

MANU/DE/0838/2017

Equivalent Citation: 239(2017)DLT599, MIPR2017(2)331, 2017(70)PTC145(Del)



## IN THE HIGH COURT OF DELHI

CS (Comm.) 132/2016 and IA Nos. 2406, 9070 and 4277/2016

Decided On: 28.03.2017

Appellants: **Monsanto Technology LLC and Ors.**

**Vs.**

Respondent: **Nuziveedu Seeds Limited and Ors.**

### Hon'ble Judges/Coram:

*R.K. Gauba, J.*

### Counsels:

*For Appellant/Petitioner/Plaintiff: Sandeep Sethi, Prathiba M. Singh, Sr. Advs., Chander M. Lall, Bitika Sharma, Namrita Kochhar, Deepshikha Malhotra, Aadarsh Ramanujan and Anil Dutt, Advocates*

*For Respondents/Defendant: Sudhir Chandra Agarwala, Jayant Bhushan, Sr. Advs., Abhai Pandey, Manisha Singh, Swati Setia, Obhan, Abhishek Saket and Gautam Kumar, Advocates*

### Case Note:

**Patents - Infringement - Sections 48 and 64 of Patents Act, 1970/1970 Act; Section 29 of Trade marks Act, 1999/1999 Act - Whether on facts, and in circumstances, any case of infringement of Patent rights, or of Trade marks, or of passing off, is made out for any ad interim injunction to be granted against Defendants? Held, case of infringement of Suit Patent would have to be tested on anvil of specifications of Suit Patent as has been granted by Indian Patent Office, Section 48 of 1970 Act, generally conferring on patentee (Plaintiffs) "exclusive right to prevent Third parties" from act of "making, using, offering for sale, selling or importing" such product or process as is subject matter of patent, in India, as do not have "consent" of former (patentee). So long as registration of Patent (or process) stands, or is not revoked, or shown to have been granted illegally, so as to be liable to revocation (in terms of Section 64 of 1970 Act), case of Plaintiffs alleging infringement must be examined-more particularly at stage of ascertaining, if a prima facie case exists in favour of Plaintiffs for interim protection on assumption that, Plaintiff is vested with "exclusive right" envisaged in Section 48 of 1970 Act. Argument of denial of "use" of Plaintiffs' patented technology does not come across as valid in face of admission that, cotton varieties or hybrids developed by them do exhibit Bt. Trait. Reasons set out for rejecting almost identical arguments in similarly placed litigation (also involving First Plaintiff) in case of Percy Schmeiser v. Monsanto, decided by Supreme Court of Canada are weighty, deserving to be adopted by this Court. As observed in said judgment, plain meaning of word "use" denotes utilization and further "question in determining whether a Defendant has "used" a patented invention is whether Defendant's activity deprived inventor in whole or in part, directly or indirectly, of full enjoyment of monopoly conferred by law. It cannot be**

ignored that, Plaintiffs had granted to Defendants, and latter had accepted from former, right to use Suit Patent and Trade marks under Sub-License Agreements and, but for pre-mature termination, rights conferred by sub-license would inure in favour of latter for period for which Sub-License Agreement (of which Trade mark sub-license formed a part) would continue to subsist, and further that "use" of Suit Patent, or of Trade marks of Plaintiffs by Defendants would have been authorized or lawful since it would be with "consent" of patentee (Plaintiffs), within meaning of Section 48 of 1970 Act, or "by way of permitted use" of owner of registered Trade mark (again, Plaintiffs) within meaning of Section 29 of 1999 Act. Use of Suit Patent, or Trade marks of Plaintiffs by Defendants becomes unauthorized so as to give rise to a valid cause of action for infringement only if it can be held that, Sub-License Agreements have been legally terminated by Plaintiffs, such termination naturally rendering continued use of Sub-Licensed technology or Trade marks without consent or permission of rightful owner. Plaintiffs were duty bound to consider request of Defendants as made by communications beginning July, 2015, for modification of terms as to rate of trait fee payable under 2015 Sub-License Agreements for which mechanism had earlier been agreed upon in form of Article 11.03. Since, Plaintiffs did not adhere to their obligation under contract, demand of payment under contract terms being not lawful, it apparently being higher than trait fee permitted by law in force, Defendants could not have been found to be in default or to have breached their obligations within meaning of Article 9.02. As a sequitur, termination of Sub-license agreements by communications dated 14th November, 2015 appears prima facie to be illegal and arbitrary. As Sub-License Agreements were illegally and arbitrarily sought to be terminated by Plaintiffs, communications to such effect issued on 14th November, 2015, followed by subsequent communications reiterating same, are bound to be treated as of no consequence. In present circumstances, parties are bound to be treated as continued to be locked with each other in arrangement under 2015 Sub-License Agreements, as same stood prior to purported termination communications dated 14th November, 2015 (such communications being non-est) though, with obligation for consideration (Trait Value/fee) to be charged not more than what is permitted by law in India. For removal of doubts, it must be added that, such obligations vis-à-vis trait fee chargeable would have to abide by prescription in terms of Cotton Seeds Price (Control) Order, 2015 as indeed of Licensing and Formats for GM Technology Agreement Guidelines, 2016, both promulgated by Government of India. In facts and circumstances, interim arrangement, as enforced by consent order passed on 19th February, 2016 and modified by later orders needs to be suitably modified as given conclusion that, Sub-License Agreements continue to be in force and binding on parties (except as to need for modification of terms relating to trait fee), in which scenario continued use of Suit Patent or Trade marks by Defendants cannot be said to be un-authorized (provided they pay consideration at a rate in accord with law). Thus, so long as Sub-License Agreements continue to be in force, or do not come to an end, by efflux of time, or upon being lawfully terminated, Defendants cannot be enjoined against use of Suit Patent or Trade marks, such right of Defendants to continued use of Suit Patent or Trade marks not being unconditional. In facts and circumstances, it is not necessary for any comment to be made at this stage of proceedings on contentions of parties as to permissibility or otherwise of use of abbreviations "BG" and "BG-II" by Defendants as Trade marks.

## ORDER

**R.K. Gauba, J.**

**1.** The commercial cause, registered as CS(Comm.) No. 132/2016, in the course of which prayer for ad interim injunction under Rules 1 and 2 of Order XXXIX read with Section 151 of the Code of Civil Procedure, 1908 (CPC) has been made, by application (IA 2406/2016), resulting in some ad interim orders being passed, followed by application (IA 4277/2016) moved by the opposite party under Order XXXIX Rule 4 CPC seeking such orders to be recalled or vacated, besides the move by the plaintiffs, by application (IA 9070/2016) alleging breaches and seeking action or direction under Order XXXIX Rule 2A CPC, was instituted in February 2016 by three plaintiffs, joining together, they being Monsanto Technology LLC ("the first plaintiff"), Monsanto Holdings Private Limited ("the second plaintiff") and Mahyco Monsanto Biotech (India) Pvt. Ltd. ("the third plaintiff") impleading three defendants, they being Nuziveedu Seeds Limited ("the first defendant"), Prabhat Agri Biotech Limited ("the second defendant") and Pravardhan Seeds Private Ltd. ("the third defendant"), claiming cause of action to have arisen on account of defendants continuing to "market and sell" Genetically Modified Hybrid Cotton Planting Seeds inspite of termination of the sub-license agreements including trademark sub-license agreements, alleging violation of their intellectual property rights vis-à-vis the registered patent (IA 214436), hereinafter referred to as "the suit patent", and trademarks BOLLGARD and BOLLGARD II, the acts of commission or omission indulged in by the defendants being such as amount to infringement or passing off of the defendants "illegally" manufactured products sold or offered to be sold in such packing or under labels (BOLLGARD) bearing such marks as are identical or deceptively or confusingly similar to that of the plaintiffs, the prayers in the suit primarily being for permanent prohibitory injunction against such infringement of registered patent and trademarks, or passing off, besides mandatory injunction for requisite disclosures, recall of infringing products or material and delivering up in addition to rendition of accounts, leading to award of damages (including penal) etc. The application under Order XXXIX Rules 1 and 2 CPC makes identical prayer in the form of ad interim orders.

### A. PARTIES TO DISPUTE

**2.** The first plaintiff Monsanto Technology LLC (hereinafter also referred to as "Monsanto") is a limited liability company existing under the laws of State of Delaware in United States of America (USA), it alongwith its affiliates and subsidiaries being engaged in the business of agricultural products having business in several countries, the second plaintiff being its wholly owned subsidiary duly incorporated under Indian Companies Act, 1956 having its presence in Delhi. The third plaintiff, on the other hand, is a joint venture company incorporated under Indian Companies Act, 1956 in which Maharashtra Hybrid Seeds Company Ltd. and Monsanto Investments India Pvt. Ltd. (another subsidiary of the first plaintiff), both companies incorporated under Indian Companies Act, are stake holders, the three plaintiffs having joined to assert, by the present suit, their common interests in the intellectual property rights vis-à-vis the defendants.

**3.** Each of the three defendants are companies incorporated under the Indian Companies Act, 1956, the second and third defendants being subsidiaries of the first defendant, they (the defendants) having allegedly indulged in acts of commission or omission giving rise to the cause of action claimed here vis-à-vis the patent and trademarks of the plaintiffs, similar disputes having arisen under the sub-licenses earlier granted by the plaintiffs in their respective favour vis-à-vis the registered

patent and trademarks of the defendants who, in turn, have joined to resist the suit by filing a common written statement dated 28.03.2016.

**4.** Before proceeding further, be it noted that the defendant submitted two counter claims. One counter claim (CC 50/2016) invoking Order VIII Rule 6A read with Section 151 CPC and Section 34 of the Specific Relief Act, 1963 prayed for a declaration that the sub-licensing agreements (of 2015) executed by the plaintiffs in their favour are "valid, binding and in force" and consequently, the defendants being entitled to "all the rights and benefits" thereunder, as modified in accordance with Article 11.03 "without any limitation" besides a direction to the third plaintiff to perform its obligation accordingly. The other counter claim (CC 51/2016) invoking Section 64 of the Patents Act, 1970, prayed for revocation of the plaintiffs' patent registered vide No. 214436 (the "suit patent") and allow costs of these proceedings. The first counter claim (No. 50/2016) was instituted on 29.03.2016, one day before filing of the written statement (i.e. on 30.03.2016) while the second counter claim (No. 51/2016) was presented on 02.05.2016 i.e. after filing of the written statement. When these counter claims came up for consideration earlier, on the request to that effect being made by the defendants (counter claimants) on 26.09.2016, they were deferred. However, after arguments on the applications concerning ad interim relief had been concluded on 15.02.2017, it was submitted that first of the two counter claims mentioned above (CC 50/2016) was not pressed and instead withdrawn without prejudice to the contentions and rights of the defendants to seek appropriate remedies under the law, it being disposed of accordingly. The other counter claim (CC 51/2016) was pressed for consideration on 15.02.2017 and by order passed on the said date, notice was issued to the plaintiffs who have availed of time to file appropriate response thereto, which is still awaited.

#### B. COMMON GROUND

**5.** A perusal of the pleadings in the main suit and those concerning various applications (including counter claims) reveals that factual matrix forming the core of the cause of action alleged here is substantially undisputed, even to the event of facts forming the core of the circumstances leading the parties on both sides of the divide having run afoul of each other, the arguments raised on the prime application (under Order XXXIX Rules 1 and 2 CPC) essentially raising questions of law rather than questions of fact. In that view of the matter, the court had asked the parties, mid-way the hearing on the interlocutory applications, to explain as to why the questions of law should be addressed twice in the same proceedings once in the context of the interim reliefs - where they would be based on prima facie assessment and consequently tentatively - and then again at the final adjudication, which may not be in sync with the letter and spirit of the Commercial Courts, Commercial Division And Commercial Appellate Division of High Courts Act, 2015 (hereinafter to as "the Commercial Courts Act"), jurisdiction whereunder has been invoked. Both sides, however, were lukewarm to the suggestion for expeditious disposal of the main suit, upon questions of law being addressed and adjudicated by recourse to the process of special procedure of "summary judgment" under Order XIII A CPC, as legislated by the Commercial Courts Act. The plaintiffs referred, in such context, to the counter claim (CC 51/2016) which has been pressed by the defendants as justification for such disinclination.

**6.** The undisputed, or indisputable, territory in the factual narrative on which the parties stand, as culled out from their pleadings or such documents as are common or of un-impeachable character, shorn of superfluous details, may be taken note of at this stage as this would be advantageous to bring in sharp focus the areas of dispute.

## B. (i). SUIT PATENT

**7.** The defendants do not contest that Monsanto Group of Companies are agricultural biotechnology corporation, having their presence in innumerable locations across the globe including in India, their activities being supported by manufacturing plants, seeds protection facilities, research centres, et al, the business undertaken essentially being to apply innovation and technology to the farming sector to sustainably increase, inter alia, crop yields, maximizing the potential by developing, amongst others, crop protection chemicals and plant bio-technology traits, the focal area being research and development (R&D) efforts towards elite germ-plasm, breeding, new variety and hybrid development, genomics research etc., the proprietary rights asserted here by the suit patent being in respect of "methods for transforming plants to express bacillus thuringiensis Delta-endotoxins".

