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IN THE HIGH COURT OF DELHI AT NEW DELHI

Decided on : 30.07.2015

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FAO (OS) 96/2014

SHILPA MEDICARE LIMITED

.....Appellant

Through: Sh. Vivek Sarin and Sh. Ashok Kumar Singh,
Advocates.

Versus

BRISTOL-MYERS SQUIBB COMPANY AND ORS.

.....Respondents

Through: Sh. Sudhir Chandra, Sr. Advocate with Sh.
Pravin Anand, Sh. Nishchal Anand and Sh. Aman
Taneja, Advocates, for Respondent Nos.1 and 2.

Sh. Gaurav Barathi, Advocate, for Respondent No.3.

CORAM:

HON'BLE MR. JUSTICE S. RAVINDRA BHAT

HON'BLE MR. JUSTICE V.K. SHALI

MR. JUSTICE S. RAVINDRA BHAT (OPEN COURT)

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1. This is an interlocutory appeal by the second defendant (hereafter "Shilpa") against the order of a learned single judge of this court dated 11-10-2013 in CS (OS) 2801/2012 dismissing its application under Section 20 read with Order VII Rule 10 of the Code of Civil Procedure, 1908 ("CPC"). Shilpa sought an order seeking return of the plaint to the Plaintiff for presentation in the appropriate court.

2. The suit was filed by the first two respondents (hereafter collectively "Bristol Myers Squibb"). Shilpa is arrayed as the second defendant, and its Managing Director, Mr. V C Bhutada, ("MD") as the first defendant. Both

are located at Raichur, Karnataka. The other party impleaded is the third defendant (hereafter “Natco”). The suit seeks a permanent injunction restraining infringement of Indian Patent No. 203937 (“the subject patent”), damages, rendition of accounts, delivery up of the infringing products and costs. Bristol Myers claims that it has a strong presence in various therapeutic areas, including cancer, cardiovascular disease, diabetes, obesity, psychiatric disorders, Alzheimer's disease, Hepatitis, HIV/AIDS and rheumatoid arthritis. It claims to have invented an Active Pharmaceutical Ingredient (“API”), DASATINIB, for which it was given patent protection in several countries. In India, the subject patent was granted on 12-04-2000 to Bristol Myers, which received marketing approval for DASATINIB from the Drug Controller General of India (“DCGI”) on 30-08-2006 and the second Plaintiff has been marketing DASATINIB under the trade name 'SPRYCEL' across India.

3. DASATINIB – say the plaintiffs – is an anti-cancer molecule used in the treatment of adults with chronic, accelerated or myeloid or lymphoid blast phase chronic myeloid leukemia (“CML”) with resistance or intolerance to prior therapy, including imatinib, as well as, in the treatment of adults who have a particular form of acute lymphoblastic leukemia (“ALL”) called Philadelphia chromosome-positive (Ph+) ALL. CML – say the plaintiffs – is one of the most common forms of leukemia. Though imatinib mesylate, a small molecule tyrosine kinase inhibitor (“TKI”), was the designed drug for CML, yet, due to the fact that some imatinib resistant CML emerged, a new generation of inhibitor, such as DASATINIB, was invented.

4. Shilpa with its principal place of business at Raichur, Karnataka, is a

bulk drug manufacturer, which produces, sells and offers for sale and export bulk Active Pharmaceutical Ingredients, fine chemicals, intermediates, herbal products and specialty chemical products to various pharmaceutical companies within the domestic and global markets. The first defendant is its managing director. Bristol Myers Squibb alleges that these defendants have tied up with various generic pharmaceutical companies in India, including with Natco – which sells and offers for sale various generic products all over India, including within the jurisdiction of this Court. Bristol Myers Squibb claimed that in the third week of August 2012, it became aware that Shilpa was in the process of manufacturing DASATINIB (API), covered by the subject patent. Bristol Myers stated that to the best of their knowledge *"the said Defendants have not started supplying DASATINIB (API) to various generic companies."* (Para 27 of the plaint). Pursuant to a request made to the Drugs Control Department of Karnataka under the Right to Information Act, 2005, the Plaintiffs learnt that Shilpa had applied for and had been granted a manufacturing license by the Drug Controller and Licensing Authority, Karnataka for manufacturing DASATINIB bulk drug. Bristol Myers also alleged that, Shilpa, in its website, had listed DASATINIB in their product list as *'Under Development Oncology Active Pharmaceutical Ingredients.'* (Para 30 of the plaint).

