
Hughes Hubbard & Reed

Firm Wins Appeal for Merck in Licensing Spat

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Hughes Hubbard secured an appellate win for Merck & Co. in a dispute over a licensing agreement with Pop Test Cortisol LLC (PTC).

On April 28, 2014, the New Jersey Appellate Division affirmed the Chancery Division's orders compelling PTC to arbitrate all of its claims against Merck and two of its subsidiaries.

The dispute arose from a December 2010 license agreement between PTC and a Merck subsidiary that allowed PTC to develop a drug that would block the steroid hormone cortisol. In exchange for the rights to use Merck's intellectual property, PTC agreed to make an immediate \$500 thousand upfront payment, which was to be followed by additional payments as the drug reached certain developmental milestones. PTC never made any of the required payments.

In March 2013, PTC sued Merck and others in New Jersey state court, seeking a temporary restraining order (TRO) barring Merck from terminating the parties' license agreement. Hughes Hubbard successfully opposed PTC's request for a TRO and subsequent application for a preliminary injunction. Merck cross-moved to compel arbitration pursuant to the license agreement's dispute resolution provision.

In May 2013, the Chancery Division granted Merck's motion to compel arbitration, ruling that PTC was contractually obligated to arbitrate all of its claims against Merck. Merck terminated the license agreement one week later. PTC then sought reconsideration; on that motion, the Chancery Division once again ruled that PTC was required to arbitrate all of its claims against the Merck defendants.

On appeal, PTC conceded the existence of the arbitration provision and that its claims all related to the licensed compound. However, PTC argued that, as a matter of public policy, its claims under New Jersey's Racketeer Influences and Corrupt Organizations Act (RICO) statute and for the "tort of outrage" could not be arbitrated. PTC also argued that other contracts related to the compound required that PTC's claims be litigated and that, because not all defendants were parties to an agreement to arbitrate, it was unduly burdensome and inefficient to

require that PTC arbitrate with Merck defendants while it litigated against the other defendants.

The Appellate Division rejected PTC's arguments, stating: "Based upon our review of the applicable law, the nature of the arbitration agreement and the factual allegations of the complaint, rather than the characterization of the causes of the action asserted, we conclude that the Chancery judge correctly determined that all of Pop Test's claims against the Merck defendants are within the scope of the arbitration provision and arbitration is not excluded for statutory or public policy reasons."

Jeff Greilsheimer argued the arbitration motions and the appeal. Others working on the matter include Dan Weiner, Will Coronato, Lena Saltos and Valerie Farnum.

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