**8.** The complete specification of the invention, as submitted to the Indian Patent office described its background as an invention relating generally to transgenic plants having insecticidal capabilities and to DNA constructs utilized to transfer genes conferring insect resistance into plant genomes and more specifically to a method of expressing insecticidal proteins in plants transformed with a B. thuringiensis  $\delta$ -endotoxin encoding genes, resulting in effective control of susceptible target pests. In the summary of the invention set out in the submission to the patent office, the plaintiffs stated thus:--

"In contrast to the prior art, the present invention discloses a structural DNA sequence that causes the production of an RNA sequence which encodes a targeted fusion protein comprising an amino-terminal plastid transit peptide with a Cry2Ab  $\delta$ - endotoxin; and a 3'non-translated DNA sequence which functions in plant cells to cause transcriptional termination and the addition of polyadenylated nucleotides to the 3 'end of the RNA sequence. Surprisingly, this DNA construct results in increased levels of expression of the Cry 2A  $\delta$ - endotoxin. The targeted fusion protein is non-active to all species, but is produced as a means for localizing the mature, insecticidally active  $\delta$ - endotoxin protein to the chloroplast, yielding surprising and unexpected beneficial agronomic effects."

**9.** While explaining gene expression in plants, the plaintiffs submitted to the Patent office, inter alia, that unmodified bacterial genes are often poorly expressed in transgenic plant cells and further that the work described in the claims had identified methods of potentiating in planta expression of B. thuringiensis  $\delta$ - endotoxins, which confer resistance to insect pathogens when incorporated into the nuclear, plastid, or chloroplast genome of susceptible plants. U.S. Patent 5,500,365 (specifically incorporated in the claim by reference) describes a method for synthesizing plant genes to optimize the expression level of the protein for which the synthesized gene encodes. The method relates to them odification of the structural gene sequences of the exogenous transgene, to make them more "plant-like" and therefore more likely to be translated and expressed by the plant, monocot or dicot. However, the method as disclosed in U.S. Patent 5,689,052 provided for enhanced expression of transgenes, preferably in monocotyledonous plants.

**10.** The expression "Bacillus Thuringiensis" as appearing in the title of the suit patent, registered by the Indian Patent office, is described by the defendants (by preliminary submission in their written statement) as under :-

"7. Bacillus thuringiensis ("Bt.") is a bacterium which produces endotoxins which are toxic to 'Lepidopteran' insect pests which are also commonly

referred to as 'bollworms' in case of cotton. The use of Bt. in form of an insecticide was always prevalent for the control of 'Lepidopteran insects' in various crops. In later years, certain scientists through means of biotechnology, transferred the genes from Bt. responsible for producing endotoxins into crops like cotton, corn, brinjal etc. so that such crops produce the Bt. Endotoxins, thereby converting the use of the traditional insecticide into an inbuilt trait in crops providing resistance to 'bollworms', ("Bt. Trait"). These crops are called genetically modified crops as they acquire an insect resistant trait through genetic modification. It is pertinent to note that the synthesis and insertion of the genes into the crop is a process of cutting edge biotechnology while the resultant Genetically Modified (GM) trait is the product achieved through genetic engineering/biotechnological process."

**11.** The suit patent (Indian Patent No. 214436) was granted by the Indian Patent Office in favour of the first plaintiff on 12.02.2008 against PCT International Application No. PCT/US99/26086, the date of the National Phase Entry being 01.05.2001 and its publication under Section 11A of the Patents Act being 31.03.2008, it having been assigned to the first plaintiff vide assignment dated 03.05.2002, the grounds of patent in India being in respect of the following claims :-

"1. A method for producing a transgenic plant comprising incorporating into its genome a nucleic acid sequence comprising a plant functional promoter sequence operably linked to a first polynucleotide sequence encoding a plastid transit peptide, which is linked in frame to a second polynucleotide sequence encoding a Cry2Ab Bacillus thuringiensis  $\delta$ - endotoxin protein, wherein said plastid transit peptide functions to localize said  $\delta$ - endotoxin protein to a subcellular organelle or compartment.

**2.** The method of claim 1, wherein said second polynucleotide is operably linked to a plant functional 3' end transcription termination and polyadenylation sequence, wherein expression of said nucleic acid sequence in said plant yields a fusion protein comprised of an amino-terminal plastid transit peptide covalently linked to said  $\delta$ - endotoxin protein, and wherein said plastid transit peptide functions to localize said  $\delta$ - endotoxin protein to a subcellular organelle or compartment.

**3.** The method of claim 1 or claim 2, wherein said subcellular organelle or compartment is a plant plastid or chloroplast.

**4.** The method of claim 1 or 2, wherein said plant functional promoter sequence comprises a plant chloroplast or plastid functional promoter sequence.

**5.** The method of claim 1 or 2, wherein said plant functional promoter sequence is naturally expressed in plants.

**6.** The method of claim 1 or 2, wherein said polynucleotide sequence encoding a Cry2Ab Bacillus thuringiensis 5-endotoxin protein is selected from the group consisting of SEQ ID NO:1 and SEQ ID NO:17.

**7.** The method of claim 1 or 2, wherein said Cry2Ab Bacillus thuringiensis  $\delta$ -endotoxin protein is selected from the group consisting of SEQ ID NO:2 and SEQ ID NO: 18.

**8.** The method of claim 1 or 2, wherein said nucleic acid sequence further

comprises a plant functional intron sequence.

**9.** The method of claim 8, wherein said intron sequence is selected from the group consisting of Adh intron 1, sucrose synthase intron, TMV omega element, maize Heat Shock Protein 70 intron, and the rice Act1 intron.

**10.** The method of claim 8, wherein said intron sequence is the maize Heat Shock Protein 70 intron.

**11.** The method of claim 1 or 2, wherein said first polynucleotide sequence encodes a plastid transit peptide of SEQ ID NO: 4, SEQ ID NO:6, SEQ ID NO:8, or SEQ ID NO.10.

**12.** The method of claim 11, wherein said plastid transit peptide of SEQ ID NO:4 is encoded by the nucleic acid sequence comprising SEQ ID NO:3.

**13.** The method of claim 11, wherein said plastid transit peptide of SEQ ID NO:6 is encoded by the nucleic acid sequence comprising SEQ ID NO:5.

**14.** The method of claim 11, wherein said plastid transit peptide of SEQ ID NO:8 is encoded by the nucleic acid sequence comprising SEQ ID NO:7.

**15.** The method of claim 11, wherein said plastid transit peptide of SEQ ID NO: 10 is encoded by the nucleic acid sequence comprising SEQ ID NO:9.

**16.** The method of claim 1 or 2, wherein the Cry2Ab sequence is encoded by a nucleic acid sequence comprising nucleotides 17 to 3182 of SEQ ID NO: 13.

**17.** The method of claim 1 or 2, wherein the Cry2Ab sequence is encoded by a nucleic acid sequence comprising nucleotides 17 to 3092 of SEQ ID NO: 14.

**18.** The method of claim 1 or 2, wherein the Cry2Ab sequence is encoded by a nucleic acid sequence comprising nucleotides 17 to 3155 of SEQ IDNO:15.

**19.** The method of claim 1 or 2, wherein the Cry2Ab sequence is encoded by a nucleic acid sequence comprising nucleotides 1781 to 5869 of SEQ ID NO: 16.

**20.** The method of claim 1 or 2, wherein the plant is a monocotyledonous plant.

**21.** The method of claim 20, wherein the plant is a monocotyledonous plant selected from the group consisting of maize, rice, wheat, barley, oats, rye, millet, sorghum, sugarcane, and turfgrass.

**22.** The method of claim 1 or 2, wherein said plant is a dicotyledonous plant.

**23.** The method of claim 22, wherein the plant is a dicotyledonous plant selected from the group consisting of cotton, soybean tomato, potato, citrus, tobacco, canola, and strawberry.'

**24.** The method of claim 1 or 2, wherein said plant further comprises an additional nucleic acid sequence comprising a plant operable promoter linked to a polynucleotide sequence encoding a Cry1 B. thuringiensis 8-endotoxin

protein.

**25.** A nucleic acid sequence comprising a promoter operably linked to a first polynucleotide sequence encoding a plastid transit peptide, which is linked in frame to a second polynucleotide sequence encoding a Cry2Ab *Bacillus thuringiensis* 8-endotoxin protein, wherein expression of said nucleic acid sequence by a plant cell produces a fusion protein comprising an amino-terminal plastid transit peptide covalently linked to said 5-endotoxin protein, and wherein said fusion protein functions to localize said 5-endotoxin protein to a subcellular organelle or compartment.

**26.** The nucleic acid sequence of claim 25, wherein said second polynucleotide sequence encodes a Cry2Ab *Bacillus thuringiensis* 8-endotoxin protein selected from the group of sequences consisting of SEQ ID NO:2 and SEQ ID NO: 18.

**27.** The nucleic acid sequence of claim 26, wherein said second polynucleotide sequence is selected from the group of sequences consisting of SEQ ID NO: 1 and SEQ ID NO: 17"

**12.** As explained by the plaintiffs, and endorsed in their pleadings by the defendants, the suit patent concerns "an invention which relates to a method for producing a transgenic plant, which results in increased levels of expression of *B. thuringiensis*  $\delta$ -endotoxins and a higher rate of recovery of morphologically-normal plants, thus resulting in developing of insect resistant transformed plants, it being advantageous as it leads to improved control of susceptible insects, minimizes the development of insecticide-resistant insect strains, obtains a great number of commercially viable insect resistant plant lines, achieves season long protection from insect pathogens, and increases the incidence of morphologically-normal transformed plants".

**13.** Concededly, with the aid and assistance of the technological invention, the plaintiffs had developed and introduced, in USA, in the middle of the last decade of 20th Century, first generation BOLLGARD brand insect-protected cotton which provided the farmers with an in-seed insect protection against certain lepidopteran pests, including certain types of bollworms that afflict cotton plants, the word "BOLLGARD" having been coined with proprietary rights vesting in the first plaintiff, it having been approved for commercialization in India, sometime in 2002, followed by a second-generation breeding stacked insect protection trait cotton product introduced in 2003 and BOLLGARD-II double-gene insect protection technology with expended protection against additional insect pests, the latter (BOLLGARD-II) being double-gene insect protection technology approved by the Genetic Engineering Approval Committee (GEAC), a governmental body responsible for regulating authorizations for cultivating biotech crop species in India. The said marks "BOLLGARD" and "BOLLGARD-II" having been registered, in India, under the Trademarks Act, 1999 vide trademarks Nos. 723995 dated 20.06.1996 in class 1 (genetic material for agricultural and horticultural use including insect-tolerant genes for use in agricultural and horticultural seeds), vide No. 1170770 dated 30.01.2003 in class 31 (seeds including agricultural seeds containing insect tolerant genes) respecting BOLLGARD-II and 1170771 dated 30.01.2003 in class 1 (genetic material for agricultural and horticultural use including insect-tolerant genes for use in agricultural and horticultural seeds) both respecting BOLLGARD-II, the label/device concerning mark BOLLGARD-II, it being No. 723996 in class I, having been depicted pictorially in (para 19) of the plaint.

**14.** As submitted by the defendants out of the total twenty seven (27) claims granted

in the suit patent, the last three (claim Nos. 25 to 27) relate to "nucleic acid sequence", the preceding ones (claim Nos. 1 to 24) being process claims which deal with genetic engineering or by technology method to insert the "nucleic acid sequence" into a plant cell.

**15.** The defendants do not dispute that the application for registration of the suit patent in India submitted by the plaintiffs was an international application under the Patent Corporation Treaty (PCT), in contrast to the other two possible routes for such grant of patent in India, they being national and convention route, and, thus, governed by Section 7(1A), 10(5) and 138(4) of the Patents Act, 1970. As submitted by the plaintiffs, the statutory provisions mandate that the patent specification and claims filed in such international application are deemed to be what is filed in India, requiring the applicant to ensure that the text of the application and claims in India are identical to those in international application.

**16.** Nonetheless, since the defendants based some arguments on this background, it may be additionally noted here itself that the application under PCT submitted by the plaintiffs also referred to certain further claims including the following :

"Claim 1. "A plant comprising a nucleic acid sequence comprising a plant functional promoter sequence operably linked to a polynucleotide sequence encoding a Cry2A Bacillus thuringiensis  $\delta$ -endotoxin protein which lacks substantial Dipteran species inhibitory activity, wherein expression of said nucleic acid sequence in said plant yields said protein localized to a subcellular organelle or compartment."

[claim Nos. 2 to 7 and 10 to 40 following the above being directed to a plant comprising the said nucleic acid sequence]

"Claim 8: "A plant tissue derived from progeny of the plant according to claim 5, wherein said plant tissue comprises a plant, plant seed or plant cells containing said polynucleotide sequence encoding said  $\delta$ -endotoxin protein. "

[Claim Nos. 9 and 53 being directed to a plant tissue and claim Nos. 48 to 52 and 54 to 56 to a plant cell]

"Claim 41: "A method of producing a transgenic progeny plant comprising: (a) obtaining a first plant containing a nucleic acid sequence comprising a plant functional promoter operably linked to a first polynucleotide sequence encoding a plastid transit peptide, which is linked in frame to a second polynucleotide sequence encoding a Cry2A Bacillus thuringiensis  $\delta$ -endotoxin protein lacking substantial Dipteran species inhibitory activity, wherein said second polynucleotide is operably linked to a plant functional 3' end transcription termination and polyadenylation sequence, wherein expression of said nucleic acid sequence in said plant yields a fusion protein comprising an amino-terminal plastid transit peptide covalently linked to said  $\delta$ -endotoxin protein, and wherein said fusion protein functions to localize said  $\delta$ -endotoxin protein to a subcellular organelle or compartment; (b) obtaining a second plant; and (c) crossing said first and second plants to obtain a crossed transgenic progeny plant, said progeny plant having inherited said nucleic acid sequence from said first plant."