5. The plaint alleged with respect to Natco that its conduct in the past, with regard to the invention claimed in the subject patent, Bristol Myers had to file CS (OS) No. 2279/ 2009, which is pending on the file of this Court. On 22-06-2012, an interim order was made by this Court, restraining Natco and others from manufacturing and selling any product that infringes the subject patent. The suit further alleges that Natco had approached Shilpa for

procuring bulk DASATINIB (API) and, therefore, the Plaintiff- Bristol Myers Squibb had a real and reasonable apprehension that Natco would continue to infringe the invention of the Plaintiffs with the assistance of the first two defendants. The plaintiffs express apprehensions, consequently about the threat of the first two defendants entering into arrangement with Natco, to manufacture and sell DASATINIB (API) and that they *“are soon going to sell and/or offer for sale DASATINIB (API) to various generic pharmaceutical companies located in India including but not limited to Defendant No.3. Defendants Nos.1 & 2 are further likely to increase their revenue by exporting bulk quantities of DASATINIB (API) to various international pharmaceutical companies located abroad.”* (Para 36 of the plaint).

5. After notice and summons were issued, Shilpa, *inter alia*, filed an application (IA No. 10403/2013) for return/dismissal of the plaint, under Section 20 read with Order VII Rule 10 of CPC. It claimed that the manufacturing license that has been granted to it by the State Drugs Control Department of Karnataka is for its manufacturing unit located in district Raichur, Karnataka. Shilpa avers that it neither has a registered office nor a branch office in Delhi and, therefore, the Court does not have any territorial jurisdiction to entertain the suit. It is alleged that the Plaintiffs have indulged in forum shopping and, therefore, the plaint must either be rejected or returned.

6. In reply to the said application, Bristol Myers submits that a part of the cause of action has arisen in Delhi, as Shilpa has customers, consumers, buyers and a host of other persons for various aspects of their business activities in Delhi and thus have *"purposefully availed of Delhi and targeted*

Delhi" (Para 3 of Reply to IA). It is further stated that Shilpa has numerous commercial arrangements with generic companies such as Natco and supplies API to the said companies, who, in turn, sell/offer for sale, distribute the same within the jurisdiction of this Court. A reference is made to the website of Shilpa which advertises/offers for sale the impugned product and which offer is accessible within the jurisdiction of this Court. It is submitted that the threat that Shilpa will sell/offer for sale DASATINIB (API) either on its own or through its customers or other generic companies, including to Natco, within the jurisdiction of this Court is credible and sufficient to clothe this Court with jurisdiction.

Impugned order

7. After noticing the relevant provisions, i.e. Section 20, Code of Civil Procedure, 1908, Sections 48 (a) and 62 of the Patents Act, 1970, the learned single judge held *inter alia* that:

“20. From the averments in the plaint it is seen that the Plaintiffs are seeking to invoke the jurisdiction of this Court on the basis of the threat or apprehension that the actions of the Defendant within the territorial jurisdiction of this Court are likely to cause prejudice to the Plaintiff. In other words, this suit is in the nature of quia timet action. The Plaintiffs urge that the Court can entertain such action, even if the threat has not culminated into a reality. So, one of the issues that arises for determination is whether, in the facts and circumstances of the present case, based on the averments made in the plaint, it can be said that the Court has territorial jurisdiction to entertain the suit. Particular to the present case, the question that arises is whether the mere apprehension of the Plaintiff or its perception of a threat of infringement by the Defendants of its patent occurring within the local limits of this Court is sufficient to attract the jurisdiction of this Court.

30. Turning to the case on hand, Para 36 of the plaint first expresses the apprehension that Defendants 1 and 2 are in the process of manufacturing DASATINIB (API) and are seeking to sell or offer for sale the said product to various generic pharmaceutical companies in India but not limited to Defendant No.3. Secondly, it has been pleaded in Para 40 that Defendant No.2 intends to supply API to various generic manufacturers in India and abroad. Thirdly, in Para 41(1), it has been averred that Defendants 1 and 2 have numerous commercial arrangements by virtue of which they supply bulk API especially oncology APIs to various generic companies located within the jurisdiction of this Court. The fourth averment is in para 41(2) where it is stated that "if Defendant Nos.1 & 2 start supplying, DASATINIB (API), the same would be available within the jurisdiction of this Hon'ble Court."

