

United States District Court, S.D. New York.

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No. 01 Civ. 10557 (LTS) (S.D.N.Y. Feb 10, 2003)

.

Decided February 10, 2003

DANISCO v. NOVO NORDISK

DANISCO A/S and JØRN BORSCH SØE, v. NOVO NORDISK A/S and NOVOZYMES A/S, Defendants

· No. 01 Civ. 10557 (LTS)

· United States District Court, S.D. New York.

· February 10, 2003

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DARBY DARBY, P.C., By: Robert C. Sullivan, Jr., Esq., Ira Jay Levy, Esq., Joseph R. Robinson, Esq., Patricia J. Clarke, Esq., New York, NY, Attorneys for Defendant.

[EDITORS' NOTE: THIS OPINION HAS BEEN DESIGNATED "NOT FOR PUBLICATION".]

OPINION AND ORDER

LAURA TAYLOR SWAIN, District Judge.

In this action brought pursuant to the Lanham Act and New York state law, Plaintiffs allege that Defendants have unlawfully claimed inventor status in connection with certain patent applications. Defendant Novozymes A/S ("Novozymes" or "Defendant") moves to dismiss the action pursuant to sections 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure or, alternatively, for a stay of the action pending arbitration.<sup>1</sup> For the following reasons, Defendant's motion is granted insofar as it seeks a stay pending arbitration.

1.

It is unclear whether the motion is also brought on behalf of named defendant Novo Nordisk A/S ("Novo"), which is represented by the same counsel as Novozymes. The motion papers assert that Novozymes was formerly a division of Novo and was, in about November 2000, "demerged" to form an independent company. Decl. of Kristian Merser ("Merser Decl."), ¶ 3.

## BACKGROUND

The plaintiffs are Danisco A/S ("Danisco") and Jørn Borsh Søe ("Søe") (collectively, "Plaintiffs"). Danisco is a Danish producer of food ingredients, feed ingredients, sweeteners, and sugar. Søe is an employee of Danisco and allegedly invented a process to improve dough quality. Defendant Novozymes is a Danish biotechnology company involved in the development, manufacture, and sale of enzymes used in a variety of industries. In 1998, Novo and Danisco entered into a Co-Operation Agreement (the "Agreement"), effective as of December 1, 1997. Novo assigned its rights under the Agreement to Novozymes in November 2000, and Novozymes asserts that it is the present assignee of U.S. Patent Application No. 91,856,819 ("the '819 application") and corresponding International Application No. PCT/DK99/00644 ("the PCT application"), which are the principal subjects of the instant litigation.

The Agreement recites that its purpose included facilitating cooperation in screening certain enzymes developed by Novo for improvement in connection with baking processes. (Co-Operation Agreement, Merser Decl. Ex. A ("Co-Operation Agreement") at 3.) The Agreement provided that the "Background Rights" of each party would remain the "sole property of the supplying Party." (Co-Operation Agreement, ¶ 8.1.) "Background Rights" were defined to include "patents, patent applications, inventions . . . owned or controlled by a Party supplied to the Research Program." (Id., ¶ 1.2.) According to the Agreement, if one party supplied these "Background Rights" to the other, the receiving party could only use them to carry out the Agreement. The Agreement also provided that each party would maintain the confidentiality of information disclosed to it by the other party. The Agreement included an arbitration clause, providing that "any and all disputes" under the Agreement would be resolved through arbitration and in accordance with Danish law. (Co-Operation Agreement, ¶ 14.7.) Søe, who was an employee of Danisco, allegedly disclosed to Novo Nordisk confidential information relating to his invention pursuant to the Agreement. (Pls.' Br. at 1.)

Novo filed the '819 application on Oct. 22, 1999 and the PCT application on November 29, 1999. Plaintiffs claim that these applications improperly utilized highly confidential and proprietary information disclosed to Novo by Plaintiff Søe under the Agreement. (Pls.' Br. at 1.) On November 16, 2001, Danisco filed a complaint against Novo Nordisk and Novozymes with the Danish Institute of Arbitration, alleging that Danisco is the inventor and owner of the invention claimed in several of the claims of the PCT application and any other related patents and that Novo Nordisk and Novozymes misused information provided pursuant to the Agreement by filing the patent applications. In its arbitration complaint, Danisco asserts that Novo Nordisk and Novozymes used and attempted to possess Danisco's invention and company secrets and violated the Agreement's confidentiality clause by claiming the invention in its patent application. Danisco also alleges that the PCT application contains Danisco's confidential information and claims that the invention was conceived by its employee Søe. Prior to November 20, 2001, the date on which the complaint in the present

action was filed, Plaintiffs requested that the United States Patent and Trademark Office ("UPTO") declare an interference. (Declaration of Thomas J. Kowalski, Pls.' Br. Ex. A (Kowalski Decl.), ¶ 3.)