[Claim Nos. 41 to 43 being directed to a conventional breeding method of producing a transgenic plant involving a step of crossing two plants]

**17.** In their written statement (para 27 of the factual background), the defendants

admitted thus :-

"27. It is a matter of fact that the Bt. Trait was developed to combat all types of Bollworms, including pink bollworm. However, pink bollworm developed resistance to the Bt. Trait owing to which the Plaintiff No. 3 introduced BG II which could address the concern of pink bollworm resistance..."

**18.** Concededly, the above noted claims are not covered by the patent registered in favour of the plaintiffs in India, such registration being restricted to the twenty seven (27) claims noted earlier which, the defendants argue, show that for purposes of this litigation, the plaintiffs patented invention comprises :

"-identification of desired gene (Cry2Ab) from the DNA of BT (Bacillus Thuringiensis) bacteria, which is found naturally in the soil;

-making (synthesizing) nucleic acid sequence by copying the Cry2Ab for insertion into a plant cell; and

-the method of inserting the said nucleic acid sequence into a plant cell."

**19.** The plaintiffs, referring to the complete specification of their registered Indian patent would, however, explain it thus :-

"(i). The Plaintiff No. 1's suit patent is a biotech patent granted under the Patents Act, 1970. This patent covers a biotechnology invention as laid out in claims 1-27 of the granted patent. In view of Section 10(4)(c), these claims represent the scope of the invention for which protection is sought. The Plaintiff No. 1 has specifically claimed, in claim 25, a man-made DNA construct that does not exist in nature and does not otherwise form part of a plant as existing in nature. Although there are other claims in this suit patent, claims 25-27 are the most germane to the present proceeding.

(ii). The DNA construct or nucleotide sequence of claim 25 comprises three different components, i.e. (i). a promoter (ii). a gene for the production of Cry2Ab  $\delta$ -endotoxin and (iii). a third component for the production of a transit peptide. The combination of these three components into a single DNA construct is itself new, inventive and does not existing in nature.

(iii). The second component of claim 25, viz. gene for the production of Cry2Ab  $\delta$ -endotoxin covers a man-made gene. The sequence ID No:1 is the naturally occurring gene that produces Cry2Ab  $\delta$ -endotoxin in Bt. Bacteria, whereas the sequence ID 17 is the modified sequence by Monsanto and this modification is necessary for the gene to be more compatible with plants. This is a further factor differentiating the man-made DNA construct of claim 25 from the naturally existing one.

(iv). This DNA construct, which when inserted into a plant confers the trait of insect tolerance to the plant. Plants without this DNA construct do not exhibit the trait of insect tolerance. What is produced in a plant as a result is a fusion protein' that comprises the Cry2Ab  $\delta$ - endotoxin bonded with the transit peptide. This production of a fusion protein is critical in this respect for the technology to be effective in plants. Such a fusion protein is not produced by the Bt. Bacteria.

(v). The only approved technology that allows a cotton plant to produce the Cry2Ab  $\delta$ -endotoxin is the plaintiff's technology, protected, inter alia, by

claims 25-27 of the patented invention. This is not disputed."

#### B. (ii). TRADEMARKS

**20.** The claim of the plaintiff as to the rights under the trademarks BOLLGARD and BOLLGARD-II registered in India and the label/device mark BOLLGARD as set out in the plaint (more particularly in paras 17 to 20) have not been specifically denied in the written statement as the defendants take the position of "want of knowledge" which, in the given facts and circumstances, cannot obviously be accepted for the simple reason these very trademarks and the label/device are subject matter of the sub-license agreement which the defendants admit having executed deriving benefits thereunder. In this view, the court proceeds on the assumption that the claim of the plaintiffs to the registered trademarks BOLLGARD (trademark registration No. 723995 dated 20.6.96), BOLLGARD- II (trademark registration No. 1170771 dated 30.01.2003 both in class 1 (genetic material for agricultural and horticultural use including insect-tolerant genes for use in agricultural and horticultural seeds) and BOLLGARD II (trademark registration No. 1170770 dated 30.01.2003) in class 31 (seeds including agricultural seeds containing insect tolerant genes), as indeed the label/device mark BOLLGARD (trademark registration No. 723996) again in above mentioned class are beyond reproach and, therefore, their unauthorised use would amount to infringement of statutory rights flowing therefrom.

**21.** Before proceeding further, however, it must be added here that the defendants have declared at several stages of the proceedings arising out of this litigation that they do not wish or intend to use the trademarks BOLLGARD or BOLLGARD I registered in favour of the plaintiffs, their argument being that exception taken by the plaintiffs to use of the expression "BG" or "BG II" is unfounded and improper.

#### B. (iii). SUB-LICENCES

**22.** Though clarifying in the pleadings it to be an endeavour "to commercialize the Bt. Trait in India", the defendant pleaded in (para 9 of) factual background set out in the written statement that the third plaintiff had entered into sub-license agreements with several domestic seed companies, including the defendants, and under such sub-license agreements, the defendants had received from the plaintiffs 50 grams of Transgenic Bt. Cotton varietal seeds containing Cry1Ac gene and Cry2Ab gene MON 15985 event, ("BG II), ("Transgenic Bt. Cotton Seeds"), in consideration of an upfront payment of Rs. 50,00,000/- (Rupees Fifty Lakhs only), the said sub-license agreement containing stipulations including the obligation of the defendants to pay the "trait value". The first sub-license agreement was executed by the third plaintiff in favour of the first defendant on 21.02.2004 for a period of ten years, it having been extended by a communication exchanged in due course till 31.03.2015. Similar sub-license agreements (hereinafter referred to as 2004 sub-license agreements) were granted by the third plaintiff in favour of the second and third defendants separately on 09.03.2004 which also expired after 10 years but were similarly extended till 31.03.2015.

**23.** It appears that during the currency of the said earlier sub-license agreements of 2004, some dispute had arisen with regard to the "trait value" and the matter had been taken by the defendants to erstwhile Monopolies and Restrictive Trade Practices Commission (MRTPC). The dispute, however, was settled and there were some reductions granted in the trait value by the third plaintiff, the controversy at that time eventually culminating in an order passed by MRTPC. It may be added here that the third plaintiff, in the wake of the said controversy, had proceeded to issue notices of termination on 03.07.2009 on account of non-payment of trait value but the matter

eventually stood resolved through settlement agreement dated 20.01.2011.

**24.** The 2004 sub-license agreements were replaced by new sub-license agreements executed separately in favour of each of the three defendants by the third plaintiff on 10.03.2015 (hereinafter referred to as "2015 sub-license agreements").

**25.** Since the controversy arises out of the contractual arrangement between the parties as created by the sub-license agreements (the focus being on 2015 sub-license agreements), the pre-mature termination whereof is referred by both sides, of which "BOLLGARD II Trade Mark Sub-License" was concededly a part, it is essential to take note of some of its crucial terms, particularly those relating to the "use" of the technology (patented) and the trademarks which were being entrusted in the hands of the defendants and the rights and obligations (during the period of the license or post contract). The copies of the 2015 sub-license agreements have been referred to extensively by both sides during arguments and reveal, amongst others, understanding between the parties which is summarized hereinafter.

**26.** The 2015 sub-license agreements ("the agreement", for short) were christened as "BOLLGARD I® technology sub-license agreement" and contained, in all, eleven articles pertaining to Definitions (Article 1); Grant of Sub-license (Article 2); Payments, Reports and record Retention (Article 3); Technical Assistance (Article 4); Registration and Government Approval (Article 5); Confidentiality (Article 6); Assignability and Change of Control (Article 7); Representations, Warrants and Limitation of Liability (Article 8); Term and Termination (Article 9); Export of Technical Information (Article 10) and General Provisions (Article 11) supported by six annexures described as "exhibits", they being BOLLGARD I® Gene Equivalency and Gene Event Testing Protocol (Exhibit A); BOLLGARD I® Quality Assurance Criteria and Test Methods (Exhibit B); Procedure for Archiving/Storage of Samples of Seed Lots (Exhibit C); BOLLGARD I® Trademark Sub-license (Exhibit D); Shareholding Pattern (Exhibit E) and Product Stewardship (Exhibit F). In the said agreement, the third plaintiff is described as the "sub-licensor", its rights being under the sub-license granted in its favour by the first plaintiff whereas the other party, the respective defendants, have been described as "sub-licensee". In the preamble itself it is declared that the sub-licensor had been licensed by the first plaintiff and had full right and authority subject to obtaining necessary regulatory approval to further sub-license Monsanto Technology to Sub-licensee, the grant of the sub-license by the agreement being on account of the sublicensee being interested in licensing the Monsanto Technology from the sub-licensor and the latter being agreeable to so grant sub-license to use the Monsanto Technology for good and valuable consideration and on the terms and conditions set forth in the agreement. Pertinent to note that the 2015 sub-license agreements also referred to 2004 sub-license agreements and, thus, indicative of the arrangement thereunder being in continuation of the initial agreement of 2004, of course, with the addition of BOLLGARD II technology which had been developed subsequently.

**27.** The expression "Monsanto Technology" which is at the core of the dispute was described in the agreement (in Article 1.25) to mean "MON15985 Event and MON531 Event together in a cotton plant seed (Containing the B.t. Genes) which may be branded as BOLLGARD I®". The expression "B.t.gene" (loosely expressed also by both sides as "Bt.gene") as appearing in the definition of Monsanto Technology was defined (in Article 1.03) to mean collectively the inserted transgenic DNA present within the genome of the MON531 Event and encoding CryIAc and the inserted transgenic DNA present within the genome of the MON15985 Event and encoding Cry2Ab, which when localized together within a Cotton genome, confer Insect

Tolerance upon a Cotton plant, seed, or tissue, having said genome and upon progeny thereof containing such transgenic DNA;. The agreement acknowledged patent rights of the plaintiffs, describing them as "Monsanto Patent rights" (per Article 1.24) to mean all patents relevant to Hybrid Cotton Planting Seed containing the Monsanto Technology, and any patent application or issued patent in, the United States or any other country or jurisdiction as well as any extensions or other government actions which extend any of the subject matter of such patent application or patent, and any substitutions, confirmations, registrations, or revalidations of any of the foregoing, in each case, that are owned, or controlled by Monsanto Company or its Affiliates. The broad contours of the sub-license were set out in (Article 2.01 of) the agreement as under:-

"Sub-licensor hereby grants to Sub-licensee, and Sublicensee hereby accepts, on and subject to the terms and conditions of this Agreement, a non-exclusive, nontransferable sub-license to use Monsanto Technology in the Territory without the right to sub-license: The sublicense is granted to sub--licensee to develop, test, produce (limited to the authorizations under Appendix, B hereto), and sell Genetically Modified Hybrid Cotton Planting Seed itself in the Territory under applicable Monsanto Patent Rights Sub-licensee shall have no further right to sub-license the Monsanto Technology unless explicitly permitted in writing herein".

**28.** As can be seen from the above, in terms of the sub-license granted, the defendants were entitled to develop "Genetically Modified Hybrid Cotton Planting Seeds" (for short "GM hybrid Cotton Seeds), inter alia, with the help of Monsanto Technology and to commercially exploit the same subject to the limitations set out in the agreement, such expression having been elaborated (in Article 1.16) as Hybrid Cotton Planting Seed which has been Genetically Modified to contain within its genome the Monsanto Technology, and such seed and cotton plants grown from such seed, exhibit Insect Tolerance. The conditions subject to which the sublicense was granted are set out in various clauses (of Article 2) which may be summarized a little later. For the present, it be noted that Monsanto Technology was transferred by the plaintiffs unto the respective defendants in terms of the agreement initially by handing over of "Donor Seeds (50 gms., per pleadings)", as agreed by the following clause (4.01) of the contract:-

"Subject to Sub-licensee meeting the conditions and obligations under this Agreement and obtaining necessary approval from the Institutional Bio-Safety Committee, Sub-licensor shall hand over the Donor Seed to Sub-licensee. Sublicensee hereby acknowledges that it has received the Donor Seeds vide the Sub-Licensing Agreements executed earlier. Upon receipt of the Donor Seeds, Sub-licensee acknowledges that it has used the Donor Seeds to introgress the Monsanto Technology into Sub-'-licensee's Cotton Proprietary Germplasm in compliance with any applicable laws and regulations and also complying with the Quality Control Plan (annexed hereto as Exhibit B) and into, no other Cotton germplasm".

**29.** The expression "Donor Seed" as appearing in the above clause of the agreement was defined (in Article 1.11) to mean Cotton seeds containing the Monsanto Technology that have been imported into the Territory by Sub-licensor or its affiliates and made available by Sub-licensor to Sub-licensee in connection with the terms of this Agreement, the clause (a) of Article 3.01 indicating it to be against payment of "non refundable" upfront fee of Rs. 50,00,000/- (Indian Rupees Fifty Lakhs Only) plus applicable taxes, the subsequent contractual arrangement for use of Monsanto Technology thereafter being subject to periodic payment of "trait value", the rates

concerning which may be summarized as under:-

Trait Value/Unit	MRP (in rupees)	TRAIT VALUE (in rupees)	MRP (in rupees)	TRAIT VALUE (in rupees)	MRP (in rupees)	TRAIT VALUE (in rupees)
1 unit = 450 g						
Guj, Mha, AP, Kar, MP, TN	930 ≥ MRP	163.28	930 < MRP ≤ 1000	163.28 + 16.6% OF (MRP - 930)	1000 < MRP ≤ 1100	174.90
Punjab, Haryana, Rajasthan	1100 ≥ MRP	174.90				
Anywhere in India	1100 ≤ MRP	174.90 + 16.6% OF (MRP - 1100)				

**30.** The conditions of the sub-license included confidential clause binding both sides. The plaintiffs obligation primarily concerned continued technical support in the shape of training of the personnel of the defendants at their costs; provision for giving advisory concerning procurement of kits, instruments or other lab supplies as would be required by the defendants to carry out their activities under the agreement; issuance of letters of confirmation and no objection certificate as would be necessary for approval to be taken from Genetic Engineering Appraisal Committee (GEAC) for the hybrid seeds to be developed in such wake.

