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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

+ CS(COMM) 1648/2016

BAYER INTELLECTUAL PROPERTY GMBH Plaintiff

Through: Mr. Sudhir Chandra, Sr. Adv. with
Mr. Pravin Anand, Mr. Aditya Gupta
& Mr. Utkarsh Srivastava, Advocates.

versus

AJANTA PHARMA LTD & ORS Defendants

Through: Ms. Pratibha M. Singh, Sr. Adv. with
Mr. Eashan Ghosh & Mr. Devanshu
Khanna, Advocates for D-1.

CORAM:

HON'BLE MR. JUSTICE R.K.GAUBA

ORDER

% **04.01.2017**

IA No.86/2017 (Order 39 Rule 4 CPC moved by the defendant No.1)

1. On the application (IA No. 15840/2016) under Order 39 Rules 1 and 2 CPC filed by the plaintiff in this case, an *ex-parte* ad interim injunction was granted against the defendants, to operate till 3rd February, 2017, the date for return of the processes that were issued, *inter alia*, by the following observations:-

“ Having regard to the Indian patent no.225529 on which the plaintiff claims to be the proprietor, and documents indicating that the defendants are selling or offering for sale their product under the mark ‘VALIF’ containing the same component as is the one covered by the patent (VARDENAFIL), including through suppliers and exporters based in Delhi, an ad interim injunction is issued, ex-parte against defendants no.2 and 3, restraining the defendants, the directors, employees, officers, servants, agents, assigns, etc. and all other acting for and on behalf of the defendants, till the next date of hearing, from making, selling, distributing, advertising, exporting, offering for

sale, and in any other manner, directly or indirectly, dealing in VARDENAFIL and VARDENAFIL HYDROCHLORIDE and any product that infringes the subject-matter claimed in the suit patent IN 225529 or from using the process claimed in IN 225529 and in IN 188419 and from making, selling, distributing, advertising, exporting, offering for sale, and in any other manner, directly or indirectly dealing in VARDENAFIL and VARDENAFIL HYDROCHLORIDE and any product that is directly obtained from the process claimed in patent IN 225529 and IN 188419”.

2. The first defendant has come up with the application at hand under Order 39 Rule 4 CPC read with Section 151 CPC praying for the said *ad interim* injunction granted by order dated 20th December, 2016 to be discharged/varied/set aside. The application has been listed for consideration and the plaintiff has appeared, through counsel, on service of the advance copy and accepts notice. The learned senior counsel submitted that since the copy of the application was supplied on 2.1.2017, time may be granted for reply to be filed. The learned counsel for the applicant/defendant No.1, on the other hand, pressed for the application to be considered urgently, pointing out that it is directed against the order which was granted *ex-parte* and submitting that as a consequence of the said *ex-parte ad interim* injunction, the entire export operations of the first defendant have come to a sudden halt resulting in immense hardship and losses, both financial and in terms of market reputation, arguing that balance of convenience lies in favour of the first defendant for the order to be suspended.

3. The learned senior counsel on both sides have been heard at length and with their assistance the record has been perused.

4. Though the application under Order 39 Rule 4 CPC raises the issues of jurisdiction, misrepresentation, delay and acquiescence, the prayer for the *ad*

interim injunction to be presently suspended is pressed essentially on the ground of “non user” of the patent by the plaintiff in India, referring in this context to the statements (form 27), submitted by the plaintiff regarding the working of the subject patented inventions on commercial scale in India, in terms of the Patent Rules, 2003, to the Controller of Patents for the years 2013 and 2014, the declaration being that the patented inventions in question had “not worked” (pages 721-728 of the documents filed with the plaint). It is pointed out that the plaintiffs have not made clear pleadings in this regard nor come up with any document in the nature of statutory declaration as mentioned above for the year 2015. Reliance is placed on *Franz Xaver Huemer vs. New Yash Engineers, AIR 1997 Delhi 79* to argue that since there is no evidence of actual user in India, the plaintiff, the owner of foreign patent registered in India ought not enjoy the equitable relief of injunction in the present case since it would amount to subordinating the public purpose of the grant to the self-interest of the patentee.