In the action before the Court, Danisco and Søe allege that Novozymes A/S failed to name Søe as an inventor on the pending '819 and PCT patent applications. Plaintiffs seek correction of inventorship pursuant to 35 U.S.C. § 116 and 256. Plaintiffs also seek a declaration that Søe is the inventor on the patent applications, and injunctive and monetary relief in respect of their claims under the Lanham Act and New York state law. Defendant moves to dismiss the complaint, asserting that the Court lacks subject matter jurisdiction of Plaintiffs' claim for correction of inventorship and that the remainder of Plaintiffs' causes of action should be dismissed pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, for failure to state a claim for which relief may be granted. Defendant also asserts that the Court lacks jurisdiction over it by reason of insufficient service of process and moves, in the alternative, to stay the action pending arbitration or for a stay pending the Patent Office interference proceeding that has been requested by Plaintiffs.

2.

See supra note 1.

## DISCUSSION

The Court turns first to the question of whether the instant proceeding should be stayed in favor of arbitration. Section 201 of the Federal Arbitration Act ("FAA"), 9 U.S.C. § 201, provides for the enforcement in United States courts of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "Convention"). The Convention requires signatory states to recognize and enforce written arbitration agreements made in other signatory states. Convention Arts. I, II, 9 U.S.C.A. § 201 (West 1999). The parties do not dispute that the Agreement, which was entered into in Denmark between Danish parties and provides that "[a]ny and all disputes herein . . . shall be referred to arbitration to be conducted before the Danish Institute of Arbitration," is covered by the Convention as incorporated into the FAA. See Co-Operation Agreement; see also *U.S. Titan, Inc. v. Guangzhou Zhen Hua Shipping Co., Ltd.*, 241 F.3d 135, 146 (2d Cir. 2001) (citing *Smith/Enron Cogeneration Ltd. P'ship, Inc. v. Smith Cogeneration Int'l, Inc.*, 198 F.3d 88, 92 (2d Cir. 1999)). The FAA's policy and procedural provisions generally apply to the enforcement of agreements covered by the Convention. 9 U.S.C.A. § 208 (West 1999).

Under section 3 of the FAA,<sup>3</sup> a district court must stay proceedings if it is demonstrated that the parties have agreed in writing to arbitrate the issues underlying the district court proceeding. *WorldCrisa Corp. v. Armstrong*, 129 F.3d 71, 74 (2d Cir. 1997). The Act "leaves no room for the exercise of discretion by a district court, but instead mandates that district courts shall direct the parties to proceed to an arbitration on issues as to which an arbitration agreement has been signed." *Id.* (citing *Dean Witter Reynolds, Inc., v. Byrd*, 470 U.S. 213, 218, 105 S.Ct. 1238, 1241, 84 L.Ed.2d 158 (1985)) (emphasis in *Dean Witter Reynolds, Inc.*).

3.

"If any suit be brought in any of the courts of the United States upon any issue referable to arbitration under an agreement in writing for such arbitration, the court in which such suit is pending, upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration under such agreement, shall on application of one of the parties stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement, providing the applicant or the stay is not in default proceeding with such arbitration."9 U.S.C.A. § 3 (West 1999).

The FAA "expresses `a liberal federal policy favoring arbitration agreements' and . . . `any doubts concerning the scope of arbitration issues should be resolved in favor of arbitration.'" Louis Dreyfus Negoce S.A. v. Blystad Shipping Trading, Inc., 252 F.3d 218, 223 (2d Cir. 2001) (citing *Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24-25, 13 S.Ct. 927, 74 L.Ed.2d 765 (1983)); *Bischoff v. DirecTV*, 180 F. Supp.2d 1097, 1103 (C.D.Cal. 2002).