**31.** The defendants' obligations, elaborately expressed, may be summarized here. Defendant shall sell GM Hybrid Cotton Planting Seed under its own brand name, complying with BOLLGARD II Trademark Sublicense. It shall also conspicuously display "BOLLGARD II" trademark on all packages of GM Hybrid Cotton Planting Seed containing Monsanto Technology and in all promotional and advertising material related thereto in the manner specified in the Trademark Sub-License. Defendant shall neither reverse engineer, isolate, modify Monsanto Technology nor cross or backcross B.t. Gene, Cry1Ac and CryAb, individually or in combination into Cotton Public Germplasm or sell the same. It shall also not commercialize, sell, distribute GM cotton that is not approved for sale by all applicable Government authorities. It will not market or otherwise commercialize GM Hybrid Cotton Planting Seed without (each lot) being tested for 'Gene Equivalency' as per Exhibit A and 'Quality Assurance Criteria' as per Exhibit B. Exhibit A (BOLLGARD II® Gene Equivalency and Gene Event Testing Protocol) explained its primary purpose to be Regulatory approval of any Genetically Modified Hybrid Cotton Seed requires submission of (a) evidence confirming the presence of the Monsanto Technology in such hybrid seed; and (b) data on B.t Gene (and protein) expression sufficient to ensure that each such hybrid seed produced by Sub-Licensee contains the Monsanto Technology and meets a minimum standard of performance for B.t. Protein expression prior to commencing any field trials and licensed sale., casting certain obligations on the sub-licensee (the defendants) to submit and correspondingly on the sub-licensor (the plaintiffs) to conduct tests on the hybrid seeds to confirm not only the presence of Monsanto Technology but also to ensure quality controls, as further explained in Exhibit B prescribing the criteria and test methods. On failure of any lot to satisfy such 'Quality Assurance Criteria' the said lot shall be destroyed by defendant or dealt with as instructed by plaintiff. But defendant shall not sell any part of the said lot. Defendant shall follow the Stewardship and Quality Assurance Criteria as per exhibit F and B respectively. Defendant shall notify plaintiff upon receipt of GEACs approval for defendant's new hybrid and inform the date of commercial release of the new hybrid

containing Monsanto Technology. Defendant shall submit a report, not later than 3rd calendar date of every month, covering the prior calendar month containing the information needed to calculate the trait value and shall also submit summary report for the period March to November (kharif) and December to February (Rabi). It shall keep books and records capturing details of sales of GM Hybrid Cotton Planting Seed and other relevant information as required by plaintiff to calculate trait value. On termination of agreement under certain articles in the agreement [including 9.02(b) (i)], the defendant shall immediately cease selling or otherwise distributing the GM Hybrid Cotton Planting Seed and shall destroy all such GM seed in existence and its possession. Defendant shall also destroy all parent lines or other cotton germplasm which has been modified to contain Monsanto Technology.

**32.** The agreement stipulated (by Article 9) its initial term to be five years effective from 1st April, 2015 though with provision for its renewal for additional period of three years each by mutual agreement in writing and (by Article 9.02) for "early termination" by giving a prior written notice, in the case of breaches, the agreement (in that Article) reading thus:-

"(i) by the non-breaching Party, if another Party breaches this Agreement and such breach is not cured within ninety (90) days after notice to the breaching Party, or if the breach is not capable of being cured, then this Agreement may be terminated forthwith upon such notice; provided, however, that the non-breaching Party shall retain all remedies available at law, against the breaching party for such breach whether or not the non-breaching party elects to terminate this Agreement;"

**33.** The breaches leading to possible early termination would undoubtedly include default in making payment of the consideration (trait value) as stipulated in Article 3, in which event the termination could be enforced "with immediate effect". The other clauses of the agreement pertaining to early termination may not be relevant here as the cause of action claimed in the present suit is on account of default in payment of trait value.

**34.** The obligations on each side, upon the sub-license coming to an end, by efflux of time or upon premature termination, were agreed to be covered by the following clauses (which contain some grammatical, punctuation or other errors) extracted verbatim :-

#### "9.03 Survival of Covenants

Notwithstanding any termination of this Agreement, whether upon the expiration of the term thereof or pursuant to Article 9.02, the Parties shall continue to be bound by (a) the confidentiality and non use provisions of Article 6; (b) the Infringement Claims and Exclusion of Warranty provisions of Article 8;(c) the provisions on dispute settlement contained in Article 11; (d) any other provision of this Agreement required for the interpretation of Articles 6 and 8. And Article 11.02; (e) liabilities for unfulfilled obligations or breach of contract that arose prior to the date of termination; and (f) payment obligations that arose as a result of activities prior to termination; (g) the Export Regulations provision of Article 10.01; and (h) any other provisions which by their nature should survive. (g) Records and books maintained by the Sub-Licensee under Article 3.05 and any other provisions which by their nature are intended to survive the expiry or termination of the Agreement.

#### **9.04 Disposition of Inventory Upon Termination**

Except for termination under Articles 7.03, 9.02 or (e) (h) upon the expiration or earlier termination of this Agreement, Sub-licensee after obtaining writing consent from the Sub - Licensor only shall have two (2) years to receive, store, delint, condition or sell, in the Territory, any existing inventories, of the Genetically Modified Hybrid Cotton Planting Seed in Sub-licensee's possession or under contract for production on the date of expiration or- date of notice of termination, as the case may be, subject to payment of fees on all such sales as provided in Article 3 but, otherwise, Sub-licensee shall not produce or sell Genetically Modified Hybrid Cotton Planting Seed or allow any third party to produce or sell Genetically Modified Hybrid Cotton Planting Seed on its behalf. It is hereby expressly agreed by the Sub-License, that the Sub-licensor has the right to withhold such consent or take any other action (including but not limited to right to cease such sales, and/or disposition of inventory or take charge of such inventory), under this clause if the Sub-Licensor believes or has reason to believe that the (i) Sub-Licensee has materially breached any of the terms and conditions of this Agreement or (ii) It has defaulted in making all payments due and payable to the Sub-Licensor under Article 3 of this Agreement. Sub-Licensor reserves the right to use such proceeds from sale of Sub-licensee's inventory to repay such unpaid Sub-licensor; Any Genetically Modified Hybrid Cotton Planting Seed in Sublicensee's possession upon expiration of the period for sale of existing inventories of Genetically Modified Hybrid Cotton Planting Seed, pursuant to the preceding sentence, shall, at the end of such period, be disposed of by Sublicensee, at Sub-licensor's option, by sale to Sub-licensor or by disposition for non-planting-seed purposes. Such sales to Sub-licensor shall not be considered sales for purposes of calculation and payment of fees due under this Agreement. In addition, Sub-licensee shall destroy (iii) any converted or under trait conversion Cotton germplasm (parent lines) containing any B.t. Gene or Monsanto Technology licensed hereunder, and (iv) Genetically Modified Hybrid Cotton Planting Seed under seed production, both in the presence of Sub-licensor or its nominee.

#### **9.05 Disposition of Documents Upon Termination**

Upon the expiration or' earlier termination of this Agreement. Sub-licensee shall return all technical documents provided by Sub-licensor under this Agreement or shall destroy such documents or if so requested by Sub-licensor with written proof of such destruction being given to Sub-licensor.

#### **9.06 Termination Under Articles 9.02(a)(i) and (ii) and 9.02(b)(i), (iii), (iv), (vii), (ix), and (x)(sic)**

If Sub-licensor terminates under Articles 9.02(a)(i) and (ii) and 9.02 (b)(i), (iii), (iv), (vii), (ix) and (x), Sublicensee shall immediately cease selling or otherwise distributing the Genetically Modified Hybrid Cotton Planting Seed under this Agreement and shall immediately destroy all of such Genetically Modified Hybrid Cotton Planting Seed then in existence and its possession or which may be produced under existing seed production arrangements. Sub-licensee shall immediately destroy all parent lines or other Cotton germplasm which has been modified to contain the Monsanto Technology. Sublicensee shall certify such destruction by written notice to Sub-licensor."

**35.** It must be clarified here that reference to provision concerning "infringement clause" under Article 8, as appearing in Article 9.03 quoted above relates to third party claims only.

**36.** The stipulations pertaining to the trademarks concerning which the sub-licensor (the plaintiff) claims exclusive rights were covered by Exhibit D (appended to the sub-license agreement), following para (No. 6) whereof is of crucial importance:-

"6. Sub-licensee acknowledges MONSANTO'S exclusive ownership of all right, title and interest in and to the BOLLGARD I® Trademark and agrees that sub-Licensee's use of the BOLLGARD I® Trademark shall inure to the benefit of MONSANTO. The sub-licensee further agrees that it will in no way dispute, impugn or attack the validity of said BOLLGARD I® Trademark or MONSANTO'S rights thereto."

**37.** It may be added that in terms of (para 1 & 2 of) the abovesaid document (Exhibit D) while the sub-licensor had granted to the sublicensee a non-exclusive, non-transferable royalty-free license to use the BOLLGARD I® Trademark on or in relation to Genetically Modified Hybrid Cotton Planting Seed, without the right to further sub-license, solely in connection with the promotion or sale of goods. The defendants (sub-licensees) agreed that they would use the BOLLGARD I® Trademark only on such goods as meet all the standards for Quality Assurance Criteria set out in the Sub-License Agreement.

**38.** Before moving on, it needs to be noted that the sub-license agreement also contained a stipulation (Article 11.02) concerning "dispute resolution and arbitration" respecting disputes "arising out of or in connection" with the agreement which "cannot be settled by good faith negotiation" between the parties, such dispute including issues relating to the "existence, validity, interpretation or termination" of the contract, the seat of such arbitration being in Mumbai (India) to be in accordance with the Arbitration and Conciliation Act, 1996. What is also of great import is the following clause (Article 11.03) on the subject of "Modification by Legislation" it running thus:-

"If, during any time during the term of this Agreement, any provision, terms, conditions or object of this agreement may be in conflict with laws of the country of any Party hereto, the Party concerned shall notify the other Party thereof and appropriate modifications of this Agreement shall be made by the Parties hereto to avoid such conflict and to ensure lawful performance of this Agreement".

#### B. (iv). USE OF SUIT PATENT BY THE DEFENDANTS

**39.** The claim of the plaintiffs is that their technology has caused huge benefits to Indian farmers. As per pleadings, during the period 2002-14, India became the largest producer and exporter of cotton by tripling its production; productivity of cotton increased from 308kg/ha to 570 kg/ha; income of farmers increased by USD 16.7 billion; and the cotton farmers in the three largest cotton-growing States i.e. Maharashtra, Andhra Pradesh and Gujarat, experienced large gains. The invention, per the plaintiffs, is advantageous as it leads to improved control of susceptible insects, minimizing the development of insecticide-resistant insect strains, obtaining a great number of commercially viable insect resistant plant lines, and achieving season long protection, the introduction of BOLLGARD and BOLLGARD II technology into India having helped reduce the use of chemical insecticides by cotton farmers in India by more than 50%.

**40.** The defendants in (para 13 of) the factual background set out in the written statement, however, justify the taking of the sub-licenses in respect of the suit patent

from the plaintiffs on account of compulsion to migrate to Cotton Hybrids with Bt. Trait due to the "noteworthy" fact that "cultivation of cotton crop without Bt. Trait alongside cultivation of cotton crop with Bt. Trait is not advisable as the bollworms tend to migrate to the cotton crop without Bt. Trait causing extensive damage to such cotton crop."

**41.** The defendants having acquired the sub-licenses in respect of the suit patent, and registered trademarks, of the plaintiffs under the above mentioned agreements admittedly put it to use describing, in the written statement, the activity undertaken thus :-

"10. That the Defendants, thereafter integrated the Bt. Trait from the Transgenic Bt. Cotton Seed procured from the Plaintiff No. 3 in the following manner:- The Defendants sown seeds of their proprietary cotton variety alongside the Transgenic Bt. Cotton seed. The Transgenic Bt. Cotton seed and the Defendants' seed yield different plants, which are cross pollinated at flower stage. The cotton balls from the Defendants' plant have cotton seeds, which are embedded with the Bt. Trait ("Bt. Cotton Varieties"). Those Bt. Cotton Varieties are used for developing proprietary hybrid ("Bt. Cotton Hybrids"). The Defendants conduct extensive agronomic evaluation trials of newly developed Bt. Cotton Hybrids to ascertain their agronomic utility to the farmers and obtain the approval of GEAC under the Environment (Protection) Act, 1986 for the commercial release of each new Bt. Cotton Hybrid which are found good in the agronomic evaluation. The process of development and approval of each Bt. Cotton Hybrid takes approximately 7 to 8 years.