31. It is not necessary at this stage, for the Plaintiff to name the particular customers of Defendants 1 and 2 to whom the product is to be sold since what is expressed is only an apprehension of "offer for sale". At this stage, the Plaintiff can at best refer to the fact that Defendant 2 supplies oncology APIs to various generic companies and that the said APIs are sold in Delhi. The apprehension that such oncology APIs may in the near future include the infringing product which is also an oncology API cannot, in the circumstances, be characterised as lacking credibility and having been asserted merely to attract the jurisdiction of the Court. The above averments in the present plaint, which is in a quia timet action, are prima facie sufficient to show that Defendant No.2 "carries on business" in Delhi and that the prima facie [sic] the cause of action arises within the jurisdiction of this Court.

32. Needless to clarify that the final determination on whether the Court has territorial jurisdiction to entertain the suit will have to await the completion of the trial as it is a mixed question of law and fact. On the basis of the averment in the plaint at this stage it is not necessary for the Court to, and in fact it cannot, conclusively hold that this Court either has or lacks the territorial jurisdiction to entertain the suit."

Contentions of parties

8. Mr. Vivek Sarin, Counsel for the appellant/ second defendant, i.e. Shilpa contends that the impugned order is unsustainable. It is submitted that the assertions of the plaintiff, Bristol Myers, about apprehension of possible violation of their patents, is a vague apprehension, unsupported by any material circumstance. It is argued that the first two defendants do not have any commercial interest, let alone an office, distributor or sole selling agent within the territorial jurisdiction of this Court as to justify the suit on the file of this court. Counsel submitted that concededly, the said defendants are situated and work outside the territorial jurisdiction of this court for gain and to compel them to defend a case in Delhi would be placing an undue burden. Counsel placed reliance on *Dhodha House v. S.K. Maingi* (2006) 9 SCC 41 where the Supreme Court ruled that sale through a commission agent or otherwise of the goods would not mean that the defendant "*carries on business*" occurring in Section 20 (a) CPC. The plaintiff has to show that that the party selling the defendant's goods is a special agent exclusively working for his principal. *Dhodha House* also states that merely because the Defendant's goods have been sold in an area or city would not mean that it carries on a business at that place.

9. Learned counsel for Defendant contended what is prohibited by Section 48 of the Patents Act is the "*making, using, offering for sale, selling or importing for those purposes that product in India*". According to him, as the second defendant did not sell DASATINIB in Delhi or have any subordinate office there or any arrangement of special exclusive agency with Natco, this Court did not have territorial jurisdiction to entertain the suit. He

submitted that there must be a substantial causal connection of the second Defendant with the forum to bring the present action against it. Referring to *Graigola Merthyr Company Limited v. Mayor, Aldermen and Burgesses of Swansea* [1928] Ch. 235 it was urged that in a purely *quia timet* action the burden of proof resting on the plaintiff is far heavier than in an action where an act has already been done and has already caused actual damage. Counsel also cited *Walter v. M Walter & Co., Inc.* 446 N.W. 2d 507 [Michigan Court of Appeals]. It was argued that the normal rules of determining territoriality for purposes of jurisdiction of a court under Section 20 CPC apply in patent infringement cases, unlike trademark and copyright infringement cases, where special provisions govern the field.

10. Reliance was placed on *Sandeep Polymers v. Bajaj Auto Ltd* 2007 (7) SCC 148 to say that no material fact had been disclosed in the plaint or documents filed along with it, to warrant exercise of jurisdiction by this court. Further, reliance was placed on *Mohankumaran Nair v. Vijaya Kumaran Nair* 2007 (14) SCC 426 to say that the question of jurisdiction is to be determined as on the date when the suit is filed and entertained and not with reference to a future date.

11. Mr. Sudhir Chandra, learned senior counsel for Bristol Myers, relied on the decision in *M/s. Jawahar Engineering Co. and Ors. v. M/s. Jawahar Engineers Pvt. Ltd.* (1983) PTC 207, when a Division Bench of this Court was of the view that when injunction is sought, it is not necessary that the threat should have become a reality before the injunction and that it can even be sought for a threat which is yet to materialize.(Para 10). Likewise, he relied on *KRBL Limited v. Ramesh Bansal & Anr.* 2009 (41) PTC 114 (Del), where the plaintiff was registered proprietor of the trademark/label 'India

Gate', which it was using for selling rice. The defendant applied for registration of the same mark in respect of salt. The right of the plaintiff to maintain a *quia timet* action was upheld by this Court. Particular reliance was placed on *Mars Incorporated v. Kumar Krishna Mukerjee & Ors.* 2003 (26) PTC 60 (Del) where this court held:

"To expect the aggrieved party to wait and watch for the opening of business or manufacturing or sale of goods under the apprehended infringement of trade mark is too much. A stitch in time always saves nine and that is what is the essence of Quia Timet Action..."