5. The first defendant has supported the averments in the application by documents to show that the impugned products to which exception is taken by the suit at hand were launched by it as far back as October, 2009 and an export license in their respect was secured in December, 2009, such exports having resulted in annual sales of the total value till date of Rs. 10.05 Crores. It is the contention of the first defendant/ applicant that the allegations in the plaint about the first defendant having indulged in marketing of the impugned products through an agent/distributor in Delhi are false and misleading as there is no connection whatsoever with any such entity as is referred to in (para 42 of) the plaint, there being no evidence offered to show any infringing activity of the first defendant within the territorial jurisdiction of this Court.

6. It is also the argument of the first defendant/applicant that the plaintiff has been well aware of the impugned products being manufactured by the former through its facilities across India and about such products having enjoyed long tenure and uninterrupted position in the international market with no opposition. It is the submission of the applicant that the defendants do not have any presence whatsoever within the territorial jurisdiction of this Court and that reference to Ashok Vihar office has been falsely mentioned to create jurisdiction. It has been submitted that Section 48 of the Patents Act, 1970 which deals with the “rights of patentees” does not prohibit “export” as it extends only to prevent the third parties from the specific acts of “using, offering for sale, selling or importing” the impugned products in India.

7. The learned senior counsel for the plaintiff, while conceding that the plaintiff does not commercially exploit the subject patents by selling, offering for sale or otherwise marketing the products in India, pointed out that the rights of patentees as guaranteed by Section 48(a) include the exclusive right to prevent the third parties, who do not have the consent of the patentee, from the act of “making” such product as infringes the patent right in India. He referred to the decision of a learned Single Judge of this Court in *Novartis AG & Anr. vs. Cipla Ltd. 2015(61) PTC 363(Del)* to argue that though the non-working of the patent in India could be urged before the Controller of Patents as a ground for compulsory license under Section 84 of the Patents Act, 1970 but such fact could not be used as a defence to the suit for infringement in the civil court.

8. The issues relating to the territorial jurisdiction, misrepresentation with regard to the office of the first defendant in Delhi, delay or acquiescence cannot be addressed by the Court at this stage. For such purposes, the matter would have to await the completion of pleadings. But,

the issue arising out of the admitted “non-user” of the subject patents in India by the plaintiff and the question of balance of convenience on account of claim of the defendant of having enjoyed uninterrupted long tenure in the international market since 2009-2010 of the impugned products, which claim is supported *prima facie* by the documents submitted with the application at hand, deserve to be considered at this very stage.

9. Following observations of the learned division bench of this Court which rendered the decision in *Franz Xaver Huemer (supra)* provide the necessary guidance:-

“10. In our opinion, this contention raised for the appellant is well founded. Non-user of the patent by the patentee is a ground only under Section 84 for grant of compulsory licence to another person but the grounds in Section 84 have not been made grounds of defence under Section 107 in suit by the patentee. Hence Section 107 cannot by itself come to the aid the respondent.

11. Even so, the question is whether, while exercising discretion under Order 39 Rule 1 CPC for granting temporary injunction, it is not open to the Court to rely on the conduct of the plaintiff in not using his patent or virtually “suppressing” his patent for all practical purposes in India?

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14. In our view, the contention of the appellant's counsel, if accepted, would seriously affect the market and economic conditions in our country inasmuch as it would enable a mechanical device, invented abroad (or in India) to be registered in India and kept unused thereby excluding public of its benefit and, at the same time precluding a similar device being produced or used in our market or industry.....

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19. For our purpose the minority view pronounced by Douglas J. in the Special Equipment Co. case is important. He declared that the ‘absolute right’ theory had come into the law a decade after the first patent Act was passed and that it “was

time to be rid of that rule". It was inconsistent with the Constitution (Article I Cl. 8) and the Act. He said that a patent is not a form of private property but a "privilege" "conditioned by a public purpose," to promote the progress of science and useful arts. (Mercoid Corp. v. Mid-Continent Invest Co. 320 US 661=88L. Es. 378).(11). The exclusive right of the inventor is but the means to that end. This principle was recognised in several cases earlier in US. But the Continental Paper Bag case had deviated radically from that theory and equated the "exclusive" right with an "absolute" right, thereby subordinating the public purpose of the grant to the self-interest of the patentee.....

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21 .In our opinion what was said about unused foreign patents and their adverse effects in US, equally applies to foreign patents registered in India but not used.

22. For the above reasons, the plaintiff who has registered patents in India in 1984 but has not used them in India cannot, in equity, seek temporary injunction against the respondent. Points 1 and 2 are decided accordingly.