**11.** That the seeds of GEAC approved Bt. Cotton Hybrids are produced in mass scale and distributed to the farmers. The seed production and supply of any approved Bt. Cotton Hybrid to the farmers requires approximately a period of 3 years i.e. production of breeders seed, foundation seed or parent seed in the first two years to produce seeds of Bt. Cotton Hybrid in mass scale in the third year. ("Bt. Hybrid Cotton Seed")...."

**42.** Pertinent to add here itself that though submitting that Bt. Trait is "only a loss termination mechanism of the genetic potential of the Cotton Hybrid", it having no contribution to enhancement of yield and further that the Bt. Trait needs to be integrated with superior cotton hybrids which have the desired agronomic traits such as yield, fiber quality, resistance to various diseases like Alternaria, Bacterial blight, Cercospora and sap sucking pest like jassids, thrips, whiteflies etc. and abiotic stress like drought, the defendants in their written statement (para 12 of factual background) concede that Bt trait ensures that the cotton crop is bollworm resistant, though qualifying it with submission that "yield potential and tolerance to abiotic and biotic stresses of the cotton crop" is dependent on the genetic potential of the cotton hybrids developed by the defendants.

#### B. (v). SEED PRICE CONTROL REGIME

**43.** Article 39 of the Constitution of India as appearing in the Directive Principles of State Policy (Part IV) guides the State to follow certain principles in its policy to, inter alia, secure that the ownership and control of the material resources of the community are so distributed as best to sub-serve the common good. The first Chapter in Part XI of the Constitution deals with legislative powers, Article 246, referring, inter alia, to the Seventh Schedule which contains three lists, the first list (List I) pertaining to matters in the exclusive domain of the Parliament, known as "Union List", the second list (List II) similarly setting out the subjects entrusted to

the exclusive domain of the State legislature it being known as "State List", and the third (List III) known as "Concurrent List" wherein both the Union legislature and the State legislature have the power to legislate subject, however, to certain limitations prescribed by the further provisions, inconsistency between the laws made by Parliament on one hand and laws made by the State legislature being regulated by the provisions of Articles 245 to 254.

**44.** The Concurrent List, in entry No. 33, covers the subject of "Trade and Commerce in, and the production, supply and distribution of" amongst others, cotton seed. The said entry of the Concurrent List qualifies the legislative power of the State legislature generally on the subject of "Production, supply and distribution of goods" as covered by (entry No. 27 in) the State List. Crucially, the subject of "price control" falls within the domain both of the Union and the State legislatures in terms of entry No. 34 of the Concurrent List.

**45.** In exercise of the legislative power conferred upon it, inter alia, by (entry Nos. 33 and 34 of) the Concurrent list, the Parliament enacted the Essential Commodities Act, 1955 and the Seeds Act, 1966. While the preamble of the Essential Commodities Act, 1955 declared the objective to be "to provide, in the interest of the general public, for the control of the production, supply and distribution of, and trade and commerce, in certain commodities," the purpose of enactment of the Seeds Act was explained in its preamble simply as "to provide for regulating the quality of certain seeds for sale, and for matters connected therewith".

**46.** The commodity in the nature of "seed" was defined by Section 2(11) of the Seeds Act, 1966 to mean "seeds used for sowing or planting" inclusive of "cotton seeds". But, the provisions of the said enactment show the prime object of the regulation intended thereby is to provide quality controls, germination, distribution and sale of different varieties and not to regulate price. In contrast, Section 3(2)(c) of the Essential Commodities Act confers power on the Central Government to make suitable orders, inter alia, "for controlling the price at which essential commodity may be bought or sold". It is in exercise of such power that the Central Government promulgated the Seeds (Control) Order 1983, published in the Gazette of India on 30.12.1983.

**47.** By the Essential Commodities (Amendment) Act, 2006, Section 2A was inserted in the Essential Commodities Act, 1955 to expressly provide as to what are the commodities as are intended to be covered by the expression "essential commodities", the same having been spelt out by their nature or category in the schedule, also inserted by the same amendment, power having been conferred thereby on the Central Government to add any commodity to, or remove from the said schedule, by notification in consultation with the State Governments, upon being satisfied that it was necessary so to do "in the public interest". The said amendment of 2006 by the schedule inserted to the Essential Commodities Act brought in seeds of various kinds amongst the essential commodities they, however, not specifically or expressly including "cotton seed". Interestingly, by notification - S.O. 2988 (E) : MANU/CAFF/0100/2010, dated 22nd December, 2010) - promulgated by the Central Government in exercise of the power conferred upon it by Section 2A(2)(a) of the Essential Commodities Act, the commodity in the nature of "cotton seed" came to be expressly added as entry No. (7)(iv) amongst the Essential Commodities specified in the schedule to the said legislation.

**48.** The history of legislation on the subject specifically of price control of cotton seeds was traced, and referred, by the learned counsel on both sides in their respective submissions, it generally beginning with the promulgation of an Ordinance

by the Government of Andhra Pradesh, eventually replaced by the Andhra Pradesh Cotton Seeds (Regulation of supply, distribution, sale and fixation of sale price) Act, 2007 enacted, to fill the vacuum and bring in suitable controls, on account of cotton seed having been rendered not an essential commodity within the meaning of Essential Commodities Act on account of its amendment in 2006. The expression "cotton seed" has been defined in this law to mean "cotton seed of any variety and includes the transgenic and genetically modified cotton seed varieties used for sowing", the word "transgenic variety" relevant to understand the import of the said definition having been explained to mean "seed or planting material synthesized or developed by modifying or altering the genetic composition by means of genetic engineering". Section 11 of the said law empowers the Government of the State of Andhra Pradesh to issue directions for price fixing thus:-

"The Government after taking into consideration of costs of production etc., including trait value wherever necessary obtained from various agencies concerned, may fix maximum sale price from time to time of all types of cotton seed very year."

**49.** It may be added here that similar legislations, or price control orders, were enacted or notified in due course by certain other state legislatures or governments, including those of Maharashtra, Gujarat and Telangana, they being Maharashtra Cotton Seeds (Regulation, supply, distribution, sale and fixation of sale price) Ordinance, 2008, Maharashtra Cotton Seeds (Regulation, supply, distribution, sale and fixation of sale price) Act, 2009, Gujarat Cotton Seeds (Regulation, supply, distribution, sale and fixation of sale price), Ordinance 2008 and Gujarat Cotton Seeds Act (Regulation, supply, distribution, sale and fixation of sale price), 2008, followed by price control orders issued under the said legislations, including by the Government of State of Telangana under the Andhra Pradesh legislation which had been adopted by it. The various notifications on the price control of cotton seeds, as promulgated by the above mentioned State Governments were referred to during the hearing and have been summarized by the defendants as under:

Particulars	Andhra Pradesh		Maharashtra		Gujarat		Telangana	
	(Inc. Taxes)		(Inc. Taxes)		(Inc. Taxes)		(Inc. Taxes)	
	BG I	BG II	BG I	BG II	BG I	BG II	BG I	BG II
<i>Year 2010</i>								
MRP	650	750	650	750	650	750	Part of AP	
TRAIT VALUE	50	90	50	90	NA	NA		
<i>Year 2011 to 2014</i>								
MRP	830	930	830	930	830	930	Part of AP	
TRAIT VALUE	50	90	20	20	NA	NA		
<i>Year 2015</i>								
MRP	830	930	730	830	-	-	830	930
TRAIT VALUE	50	90	20	20	-	-	10	50

**50.** It has been brought out by the defendants, and fairly conceded to by the plaintiffs, that the Government of India made its first formal intervention on the subject of regulation of prices of cotton seeds by promulgating Cotton Seeds Price (Control) Order, 2015, published in the official gazette by its Ministry of Agriculture and Farmers Welfare vide G.S.R. 936 (E) dated 7th December, 2015, in exercise of powers conferred upon it by Section 3 of Essential Commodities Act, 1955, with the avowed object of providing "for uniform regulation across India of the sale price of

cotton seeds with the existing and future Genetic Modification (GM) technologies" noting, inter alia, the earlier attempts by the State Governments to regulate the Bt Cotton seed prices including trait value component in exercise of powers under the Seeds Act 1966 and the demands raised by the farmers for regulation of prices of such commodity it having been highly priced. The definitions of some of the expressions, germane to the present discussion, as appearing in clause 2 in the said Cotton Seeds Price (Control) Order, 2015 include the following:-

"(e) "Cotton Seeds" means cotton seeds of any variety and includes transgenic and genetically modified cotton seed varieties such as Bt Cotton used for sowing;

(g) "Genetic Engineering or Genetic Modification Technology (GM Technology)", means the technology which involves insertion of genes from alien species such as Bt into the genome of a living organism thereby making the resultant organism express a particular trait or character, which does not hitherto occur naturally (resistance to pests such as bollworms or cotton plants resistant to weedicides for ease of crop management). Such genes inserted into a crop are referred to as transgenes and crops containing such transgene are referred to as GM crops;

(h) "GM Trait or Genetically Modified Trait" means an attribute (agronomic trait) or a character of an organism resulting from expression of transgene or genetic modification. Bollworm resistance or Herbicide resistance in Cotton are GM traits which are result of expression of the transgene or transgenes;

(j) "License Agreement" means the agreement between the Licensor and the Licensee under which GM Technology is provided to the Licensee;

(k) "Licensee" means the seed producing company, under a license from the Licensor or sub-licensor, using the GM Technology by transferring it into its cotton varieties or hybrids to produce and market their cotton seeds. The term Licensee shall also include and mean Sublicensee;

(l) "License Fee" means a onetime payment and other remunerations to be paid to the Licensor on sale of transgenic variety of cotton seeds and shall include any other alternative terms like royalty, Trait Value etc used in the License Agreement for such payments or remuneration;

(m) "Licensor" means the company that develops or obtains patent or a person, who obtained License from the Patentee and provides the GM Technology to the Licensee under a License Agreement and shall also include and mean a sub-licensor;

(n) "Local Taxes " means any tax or levy (except excise or import duty included in sale price) paid or payable to the Government or the State Government or any local body under any law for the time being in force by the Licensor or Licensee or their agent or Dealer;

(o) "Maximum Sale Price" means the maximum price inclusive of Seed Value, License Fee, Trade margin and local taxes or duties, at which the Cotton Seeds or transgenic varieties of Cotton Seeds are sold to the farmers;

(q) "Royalty (Trait Value)" means the amount, which the Licensor collects from the Licensee under the License Agreement for granting license to GM Technology;

(s) "Seed Value" means the sale value of Cotton seeds without license fee (royalty or trait value) but includes cost of production including processing, packing, distribution etc, research and development costs, administrative and overhead costs, cost related to business risks including obsolescence, after sales service and reasonable returns on investments and efforts;

(t) "Transgenic variety" means seed or planting material synthesized or developed by modifying or altering the genetic composition by means of GM Technology;

(u) "Variety" means a plant grouping except micro organism within a single botanical taxon of the lowest known rank, which can be -

(i) defined by the expression of the characteristics resulting from a given genotype of that plant grouping;

(ii) distinguished from any other plant grouping by expression of atleast one of the said characteristics; and

(iii) considered as a unit with regard to its suitability for being propagated, which remains unchanged after such propagation and includes propagating material of such variety, extant variety, transgenic variety, farmers' variety and essentially derived variety."

**51.** The Seeds (Control) Order, 1983 earlier promulgated by the Central Government had envisaged an authority known as "Controller of Seeds" to be appointed. By virtue of clause 3 of the Cotton Seeds Price (Control) Order, 2015, the said Controller of Seeds has been conferred with the additional power to "regulate the sale price of cotton seeds as may be notified by the Government from time to time", its functions (as per clause 4) also including to advise the Central Government, inter alia, on the subjects of regulation of sale of cotton seeds at notified Maximum Sale Price (MSP) and to prescribe licensing guidelines and format for all the GM Technology Licensing Agreements.

**52.** Clause 5(1) of the Cotton Seeds Price (Control) Order, 2015 issued by the Central Government confers upon it the power to fix Maximum Sale Price (MSP) in the following terms:

"Power to fix Maximum Sale Price (1) The Government may, after taking into consideration the Seed Value, License Fee which includes one time and recurring Royalty (Trait value), trade margins and other taxes, whenever necessary, as it may deem fit, from time to time, notify in the Official Gazette, the Maximum Sale Price of cotton seeds on or before 31st March of every year applicable for the next financial year."

**53.** For technical advice on the subject, the Cotton Seeds Price (Control) Order, 2015 of the Government of India envisages, by clause 5 (2), a Committee to be constituted. For purposes of the present discussion, under the cotton seeds price control regime of the Government of India, as enforced by Cotton Seeds Price (Control) Order 2015, note need to be taken further of the following clauses of clause 5:-

"(4) The Committee while recommending the Maximum Sale Price of Cotton Seeds, under this Order, shall have regard to the following factors which contribute to production of the Seeds namely:-

- (a) Seed Value;
- b) Dealer margins
- (c) License fees including royalty or trait value for the technology:  
and
- (d) Taxes, if any, on any of the items above.

(5) The Government, while fixing the Maximum Sale Price, shall also regulate the Seed value and License Fee including royalty or trait value, if any, that constitute components of the Maximum Sale Price.

(6) Maximum Sale Price fixation along with fixation of the components under sub-clauses (1) and (5) above shall be binding on all stakeholders including the Licensor and the Licensees, notwithstanding anything contained in any contract or instrument to the contrary.

(7) No licensor, licensee or Dealer shall cause distribution and sale of seeds above the Maximum Sale Price fixed by the Government under this order.