...It is immaterial whether or not there is a real or tangible possibility of starting a business. Such a threat will even loom large over the head of the plaintiff and therefore entitle him to resort to Quia Timet Action, as the intentions are bad, designs are dubious. There is no other object of such a defendant than to hoard the trade mark and black mail the plaintiff in order to use it in future. Thus, in both the cases, the action and proposed activities are manifestly mala fide and calculated to deceive the public or would be purchasers as to the connection of the defendants with the plaintiff."

12. Counsel emphasized that the essence of a *quia timet* action is apprehended injury. As long as the plaint contains sufficient averments, the court should not delve deeper into the matter, to discern the chances of success. He also highlighted that in an affidavit, filed in the suit, the plaintiffs had produced copies of invoices of products, which were manufactured by Shilpa and were sold in Delhi. He highlighted that the Defendants had sought manufacturing license from the Drug Controller Licensing Authority, Karnataka for manufacturing DASATINIB bulk drug. This coupled with the fact that Natco had been restrained from selling any goods which infringed the subject patent, was sufficient cause for threat of apprehended injury on the part of the appellant, who was very likely to place the goods in the market by adopting devices and circuitous routes.

Conclusions

13. The suit filed by the respondents is by way of a *quia timet* action, which visualizes apprehended injury. No doubt, there are important constraints placed upon a plaintiff who brings such an action, the most prominent one being that the burden of proving such apprehension is heavy. Yet, the fact remains that the suit is based to a large extent on the threat. Now how does a court evaluate a threat to adjudge if it is justified, in the context of a dispute about its territorial jurisdiction? This is to be seen from the requirements of what has to be pleaded in a plaint, and what can legitimately be seen when a dispute (with regard to the territorial jurisdiction) arises. The court necessarily has to confine its gaze to the plaint and the documents filed with it. It has been held in *Saleem Bhai & Ors. v. State of Maharashtra and Ors* (2003) 1 SCC 557 that a plaint must be read as a whole to find out if it discloses cause of action. What is a cause of action, is a question of fact, which has to be decided on the basis of averments made in the plaint in its entirety, taking them as correct. It is also settled that the court cannot exercise the power to return, or reject the plaint where the averments made in plaint do disclose cause of action. (Ref. *Mayar (H. K.) Ltd & Ors. v. Owners and Parties, Vessel M. V. Fortune Express & Ors.* (2006) 3 SCC 100). As to what constitutes a 'cause of action', has been described as "*every fact, which, if traversed, it would be necessary for the plaintiff to prove in order to support his right to a judgment of the Court.*" (Ref. *A.B.C. Laminart Pvt. Ltd. & Anr. v. A.P. Agencies, Salem* (1989) 2 SCC 163 and *Bloom Dekor Ltd. v. Subhash Himatlal Desai & Ors* (1994) 6 SCC 322).

14. In *Teva Pharmaceutical Industries v. Natco Pharma Ltd* 2014 (59) PTC 124 the appellant had a process patent; it filed a *quia timet* suit before this Court complaining of infringement as the Defendant was preparing to export the product manufactured by the process covered in the patent. The Defendant filed an application under Order VII Rule 10 of CPC seeking return of the plaint. The learned single judge allowed the application, stating that there was no averment in the plaint of the violation of the plaintiff's process patent in Delhi. It was also held that since the suit was for process patent, the pleadings as regards the product being sold in Delhi or the possibility of the product being launched in Delhi or elsewhere cannot justify the territorial jurisdiction of this Court. Reversing the decision and restoring the suit, the Division Bench held that:

*"We are of the opinion that once the appellants / plaintiffs have pleaded apprehension of sale / marketing in Delhi, the Courts in Delhi would have jurisdiction to entertain the suit and such jurisdiction cannot be ousted by the defendant by making a statement not to do any such act in Delhi, though the defendant would be entitled to prove that there is no basis for such apprehension. If such a course of action were to be permitted, it would enable a defendant to avoid action in a particular Court by making such a statement and indulge in forum shopping. We also find that the same was not permitted by this Court in *Rana Steels Vs. Ran India Steels Pvt. Ltd.* (2008) 37 PTC 24 (Del); there, though the counsel for the defendant stated that the defendant had no intention to sell its products in Delhi, it was held that the plaint could not be ordered to be returned on the basis of the said statement." [Para 20]*

14. Para 41 of Bristol Myers' plaint states that:

"(i) the cause of action has arisen in Delhi as Defendant No.s 1 & 2 have customers, consumers, buyers and host of other persons for various aspects of their business activities and are thus involved in a large number of activities which establish beyond doubt that they have purposefully availed of Delhi and targeted Delhi. Defendant

Nos.1 & 2 have numerous commercial arrangement by virtue of which they supply bulk API especially oncology APIs to various generic companies located within the jurisdiction of this Hon'ble Court. It is respectfully submitted that Defendant No.s 1 & 2 have thus purposefully availed the jurisdiction of this Hon'ble Court.

(ii) It is further apprehended that if, Defendant No's 1 & 2 start supplying, DASATINIB (API), the same would be available within the jurisdiction of this Hon'ble Court. It is submitted that the threat that Defendant No's 1 & 2 will sell and/or offer for sale bulk DASATINIB (API) within the jurisdiction of this Hon'ble Court is credible and imminent. Thus, giving rise to a substantial and integral part of the cause of action within the jurisdiction of this Hon'ble Court.

(iii) It is further submitted that it is verily believed that Defendant No.3 has approached Defendant Nos. 1 & 2 for procuring bulk DASATINIB (API). It is submitted that Defendant No.3 carries on business within the jurisdiction of this Hon'ble Court from its office located at D-70, Okhla Industrial Area, Okhla Phase-I and D-70, second floor, Okhla Industrial Area, Okhla Phase I, New Delhi 110 020 and through various exclusive agents and authorized agents located within Delhi. It is thus apprehended that Defendant No.3 will procure DASATINIB (API) from Defendant Nos.1 & 2 and sell and offer for sale the finished impugned product DASANAT, which infringes the suit patent within the jurisdiction of this Hon'ble Court. It is further submitted that pleading in CS (OS) No. 2279 of 2009 clearly show that the impugned product DASANAT is available within the jurisdiction of this Hon'ble Court."

15. *Pfizer Products, Inc v. Rajesh Chopra* 2006 (32) PTC 301, is an authority for the position that in a *quia timet* action,

" Whether the threat perception is justified or not is another matter which has to be considered and decided upon in the application filed by the plaintiff under Order 39 Rules 1 and 2 or on merits when the suit is taken up for disposal. Insofar as Order 7 Rule 10 is concerned, assuming that whatever is stated in the plaint is correct, one would have to also assume that the threat or the intention of the defendants to sell and offer for sale the offending goods in Delhi is also correct. Therefore, if the threat exists then this court would certainly have jurisdiction to entertain the present suit." [Para 12]

16. *State Trading Corporation of India Ltd. v. Government of Peoples Republic of Bangladesh* 63 (1996) DLT 971 holds that:

"If the determination of jurisdiction of the Court is a question of fact or mixed question of fact and law requiring evidence to be adduced before recording a finding, the determination of the question may in appropriate, cases be liable to be postponed till after the determination of all or several other issues if the evidence to be adduced by the parties may be common on the issue of jurisdiction and such other issues." [Para 38 (IV)(e)]

This court notices that in Para 30, the impugned order has taken note of the plaint averments, particularly Paras 36, 40 (that Shilpa intends to supply API to various generic manufacturers in India and abroad) and Para 42. It was stated that the plaintiff was not obliged to name specific customers of the defendants' products and the assertion that the latter offered oncology APIs which could include infringing products in the future, were sufficient averments to constitute cause of action, within territorial jurisdiction of this court.

15. For the above reasons, it is held that there is no infirmity with the impugned order of the learned single judge rejecting the Appellant's application under Order VII Rule 10 CPC. The appeal is therefore dismissed without any order as to costs.

S. RAVINDRA BHAT
(JUDGE)

V.K. SHALI
(JUDGE)

JULY 30, 2015