim of violation of patent rights and then only during the term of the agreement. Since the Collaboration Agreement has lapsed, FMC argues that any right Syngenta may have had to demand arbitration has also expired.

It is obvious that Section 4.3 is inconsistent with Section 9.7. Section 4.3 anticipates patent-related litigation in federal court in Delaware or before the U.S. patent office. It has a one-sided arbitration clause that can only be invoked by the party whose use or ownership of a patent is challenged. Neither side appears to have relied upon it in demanding AAA arbitration. Nor has FMC followed the litigation procedures set forth in Section 4.3 by filing suit in

Delaware. Had it not expired by its own terms, it would present a puzzle about whether the parties intended to follow Section 4.3 or Section 9.7 in resolving the claims presented here. As it happens, it expired by its own terms at the termination of the Collaboration Agreement, leaving Section 9.7 in sole possession of the field. FMC in particular invoked Section 9.7 in its demand for AAA arbitration and included no reference to Section 4.3. (Doc. 33.)

The court will not resurrect Section 4.3. As a general rule, an expired contract has no further effect. *See* 22A N.Y. Jur. 2d, Contracts § 481 (“When a contract is terminated, such as by expiration of its own terms, generally the rights and obligations thereunder cease.”) (citing *Int’l Techs. Mktg., Inc. v. Verint Sys., Ltd.*, 157 F. Supp. 3d 352 (S.D.N.Y. 2016)). In particular cases, the expiration of a contract containing an arbitration clause may raise issues about the parties’ intent to submit subsequent disputes to arbitration. *See Litton Financial Printing Div., a Div. of Litton Business Systems, Inc. v. N.L.R.B.*, 501 U.S. 190 (1991). But that is not the issue here.

Section 9.7 has no expiration date, and neither side argues that it is no longer in effect. Indeed, both relied upon it in demanding arbitration after termination of the Collaboration Agreement. Section 9.7 surely qualifies as a “broad” arbitration clause, applying by its terms to “[a]ny controversy or claim arising out of or relating to a Party’s performance or non-performance under this Agreement.” *See Prudential Lines, Inc. v. Exxon Corp.*, 704 F.2d 59 (2d Cir. 1983) (arbitration should be compelled and arbitrators should decide disputes of arbitrability arising out of broad clauses). The parties have already followed this principle in submitting the arbitration question to the panel and obtaining an interim decision.

In contrast, section 4.3 created a narrow exception to section 9.7. It conferred a choice of two public tribunals on the claimant and an option of private arbitration on the “challenged party.” But it was limited in duration to the term of the Collaboration Agreement. FMC

exaggerates the import of section 4.3 by arguing that its expiration creates an inference that patent disputes, once governed by section 4.3, are not subject to section 9.7. A more reasonable interpretation of the provisions of the contract is that section 9.7 remains in place after the expiration of the more limited provision. In this manner, we preserve the parties' stated intention of submitting disputes to binding arbitration, consistent with the policy of the FAA favoring arbitration of disputes. And, as the prior discussion indicates, this is an argument to be made—if at all—to the arbitration panel concerning the scope of their jurisdiction.

III. Does Section 9.7(d) Defeat Arbitrability for Breach of Confidentiality Claims?

FMC argues Section 9.7(d)'s alternative dispute resolution process for confidentiality claims defeats the remainder of Section 9.7's arbitrability provisions. Section 9.7(d) authorizes a party that has contributed certain information to the collaboration effort to seek preliminary injunctive relief from a court of law if it fears disclosure of confidential information:

[U]pon a breach or threatened breach of the confidentiality obligations herein, the [injured party] shall be immediately entitled to pursue, without showing or proving any actual damage sustained, to a temporary restraining order, preliminary injunction, permanent injunction or an order compelling specific enforcement or other appropriate remedies as determined by the [injured party] to prevent the breach of such confidentiality obligations.

(Doc. 32-2 at 25.)

FMC gives insufficient credit to the opening sentence of Section 9.7(d). "The dispute resolution procedure set forth in this Section 9.7 is mandatory, and neither Party shall institute legal proceedings until it has been exhausted." (*Id.*) The right to seek injunctive relief in the event of a threatened disclosure is an exception to the broad requirement of arbitration. It remains in effect although FMC has not sought to make use of it. It does not repeal by implication the remainder of Section 9.7 which requires arbitration.

In summary, the parties' contract calls for arbitration in no uncertain terms. It incorporates the AAA Commercial Arbitration Rules that refer disputes over the scope of the arbitration clause to the arbitrators. The panel itself has already determined that it has jurisdiction over claims arising from the Collaboration Agreement. FMC has previously submitted its own demand for arbitration arising from the Agreement. There is no need for an order compelling the parties to arbitrate since they are already halfway through an extended arbitration proceeding. Where, as here, an arbitration agreement between parties empowers arbitrators to rule on his or her own jurisdiction, a stay of litigation pursuant to 9 U.S.C. § 3 is the appropriate course. *See Contec*, 398 F.3d at 209.

IV. Attorneys' Fees

Defendant seeks an award of fees and costs under 28 U.S.C. § 1927 and W.D.N.Y. L.R. 11(b) on the grounds that FMC's claims have no colorable support and that FMC's prosecution of this action constitutes bad faith. (Doc. 32 at 12–13.) There is no fee-shifting provision in the parties' contract or in the FAA that would support an award of fees as of right. Instead, any fees would depend upon a showing of misconduct by FMC and would be imposed as a sanction. While the parties disagree over their interpretation of their obligations under the Collaboration Agreement, there is no basis for punishing FMC for raising the issues presented in this case.

Conclusion

For these reasons, the court GRANTS Syngenta's motion to stay this case pending completion of the arbitration proceeding. (Docs. 12, 32). The court DENIES the request for attorneys' fees.

Dated this 10th day of November, 2021.



Geoffrey W. Crawford, Judge
United States District Court