(8) All License Agreements shall be as per the format, as may be prescribed by notification."

**54.** In exercise of power conferred upon itself by the Central Government in terms of Cotton Seeds Price (Control) Order, 2015, it proceeded to issue a notification vide No. S.O. 686 (E) : MANU/AGRL/0010/2016 dated 8th March, 2016, published in the Gazette of India by its Ministry of Agriculture and Farmers Welfare declaring the MSP of Bt. Cotton Seeds packets (each containing 450 grams of Bt. Cotton seed plus 120 grams refugia) for the financial year 2016-2017, for the whole of India; the MSP for BG I version of Bt. Cotton Hybrid Seeds being Rs. 635 per packet, it in entirety representing the seed value with zero trait value being payable, while the MSP for BG II version being Rs. 800 per packet it being inclusive of Rs. 751 towards seed value and Rs. 49 on account of trait value, including taxes payable thereon.

**55.** The submissions on both sides reveal that the State legislations or notifications, as also the intervention of the Central Government by above noted Cotton Seeds Price (Control) Order, 2015, were challenged in various High Courts or fora by various seed companies, including by parties on both sides to the present litigation, such challenges by and large being still sub-judice.

**56.** For completion of narration on the subject, note also need to be taken of the "Licensing and Formats for GM Technology Agreement Guidelines, 2016", notified and published by the Government of India, through its Ministry of Agriculture and Farmers Welfare, in exercise of the powers conferred upon it by Clause 5(8) read with Clause 4(b) of Cotton Seeds Price (Control) Order, 2015. The third para of these Guidelines obliges the licensor and licensees to ensure that all agreements executed by them "fulfil the criteria" provided therein, directions primarily being to ensure non-discriminative licensing to encourage competition and availability of GM cotton seeds to cotton farmers at fair and reasonable prices. The fourth para of these Guidelines is of some interest in the present discourse and, thus, is extracted as under:--"4. Trait Value.--

"(1) In order to effectively operationalise the Order for the benefit of the farmers it is imperative for License Agreements to conform to the stipulations laid down under the Order and in particular the Licensor and Licensee are

required to ensure that the "Trait Value" collections and sale of cotton seeds effected through bilateral agreements between Licensors and Licensees so as to conform to the "Trait Value", "Seed Value" and "Maximum Sale Price" fixed by the Central Government pursuant to the Order.

(2) The Central Government while fixing the "Trait Value" shall have regard to the efficacy of the GM Trait to the farmers, the reward and return on investment already made by the concerned proprietor or as the case may be, the authorized user of the GM Technology used for developing GM Trait and the applicable ceiling limits on royalty collections prescribed, if any, by regulations and press notes issued under the Foreign Exchange Management Act, 1999 (42 of 1999). The Central Government shall also consider factors like the year of patenting and commercialization of the trait in India, efficacy of trait, gradual reduction in trait value from the year of commercial use in India etc. For a new GM Trait, commercialized after this notification, the maximum trait Value may be up to 10% of Maximum Sale Price (MSP) of GM cotton seeds as fixed by the Central Government under the said Order every year, for the initial period of five years from commercialization. From the sixth year onwards, it shall taper down every year @ 10% of initial trait value as above fixed under the Order.

(3) As the GM Traits are expected to have a limited period of efficacy, any GM Trait which loses its efficacy as reported by States and verified by the Indian Council of Agricultural Research (ICAR) shall not be eligible for any trait value whatsoever. Presence of the trait in the seed after the loss of efficacy shall not be a reason for claiming any trait value merely on the basis of patent for the technology which is used to develop the trait.

(4) In case the GM Trait is to be combined with any other GM Trait, the trait value amounts in respect of both the GM Traits shall also be subject to conditions as prescribed above and the launching year of the combined (stacked) trait becomes the first year of the launch of the trait even though both or any one of the traits have been launched earlier separately.

(5) The Licensee is obligated to pay the trait value as fixed under the Order even if they surrender or terminate agreements or obtain the license as per sub-paragraph (5) of paragraph 3 as long as the GM Trait is effective and they continue to sell the seeds of the transgenic varieties or hybrids containing the GEAC approved GM Trait"

**57.** It may be added that the format for "GM Technology (GM Trait) Licensing Agreement" has been included in the annexure to the above-mentioned Guidelines notified by the Central Government.

#### B. (vi) THE EVENTS LEADING TO THE PRESENT SUIT

**58.** The pleadings on record show it to be an admitted case on all sides that the first and second defendants by their communication dated 19.7.2015, informed the third plaintiff that the trait value payable under the 2015 Sub-License Agreements stood statutorily modified calling upon the latter (the third plaintiff) to charge the revised trait value. This request was turned down by the third plaintiff which took the matter to the High Court of Judicature at Bombay by filing on 01.08.2015 petition Nos. 1545, 1550 and 1565 of 2015, under Section 9 of the Arbitration and Conciliation Act, 1996, referring, inter alia, to the arbitration clause, in the Sub-License Agreement and seeking direction to the defendant to deposit the amounts representing the trait value payable thereunder. It was conceded at the hearing by all

sides that the said petitions under Section 9 of Arbitration and Conciliation Act, 1996 are pending before the High Court of Judicature at Bombay and no effective orders favourable to the plaintiffs, or adverse to the defendants, have been passed till date thereupon.

**59.** For the kharif 2015-16 season, the third plaintiff concededly by further communications dated 11.09.2015 called upon the defendants to pay the trait value in terms of 2015 Sub-License Agreements, but such demand not being complied with. Instead, by their similar communications dated 16.10.2015, the first and second defendant requested the plaintiff to refund the trait fee statedly paid "in excess", referring to the Government of India price control orders. This demand did not find favour with the third plaintiff which responded by communication dated 28.10.2015 alleging, inter alia, the breach of the sub-license agreements.

**60.** By similar communications dated 14.11.2015, the third plaintiff informed each of the three defendants, its decision to sever ties by "termination" of 2015 Sub-license Agreements while offering to consider "one time pro tem arrangement" reminding the defendants of their contractual obligations. The termination of the Sub-License Agreements was disputed by the first and second defendants by similar communications dated 23.11.2015 and by the third defendant by communication dated 26.11.2015. The third plaintiff, by separate letters dated 27.11.2015, and email communications dated 2.12.2015, reiterated the termination informing each of the defendants that it (termination) had become effective.

**61.** It is necessary, at this stage, to extract the relevant portions of the communication dated 14.11.2015, sent in identical phraseology by the plaintiff to each of the three defendants, the para quoted here having been picked up from the one addressed to the first defendant (wherein the expression "MMB" refers to the third plaintiff and the expression "NSL" refers to the first defendant):-

"...It is a matter of great concern that NSL is in breach of its payment obligations under the 2015 Sub-license Agreement, and in particular under Article 3.01 thereof. MMB has repeatedly requested and called upon NSL to clear such due amounts. However, NSL has persistently failed and neglected to pay the said monies to MMB despite the fact that NSL still continues to use and commercially exploit the Monsanto Technology as a sub-licensee under the 2015 Sub-license Agreement and NSL continues to derive benefits from sales of Genetically Modified Hybrid Cotton Planting Seed.

NSL's above actions amount to breach of Article 3 of the 2015 Sub-license Agreement. NSL's aforesaid conduct is particularly aggravated by recent events including NSL's 'non-payment and demand for refund of payments made in the past, under prior agreements, without any credible cause or justification. Accordingly, in exercise of its rights under Article 9.02 (b) (i) of the 2015 Agreement, MMB hereby terminates the 2015 Sub-license Agreement for breach of Article 3 of the 2015 Sub-license Agreement with immediate effect. Consequently, the Trademark Sub-License Agreement shall also stand terminated with immediate effect. As per terms of the 2015 Sub-license Agreement, upon instant termination, NSL is obligated, inter alia, to immediately cease selling or otherwise distributing Genetically Modified Hybrid Cotton Planting Seed. However, without limiting the above in any manner, we may be willing to consider a one-time pro tem arrangement for Kharif 2016 on terms to be agreed, subject to NSL paying the entire outstanding amounts due and payable to MMB and withdrawing all claims made vide its letters dated 16.10.2015 within a period of seven (7) calendar

days from receipt of this notice... "

**62.** As is clear from the above extract, 2015 Sub-License Agreements were terminated by the plaintiff asserting its right under Article 9.02 (b) (i) of 2015 Sub-License Agreements which, in turn, reads as under (quoted verbatim):-

"(b) Sub-Licenser may terminate this Agreement with immediate effect; if-

(i) If Sub-Licensee breached its obligations under i.e., defaulted in making payment under Article 3-including clauses 3.01 and 3.03, 3.06"

**63.** The Central Government having promulgated Cotton Seeds (Control) Order, 2015, the third plaintiff proceeded to challenge its validity by filing writ petition (civil) No. 12069/2015 in this Court. By order dated 9.3.2016, the Court observed only that in the event the petitioners succeeding in the said petition, the equities would be worked out at such stage.

**64.** In the wake of demand by defendants for refund of the trait value statedly paid by them in excess in the face of price control by the governmental action, the third plaintiff sent further communications dated 24.12.2015 to the defendants denying that any such right vested in them indicating that it was open to interim arrangements confined to Kharif season 2016 only, without prejudice to termination notice.

**65.** The Parliament had enacted the Competition Act, 2002, some of the provisions of which came into force on 31.3.2003, its objective being to provide, keeping in view the economic development of the country, for the establishment of a Commission to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interest of consumers and to ensure that freedom of trade is carried on by other participants in markets, in India, and for matters connected therewith or incidental thereto. This enactment repealed the erstwhile legislation called the Monopolies and Restrictive Trade Practices Act, 1969 dissolving Monopolies and Restrictive Trade Practices Commission (MRTPC) established thereunder, and creating a new regime for its enforcement including the Competition Commission of India. There are detailed provisions contained in the second chapter of this law on the subject of "Prohibition of Anti Competition Agreements" (Section 3) or "Abuse of dominant position" (Section 4). The Competition Commission is empowered by Section 19 to hold inquiry into the alleged contravention of the provisions of the law, inter alia, on its own motion, or on "receipt of any information", or upon a "reference made" to it by the Central Government, or State Government, or statutory authorities.

**66.** A reference was made under the above said provisions of law by the Department of Agriculture, Cooperation and Farmers Welfare in the Ministry of Agriculture and Farmers Welfare, Government of India (MOA&FW) against the third plaintiff, it having been registered as Reference Case No. 02/2015. This seems to have been followed by information on similar lines being given to the Competition Commission by the defendants herein against the plaintiffs, it having been registered as Case No. 107/2015. Both the reference and the information alleged contravention by the plaintiffs of the provisions of Sections 3 and 4 of the Competition Act, 2002 on account, amongst others, of insistence upon payment of trait value for the technology in question under the sub-license agreements which are subject matter of the present case, the said acts of commission or omission being arbitrary, anti-competitive and being in the nature of abuse of dominant position. By a majority decision of the Competition Commission rendered on 10.2.2016 (one member dissenting), a prima facie case of contravention of Section 3 (4) and Section 4 of the Competition Act,

2002 was found made out leading to a direction to the appropriate statutory authority to cause investigation into the matter. The plaintiffs have assailed the said order directing investigation of the Competition Commission of India by writ petition (civil) No. 1777/2016 in this Court. It is undisputed that the Court, in its writ jurisdiction, by order dated 1st March, 2016, while permitting the investigation by the Competition Commission of India to further proceed has directed that final order shall not be passed by the said authority on the basis of such investigation.

### C. THE CASE OF THE PARTIES

**67.** The plaintiffs have instituted the civil suit seeking the reliefs primarily in the nature of injunction as noted earlier, claiming cause of action on account of the defendants having continued, inspite of termination of the sub-license agreements (which include trade mark sub-license) to market and sell hybrid cotton seeds, the knowledge about the first defendant claiming to sell genetically modified hybrid cotton seeds having been gained on 18th December, 2015, followed by appearance of advertisements published at the instance of the defendants for advance booking of such products under a scheme during 20th January to 30th January, 2016. Succinctly put, the plaintiffs case is that the sub-license agreements having been terminated, the defendants are not entitled to use the Monsanto Technology (the suit patent), or the registered trademarks, respecting which limited rights were conferred upon them under the sub-license agreements. It is the averment of the plaintiffs that continued use of the Monsanto Technology by offering or selling of the hybrid cotton seeds by the defendants, marketing with the use of the registered trademarks of the plaintiffs, in packaging bearing the registered device/label of the plaintiffs, amounts to infringement of the suit patent and of the registered trademarks of the plaintiffs at their hands, it also constituting passing off their product illegally as that of the plaintiffs.

**68.** The defendants, by their joint written statement, contest, inter alia, on the averment that the termination of the sub-license agreements by the plaintiffs, being in the teeth of price control regime enforced by the State, was "illegal and arbitrary". While denying that the impugned activity undertaken by them amounts to infringement of the rights of the plaintiffs under the suit patent or registered trademarks, the defendants, inter alia, seek to question the validity of the suit patent under the Patents Act, 1970, arguing that such grant is in contravention of various provisions of the said law referring to Section 3(f), 3(h) and (j), Section 8, Section 10 (4) and Section 59 (1), submitting that impugned acts on the part of defendants are protected by the provisions of the Protection of Plant Varieties and Farmers Rights Act, 2001 ("Plant Varieties Act", for short), the said law by virtue of Section 92, overriding the Patents Act, 1970, it affording a right, under Section 30, to the use of any variety (of plant grouping) by any person as an initial source for the purpose of growing other varieties as is the activity statedly undertaken by the defendants, the limited corresponding right of the person claiming ownership of the intellectual property right of such variety to claim "benefit sharing" under Section 26. The defendants deny liability to pay "trait value" in terms of the sub-license agreements, referring to the price control enforced by the State and claim that the pleadings on record do not make out a case of infringement of the suit patent, or of the registered trademarks of the plaintiffs, or passing off, submitting that the expressions "BG I" and "BG II" on the packaging/trade dress of their product is not same as "BOLLGARD" or "BOLLGARD II".