If the Court finds that the arbitration clause at issue is broad, "a presumption of arbitrability" arises and the Court will order that collateral matters be arbitrated if the claim asserted "implicates issues of contract construction or the parties' rights and obligations under it." Louis Dreyfus Negoce S.A., 252 F.3d at 224 (quoting *Collins Aikman Prods. Co. v. Bldg. Sys., Inc.*, 58 F.3d 16, 23 (2d Cir 1995)). When the parties use expansive language in drafting an arbitration clause, the Court presumes that they intended that all issues that "touch matters" in the agreement be arbitrated. Louis Dreyfus Negoce S.A., 252 F.3d at 225 (citation and internal quotation marks omitted).

The arbitration clause of the Danisco/Novo Agreement is broad, providing that "[a]ny and all disputes hereunder . . . should be referred to arbitration." (Co-Operation Agreement, ¶ 14.7.) Plaintiffs contend, however, that the issues before the Court are not within the scope of the Agreement's arbitration provision. Specifically, Plaintiffs assert that the arbitration will focus mainly on Novozymes' alleged breach of contract and ownership of the invention disclosed in Novozymes' patent applications, whereas the present action focuses on inventorship issues. Plaintiffs maintain that the issue of ownership, a question of who owns legal title to the invention, is fundamentally different from the issue of inventorship, which involves determining who actually invented the invention. (Pls.' Br. at 16-17.) Plaintiffs further argue that, because Søe is not a party to the arbitration, the issue of inventorship will not be resolved there. Thus, according to Plaintiffs, the action should not be stayed because the arbitration will not resolve the issue of inventorship. Defendants, on the other hand, contend that Plaintiffs' claims in arbitration are the same as their claims in this action (Defs.' Reply at 3) and that the Court should therefore stay the action.

The Court, having reviewed the complaint filed by Danisco in the arbitration proceeding and the claims asserted in this action, finds that there is a substantial overlap between the claims and that all of the claims asserted in this action relate to disputed issues under the Agreement. In its statement of claim, Danisco asserts that it is both owner and (by virtue of its relationship with Søe and his work) inventor of the matter at issue, and that Defendants' claim of inventorship and alleged use of Plaintiff's information in its patent applications violated the Background Rights and confidentiality provisions of the Agreement. The issues in the arbitration proceeding thus clearly involve inventorship as well as ownership claims in relation to the patent applications. Indeed, Danisco's claim of ownership in that proceeding is premised on its factual argument that it is the true inventor. See Danisco Arbitration

Complaint, Exhs. B and C to Merser Decl. Accordingly, the issues in this action are within the scope of the arbitration clause in the Agreement and the Court must stay the instant proceedings. 9 U.S.C.A. § 3.

The fact that Søe is not a party to the arbitration agreement does not render inappropriate a complete stay of proceedings in the instant action. "Arbitration agreements must be enforced notwithstanding the presence of other persons who are parties to the underlying dispute but not to the arbitration agreement." *Moses H. Cone Hosp.*, 460 U.S. at 20. "Plaintiffs cannot avoid arbitration for which they had contracted simply by adding a nonsignatory [party], lest the efficacy of contracts and the federal policy favoring arbitration be defeated." *WorldCrisa Corp.*, 129 F.3d at 76. Thus, Danisco may not evade its obligation to arbitrate by naming Søe as a party plaintiff in this action. Moreover, imposition of a stay with respect to the entire action is within the Court's inherent authority to control its docket where, as here, the issues are substantially interrelated, the stay will not prejudice significantly Plaintiff Søe, the non-signatory party (who is alleged to have had an obligation to assign all of his rights in the invention(s) to plaintiff Danisco),<sup>4</sup> and the stay is in the interests of judicial economy. Cf. *WorldCrisa*, 129 F.3d at 76.

4.

Complaint, ¶ 2.

In light of the Court's decision to stay the action, it is neither necessary nor appropriate to reach the remaining elements of Defendant's motion at this time. Those aspects of the motion are denied without prejudice.

## CONCLUSION

Pursuant to 9 U.S.C. § 3, this action is hereby stayed pending the conclusion of the arbitration proceeding. The action will be placed on the suspense calendar. Plaintiff Danisco shall report to the Court and all parties in writing, on July 1, 2003, and January 1, 2004, and every 90 days thereafter as necessary, as to the status of the arbitration proceeding.

IT IS SO ORDERED.