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33. Balance of convenience has also an important role to play. Stultification of defendants investment loss or employment, public interest in the product (such a life saving drug), product quality coupled with price, or the defendant being smaller in size, may go against the plaintiff. Cases of Bridgehead (only short period to go before expiry of plaintiff patent), parties being of equal size,— may go in favour of plaintiff.....”

10. Noticeably, as noted (in para 75) by the learned Single Judge in *Novartis AG (supra)* the factual matrix in that case was distinct from that of *Franz Xaver Huemer (supra)* since in the former there was no allegation of the subject patent having been not worked. The decision of *Franz Xaver Huemer (supra)* was followed by later decisions reported as *Glaverbel S.A.*

vs. Dave Rose & Ors. (2010) 43 PTC 630 (Del) and Sandeep Jaidka vs. Mukesh Mittal & Anr. (2014) 59 PTC 234 (Del).

11. The patents on the basis of which the suit at hand has been instituted, were applied for in 1998 and upon grant by the patent office in India have been in force since 2008 and 2003 respectively. The plaintiff admittedly has not used the said patents for commercial exploitation in India till date. The plaintiff is unable to refute the documents submitted by the first defendant indicating that the impugned products were launched in 2009-2010 and after manufacture in its facilities in India (not Delhi) have been exported to various countries under the export license duly granted, since 2009. In these circumstances, though the non-user cannot be set up as a defence to the suit for infringement, upon the self-interest of the patentee being balanced against the larger public interest, equity demands that absolute or unconditional temporary injunction be not granted inasmuch as it would result in the manufacturing activity and the resultant exports of the impugned products of the defendant being ground to a halt resulting possibly in not only loss of employment but revenue to the State as well.

12. During the course of arguments, the learned counsel for the first defendant submitted that since the subject patents have not been worked or used in India ever since the grant in favour of the plaintiff, the interest of the plaintiff could be protected - instead of by a general prohibition against manufacture/export of the impugned products - by requiring the plaintiff to maintain an account of the sales made and profits earned by such exports or even further by deposit of a fraction thereof (in her submissions, 4 to 6%) as royalty, on the lines leviable in case of compulsory licensing under Chapter XVI of the Patents Act, 1970. It has been pointed out that the plaintiff is a company incorporated under the laws of Germany, having no presence or

assets in India. In this context, the question of an order requiring the plaintiff to give security for the payment of all costs incurred or likely to be incurred by the defendants in terms of the mandate of the proviso to rule 1 (1) of Order 25 CPC also arises.

13. Having regard to the above noted facts, circumstances and considerations, particularly the admitted non-user in India of the patents by the plaintiff till date and the fact that neither sides sells its products in India, bearing in mind the elements of public interest and equity, as indeed the balance of convenience, the *ex-parte ad interim* injunction granted by order dated 20th December, 2016 is modified to the effect that the defendants shall stand enjoined, till disposal of the application under Order 39 Rules 1 and 2 CPC (IA No. 15840/2016), from offering for sale, selling or distributing for use or consumption in India the impugned products or any such other product that infringes the subject matter of suit patent Nos. IN 225529 and IN 188419. For removal of doubts, it is clarified that the earlier order of *ad interim* injunction against making/manufacturing, distribution, offer for sale or sale of the impugned products for purposes of exports stands suspended. This order, varying the order issued on 20th December, 2016, however, is subject to the first defendant maintaining proper accounts of the production/manufacture of the subject products and their exports, and submission of such accounts (duly supported by all necessary documents) on quarterly basis in the Court.

14. For purposes of consideration of the offer of the first defendant to deposit certain percentage of the profits as royalty to protect the interest of the plaintiff in the present suit, and for purposes of the direction that needs to be given to the plaintiff in terms of proviso to rule 1 (1) of Order 25 CPC, the plaintiff may, in addition to the submission of accounts as mentioned

above, place on record such further material as is deemed relevant. Similarly, the plaintiff may also place on record all such documents and material as may be relevant for determination of the conditions on which the rights and interests of both parties may be appropriately secured at the time of adjudication upon application under Order 39 Rules 1 & 2 CPC (IA No. 15840/2016). This application under Order 39 Rule 4 CPC stands disposed of with these observations/directions.

R.K.GAUBA, J.

JANUARY 04, 2017

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