### D. COURT PROCEEDINGS

**69.** When this suit raising commercial dispute was instituted, the defendants entered

appearance at the beginning on their own and accepted summons and notices on the very first day, i.e. 19.02.2016. After hearing both sides, while allowing time for filing the pleadings and directing local inspection, the court recorded the submissions and proceeded to pass ad interim injunction, it being a consent order, in the following terms:-

"...The grievance of the plaintiffs is with regard to the infringement of the plaintiffs' trademark in "BOLLGUARD/BG" and "BOLLGUARD-II/BG-II" as also with regard to the infringement of the plaintiffs' Patent No. IN214436 in respect of the Genetically Modified Hybrid Cotton Seeds. The plaintiffs have produced the sample of the packaged seeds of the defendants for a perusal of the Court. The same has been taken on record. On the packaging itself, the label number, lot number and Date of Testing (DOT) is indicated. The defendants were earlier appointed as the plaintiffs' sub -licensees to manufacture & sell the seeds using the plaintiffs' trademark and Patent. The agreements had been terminated in November 2015.

After some argument, for the time being, it is agreed without prejudice to the rights & contentions of the parties, as follows:

(i) the defendants may sell the seeds already manufactured by the defendants, which were manufactured up to 30.11.2015 with the plaintiffs trademarks aforesaid in the packaging shown to the Court. However, no seeds manufactured by the defendants after 30.11.2015 shall be sold till further orders of the Court.

(ii) The defendants have packed the said seeds, which were manufactured up to 30.11.2015. Learned counsel for the defendants submit that there could be other seeds manufactured up to 30.11.2015, which have not been so packaged. In respect of packaged seeds, which bear the Date of Testing (DOT) up to 30.11.2015, the defendants may sell the seeds as observed in (i) above.

(iii) In respect of the seeds which have been manufactured up to 30.11.2015, but have not been tested/packed, the defendants shall sell the seeds only after the same have been verified as having been manufactured up to 30.11.2015 by the Local Commissioner to be appointed by this Court. Unpackaged seeds which are certified by the Local Commissioner to be manufactured by 30.11.2015 may be packed and sold in the same packaging which the defendants are presently using, and which has been shown to the Court. Seeds which are not shown to have been manufactured by 30.11.2015, shall not be sold for the time being. For the purpose of verification, the concerned Local Commissioner shall be provided with all the relevant records by the defendants from which the factum of manufacture of the seeds on or by a particular date can be verified. The Local Commissioner shall, after inspection of the records, certify whether, or not, the seeds claimed to have been manufactured by the defendants up to 30.11.2015, have so been manufactured. The findings returned by the Local Commissioner shall, for the purpose of the interim arrangement, bind the parties.

(iv) Two representatives of the plaintiffs shall be entitled to accompany each of the Local Commissioners.

(v) The Local Commissioners shall inventorise the seeds which are packed/unpacked, and which have been manufactured up to 30.11.2015.

(vi) The Local Commissioners shall also inventorise the packaged/unpackaged seeds manufactured after 30.11.2015.

(vii) The seeds which have not been packaged shall be inventorised by weighing the same.

(viii) The defendants shall maintain the records, as well as the seeds, which are found to have been manufactured after 30.11.2015 till further orders of the Court.

(ix) The defendants shall pay to the plaintiffs the royalty in respect of the seeds, which are being permitted to be sold under this order. The defendants shall pay the amount, which, according to it, is payable to the plaintiffs. The disputed amount shall, however, be secured by the defendants by furnishing solvent security to the satisfaction of the Registrar General of this Court within the first two weeks of the month, following the month in which sales take place. The disputed amount shall be computed at the end of each month.

(x) The Local Commissioners shall also collect samples of the unpacked seeds, as also the packed seeds, and shall also be provided with copies of the reports of the defendants showing the date of manufacture and testing of the seeds. They shall form part of the reports of each of the Local Commissioners.

(xi) The Local Commissioners shall be entitled to take photographs.

(xii) The defendants assure that the Local Commissioners shall be provided full and complete assistance and cooperation, and there will be no hindrance caused in the execution of the Local Commissions.

(xiii) Looking to the nature of the task assigned to the Local Commissioners, and the time that they would take- which learned counsel for the plaintiffs has indicated would be at least two working days for execution of the Local Commissions, the fees of each of the Local Commissioners is fixed at Rs. 3 Lakhs, in addition to all other out of pocket expenses towards travel, boarding & lodging, etc. The same shall be borne by the plaintiffs in advance.

(xiv) The defendants shall file before this Court, the monthly sales reports in respect of the seeds in question...."

**70.** The directions in the above order with regard to the local inspection were partially modified by various subsequent orders (including orders dated 26.02.2016, 01.03.2016, 10.03.2016, 30.03.2016 and 04.04.2016), primarily to allocate, or clarify, the assignment of each local commissioner. On 29.04.2016, some controversy persisted with regard to completeness of the execution of the duties entrusted to the local commissioners, particularly concerning the sharing by the defendants of the relevant record. While giving suitable directions for discovery, and giving liberty to the plaintiffs to depute experts to visit the premises of the first defendant and elicit the necessary information from their systems/records, the ad interim injunction order

was clarified further in the following terms:-

"... Since the defendants' license in respect of the trademark 'Bollgard II' and that the license for use of the patent and technology of the plaintiff stands terminated (legality of which is disputed), it is made clear that in case the defendants sow any further seeds to produce G.M. seeds by use of the technology of the plaintiff, the same shall not create any equity in their favour...."

**71.** Upon consideration of an application (IA No. 5962/2016) that had been moved by the defendants with reference to the order dated 19.02.2016, by order dated 18.05.2016, taking note of the submissions of the defendants that the government had fixed the trait value, challenge whereunto was pending, no injunction in such respect having been granted by any court, the plaintiffs were "not entitled to charge anything over and beyond the said value" and further that the plaintiffs had themselves addressed communications to the sub-licensees, including one dated 06.05.2016, indicating their readiness "to receive trait value as fixed by the government" though also asserting that they were entitled to claim trait value under the Sub-License Agreements, clause (ix) of the consent order dated 19.02.2016 was modified so as to be substituted in the following terms:-

"(ix) The defendants shall pay to the plaintiffs the royalty in respect of the seeds, which are being permitted to be sold under this order. The defendants shall pay the amount, which, according to it, is payable to the plaintiffs. The defendant shall furnish a corporate indemnity to the plaintiff to indemnify its claim for the disputed amount for the period 01.04.2016 onwards."

**72.** By the above mentioned order dated 18.05.2016, it was further directed that the corporate indemnity in terms of the modified clause (ix) would be furnished within two weeks.

**73.** Prior to the above developments, a review petition (RP No. 98/2016) had been moved by the defendants. The said review petition was pressed for consideration on 30.05.2016. Again, both sides agreed and a consent order to the following effect was passed:-

"...After some arguments, it is clarified with consent that without prejudice to rights and contentions of the parties, the defendants are permitted to sell the GM cotton seeds produced/manufactured by the defendants, particulars whereof are as follows:

- i) 4,036,798 kg of unpackaged seeds, which may be packaged and sold.
- ii) 6,279,574 packets of 450 gms. each of seeds in terms of the order dated 19.02.2016 and the subsequent orders.

The same may be sold by the defendants by using the same packaging and marks as were being used at the time of passing of the order dated 19.02.2016.

In respect of all such sales, the defendant shall pay the trait value as fixed by the Government and shall secure the disputed amount by way of corporate indemnity as already directed.

The defendants shall furnish the month wise sales figures from November

2015 onwards uptill February 2016. The same be furnished to the plaintiff and filed on record within a week. The defendants shall continue to comply with the conditions earlier imposed with regard to further sales as well...."

**74.** Pursuant to the directions in the case, three separate similarly worded affidavits of Mr. Asheesh Kumar Singh, authorized representative of each of the three defendants, sworn on 26.07.2016 were filed, the third paragraph whereof, extracted from the affidavit submitted on behalf of the second defendant, would read as under:

"Without prejudice to the defenses available to defendant No. 2 in the present suit, I state on behalf of defendant No. 2 in the present suit, that in relation to the seeds produced from the cotton seed crop sown post November 30, 2015, the defendant No. 2 shall adopt a new packaging, samples of which are enclosed collectively as Annexure A-3 (Colly). That the defendant No. 2 shall initiate printing of the new packaging from August 1, 2016 onwards. I am advised to say that the said packaging does not use the trademarks BOLLGARD or BOLLGARD II in any manner."

**75.** The sample of the "new packaging", to which reference was made in the above extracted declaration in the affidavit, concededly contained the following declaration:-

"This pack contains NCS-245 BG-II cotton hybrid seeds, Non Bt cotton hybrid seeds in a small pouch and a multi-lingual product literature. The seeds of NCS-245 BG-II hybrid cotton stacked Cry1Ac and Cry2Ab genes of Event MON 15985."

**76.** The plaintiffs took exception and submitted, by application under Order XXXIX Rule 2A CPC (IA No. 9070/2016), inter alia, that the above declaration and material were indicative of the defendants overreaching the orders passed by the court and in blatant breach having continued to deal in GM cotton planting seeds beyond the period which was permitted under the consent orders, thereby continuing to infringe the plaintiffs' patent rights. By the said application under Order XXXIX Rule 2A CPC, certain further restraint orders and directions were prayed for.

**77.** When the application (IA No. 9070/2016) under Order XXXIX Rule 2A CPC came up for consideration on 01.08.2016, the learned counsel for the defendants accepted notice and was granted time to file reply. On the same date, on instructions, it was submitted on behalf of the defendants by their counsel that "without obtaining prior permission from the Court, the defendants shall not initiate printing of new packaging from 01.08.2016 onwards in terms of the new packaging sample enclosed with the said affidavit, as proposed in their affidavit dated 26.07.2016." In the reply, however, the defendants denied having committed any breach of the ad interim orders referring, inter alia, to the observations in the order dated 29.04.2016 wherein the possibility of the defendants sowing further seeds to produce GM seeds by use of the technology of the plaintiffs was foreseen explaining that the new packaging referred to in the affidavits was meant to be used only after the court had granted approval for sale of seeds generated subsequently.

**78.** At this stage, it needs to be mentioned that the plaint discloses (in para 42), and the written statement concedes, that a petition under Section 9 of the Arbitration and Conciliation Act, 1996, it being OMP (IO) No. 586/2015, had earlier been filed in this court with reference to the claim of the plaintiffs to certain outstanding amounts due and payable under 2004 Sub-License Agreement with the first defendant. By order dated 19.10.2015, the court initially directed the defendant to maintain a "no lien

account" in respect of said amount (Rs. 21.37 crores) claimed to be due to the plaintiffs for 2014 Kharif season, but the said petition, by subsequent order dated 16.02.2016, was treated as a petition under Section 17 of the Arbitration and Conciliation Act and transferred for decision to the arbitral Tribunal, which, at that stage, was in the process of being constituted, the arbitrators to be nominated by each party to the dispute having been appointed who, in turn, were expected to appoint a Chairman.

**79.** Aside from the above indirect mention to the reference of the dispute (under 2004 Sub-License Agreement) to arbitral tribunal, no averments were made in any of the pleadings, applications or replies by either side on the subject. After hearing of the arguments on the applications mentioned earlier had been concluded, however, in their written submissions, the defendants disclosed the following facts:-

"Presently, the Arbitration proceedings under 2015 agreements against defendant No. 1 and 2 are pending before a panel of three Arbitrators comprising of Hon'ble Mr. Justice C.K. Thakkar (Retd.), Hon'ble Justice A.K. Ganguly (Retd.) and Hon'ble Mr. Justice Mohit Shah (Retd.) and against defendant No. 3, the proceedings are pending before Hon'ble Mr. Justice Vikramjit Sen (Retd.), the sole Arbitrator. The arbitration proceedings under 2004 agreements against defendant No. 1 and 2 are pending before a panel of three Arbitrators comprising of Hon'ble Mr. Justice S.S. Nijjar (Retd.), Hon'ble Mr. Justice A.P. Shah (Retd.) and Hon'ble Mr. Justice A.K. Patnaik (Retd.)"...

**80.** In the written submissions, the defendant would state that the parties to the dispute referred to arbitration have already made their claims and counter claims and that "the question involved in these proceedings is whether the defendants are liable to pay the trait value as per the agreement notwithstanding the government price notifications and whether the plaintiff No. 3 is liable to refund the excess trait value collected from the defendants."

#### E. ALLEGATIONS OF BREACH OF INTERIM ORDERS

**81.** The application (IA 9070/2016) alleging breach of the ad interim injunction orders passed earlier invoking Order XXXIX Rules 1 and 2 CPC is found to be devoid of merit. As noted earlier, the consent order passed on 19.02.2016 prohibited sale of seeds manufactured after 30.11.2015. Noticeably, the court did not injunct manufacture of seeds after 30.11.2015. If the defendants have continued to do so, they cannot be held to be in breach of ad interim injunction. The only inhibition they suffered under the said order, was sale of such subsequently manufactured seeds. As is further clear from order dated 29.04.2016 extracted earlier, if they intended to be in readiness for sale of subsequently manufactured seeds, they did so at the risk of their efforts going waste in the event of the ad interim injunction continuing. For the same reason, the preparation of the new packaging can also not to be in the teeth of any injunction order. The application is, thus, dismissed.

#### F. THE ANALYSIS

**82.** The plaintiffs argued that the sub-license agreements having been terminated, the (admitted) use of the patented invention protecting the nucleotide sequence by the defendants constitutes infringement of the monopoly granted by the patent and the substantive rights under Section 48 of the Patents Act, the test for assessing such infringement and violation being comparison of the granted claim with the impugned product. It is contended that the fact that the defendants' product comprises of components or genetic material conferring other traits in addition to the DNA

construct or nucleotide sequences of the suit patent is irrelevant, the argument being that the presence of other components is immaterial so long as the patented invention is contained within the defendants' product, this itself being sufficient to constitute infringement.

**83.** The plaintiffs' case is that a case of infringement by "use" of the patented invention in claims 25 to 27 stands made out because the defendants have admitted that their cotton varieties and hybrid exhibit Bt. trait which would have been triggered only on account of DNA construct or nucleotide sequence on claim Nos. 25 to 27. Relying upon the view taken by the Supreme Court of Canada in *Percy Schmeiser v. Monsanto*, (2004) 1 SCR 902, it is argued that ultimately what matters is whether the defendants are taking advantage (in whole or in part - directly or indirectly) of the technical contribution or patented invention of the plaintiffs.

**84.** Though at the hearing, the defendants made it clear that they do not intend to use the registered trademarks "BOLLGARD" or "BOLLGARD-II" of the plaintiffs, the plaintiffs argued that insistence on the use of abbreviations "BG" "BG-I" or "BG-II" or any variation thereof is specious and ex facie unsustainable, referring in this context, inter alia, to Section 2(o) of the Trademarks Act wherein "name" includes any abbreviation thereof, as is relevant for purposes of the definition of the expression "mark" given in Section 2(m) of the Trademarks Act.

**85.** The defendants, however, submitted that the relief clauses in plaint would determine the parameters of the suit and that the cause of action being primarily to enforce statutory rights concerning suit patent and trade-mark, and not for enforcing contractual rights or obligations, the reference to terms of the sub-license agreements is improper, also because the suit was filed after termination of contract, the issues relating to consequences emanating therefrom being subject matter of arbitral proceedings.

**86.** The defendants argued that the claim of the plaintiffs under the suit patent is bad in law in as much as the claim Nos. 1 to 24 which were granted (as extracted earlier) are "process claims" which deal with genetic engineering or biotechnology method to insert the "nucleic acid sequence" (as in claims Nos. 25 to 27) into a plant cell which steps are practiced only in laboratory conditions unlike the procedure adopted by the defendants which is entirely a biological process. It is the argument of the defendants that the claim of the plaintiffs is essentially based on the other claims which, though submitted with the application under PCT (Patent Corporation Treaty), were withdrawn, the same not being acceptable to the Indian Patent office. It is the submission of the defendants that the claim of the plaintiffs in the suit at hand is to enforce primarily the patent rights on claims that were disallowed and, therefore, withdrawn.

**87.** The defendants submitted that "nucleic acid sequence" claimed in claims 25-27 is not a micro-organism. A micro-organism is a living thing which can reproduce itself while "nucleic acid sequence" is a chemical composition which cannot reproduce itself. When the "nucleic acid sequence" is incorporated into a living organism, it imparts Bt. trait (insect resistance) to the living organism. Relying on the decision in *Emergent Genetics India Pvt. Ltd. v. Shailendra Shivam*, MANU/DE/3012/2011 : 2011 (47) PTC 494 (DEL), it was argued by the defendants that in view of Section 3(j) of the Patents Act, there can be no patent rights granted in respect of plants or seeds that contain DNA sequences, the intention of the legislature being to exclude genetically modified plants and seeds from the purview of patent law in India, referring in this context also to the views expressed in communication dated 13.05.1999 emanating from the Ministry of Agriculture in the Government of India

addressed to the Secretary, Department of Industrial Development in Ministry of Industry, New Delhi.

**88.** It is the argument of the defendants that once the implanting with the help of donor seeds provided by the plaintiffs had been done, no further claims of patent are tenable with respect to the cells, tissues, seeds or plants. The defendants submit that the moment the nucleic acid sequence is introduced into any part of the plant cell, it (the plant cell) becomes non-patentable as per the Indian Patent law. It was argued that the exclusion of the plants, seeds and varieties from the purview of the Patents Act, 1970 does not extinguish all intellectual property rights in the inventions, improvements or innovations related to plants, seeds and varieties. Under the current legislative scheme, all intellectual property rights related to such matters are protected under the provisions of the Protection of Plant Varieties and Farmers' Rights Act, 2001 ("the Plant Varieties Act"), which, per the submissions, is a complete code on the subject, its preamble emphasizing its objectives as to encourage the development of new varieties of plants and to protect the rights of the breeders. Any new variety created is registrable under Section 15 of the Plant Varieties Act. Section 2(z) of Plant Varieties Act defines 'variety' to include a non-transgenic variety or a transgenic variety, that includes a plant variety containing the nucleic acid sequence developed by the defendants.

**89.** In the submissions of the defendants, Section 30 of the Plant Varieties Act is relevant since it recognizes the researchers' rights whereby any breeder (seed company) can use any other variety for creation of a new variety. If someone else's variety with a unique trait (like Bt. trait) is used to create a new variety, "benefit sharing" can be claimed from the creator of the new variety under Section 26 of the Plant Varieties Act read with rules 41 to 44 of the Plant Varieties Rules. Section 92 of the Plant Varieties Act further provides that the provisions of said enactment shall have overriding effect notwithstanding anything inconsistent contained in any other law including the Patents Act. It is the argument of the defendants that a conjoint reading of Section 3 of the Patents Act, the National Seed Policy, 2002 (Para 6), the scheme of the Plant Varieties Act and the views of the Ministry of Agriculture in the Government of India addressed to the Secretary, Department of Industrial Development in Ministry of Industry, New Delhi, makes it clear that there can be no patent on any gene, the moment it becomes part of a plant or a seed.

**90.** The sum and substance of the arguments of the defendants is that the only claim which the plaintiffs may press would be that of "benefit sharing" (in terms of Section 26 of the Plant Varieties Act) from such seed companies as have used their varieties for developing new Bt. Cotton Varieties expressing Bt. Trait since the biological processes undertaken by the defendants do not create any nucleic acid sequences nor do they practice any method by which nucleic acid sequence may be inserted into a plant cell.

**91.** The defendants also referred to the investigation ordered by the Competition Commission of India, detailed facts in which regard have been noted earlier, arguing that the intention of the plaintiffs is to make unjust enrichment by arrogating upon themselves the power of fixing the trait value, such posture being in teeth of the price control regime enforced by the State. It is the submission of the defendants that the plaintiffs having terminated the contract, all that they can claim in terms of Section 39 or Section 75 of the Indian Contracts Act is damages or compensation - this aside from the remedy of "benefit sharing" under Section 26 of the Plant Varieties Act. It is further the argument that the relationship of sub-licensor or sub-licensee having come to an end, the trait value payable cannot exceed the one fixed by the Central Government through its Cotton Seeds Price (Control) Order, 2015.

**92.** The defendants took the position that they have not been infringing the trademarks of the plaintiffs nor passing off their goods as that of the plaintiffs submitting that they have no desire to use the marks "BOLLGARD" or "BOLLGARD-II" and contending that objection cannot be taken to the use of the expression "BG" or "BG-II" since there is no proof that the same is an abbreviation of the registered trademark of the plaintiffs. It was submitted that the descriptive use of a word is excluded from the infringement of a trademark by virtue of Section 30 of the Trademarks Act and the use of the expression "BG" by the defendants is bonafide, it being descriptive of the character and quality of their seeds as is widely used in the seeds industry, mark "BG-II" being in fact registered as a trademark by a third party (Maharashtra Hybrid Seeds Company Ltd.).

**93.** It is the argument of the defendants that on the facts, and in the circumstances, brought before the court, no case of infringement of the patent rights, or of trademarks, or of passing off, is made out for any ad interim injunction to be granted.

**94.** Per contra, the plaintiffs argued that the claim Nos. 25 to 27 being products of bio-technology processes, the same are patentable in India. The learned counsel for the plaintiffs made detailed references to the legislative history wherein amendments were made to the Patents Act, 2002, running parallel to the enactment of the Plant Varieties Act, 2001, it being the argument of the plaintiffs that Section 3(j) of the former (Patents Act) only excludes naturally occurring circumstances and further that the non-naturally occurring (man-made) nucleotide sequence (biotechnological invention) does not fall within the scope of the Plant Varieties Act. The plaintiffs submit that Section 30 of the Plant Varieties Act is a provision meant only for "researchers" and not for entities such as defendants out to make commercial exploitation and further that it gives, at the most, right to use a "variety" to develop other varieties but not so as to confer the right to use DNA or genetic material. The Plaintiffs argued that reference to the history of the suit patent, or the proceedings before the patent office, wherein the other claims under the International application were not pressed for grant of Patent in India is irrelevant.

**95.** It is the argument of the plaintiffs that the suit patent is independent of, and unaffected (or un-curtailed) by, the provisions of the Plant Varieties Act primarily because the said law only applies to a "variety", as defined in Section 2(z), the patented trait being beyond the purview of the expression "plant variety" defined thereunder.

**96.** In the submissions of the plaintiffs, the reference to the arbitral proceedings is a red-herring, the suit instituted to enforce statutory rights under the Patents Act and Trademarks Act, its nature being such as can be decided only by a civil court and not through arbitration pointing out the shifting positions on this score taken by the defendants. The plaintiffs argued that the sub-licenses having been terminated on account of "material breach of the agreement in the form of non-payment of contractual dues", the dispute at hand is beyond the scope of the arbitration clause, the right to use the patent or the trademarks under the sub-license agreements not having subsisted in terms of the safeguards particularly in the form of Article 9.04 (extracted earlier). It is the argument of the plaintiffs that the arbitration claims presently pending against the defendants deal only with issues arising from acts of commission or omission "during the currency" of the sub-license agreements (i.e. the nonpayment of contractual dues) and not the conduct of the defendants post-termination.

**97.** The challenge before the court while attempting to address the issues raised in

the context of a prayer for an ad interim injunction is the limitation it suffers in adjudging tentatively, as best as it can, by subjecting to scrutiny the pleadings of the parties in the light of the documents relied upon by both sides, the legal findings emanating from such exercise being incomplete and possibly open to debate in as much as it is without the advantage of formal proof, particularly expert opinion which, in complicated matters like that of patent, may be crucial for ascertaining the breadth of the monopoly granted by the specifications of a patent claim.

**98.** The defendants' argument with reference to other claims in the PCT application, which were not granted by the Indian Patent office, prima facie is an attempt to distract. As rightly argued by the learned senior counsel for the plaintiffs, the conjoint effect of the provisions contained in Sections 7(1a), 10(5) and 138(4) of the Patents Act is that the patent specifications and the claims filed in the International application through the route of PCT are deemed to be what is filed in India, it being the mandate of law that the text of such applications and claims in India be identical to the International application. Since some other jurisdictions, unlike India, seem to also permit patents on plants, the International application prepared for submission through the PCT route was based on what was allowable elsewhere, the claims pressed for grant by Indian Patent office being restricted to, or circumscribed by, the local law.

**99.** The case of infringement of the suit patent, thus, would have to be tested on the anvil of the specifications of the suit patent as has been granted by the Indian Patent office, Section 48 of the Patents Act 1970 generally conferring on the patentee (the plaintiffs) "the exclusive right to prevent third parties" from the act of "making, using, offering for sale, selling or importing" such product or process as is the subject matter of the patent, in India, as do not have the "consent" of the former (the patentee). So long as the registration of the patent (or the process) stands, or is not revoked, or shown to have been granted illegally, so as to be liable to revocation (in terms of Section 64 of the Patents Act), the case of the plaintiffs alleging infringement must be examined - more particularly at the stage of ascertaining if a prima facie case exists in favour of the plaintiffs for interim protection - on the assumption that the plaintiff is vested with "the exclusive right" envisaged in Section 48.

**100.** It must be noted at this stage that in the counter claim (CC No. 51/2016) which has been pressed by the defendants to seek revocation of the suit patent under Section 64 of the Patents Act, 1970, the defendants rely on grounds such as absence of novelty [Section 64(1)(e)], absence of obviousness [Section 64(1)(f)], complete specification not revealing any "invention" [Section 64(1)(d)], deficiency in complete specifications [Section 64(1)(h)], deficiency of claims [Section 64(1)(i)], false suggestions or representations [Section 64(1)(j)], non-compliance of the requirements of Section 8 [Section 64(1)(m)], non-disclosure of source or geographical origin [Section 64(1)(b)] and the invention claimed in the complete specification being not useful [Section 64(1)(g)]. It is pertinent to also note that the counter-claim is not based on conflict of suit patent with the scheme of Plant Varieties Act. Whether or not the suit patent is liable to be revoked on the afore-said grounds under Section 64 of the Indian Patents Act is a question which would need to be addressed at an appropriate stage only after pleadings in that regard are complete and evidence is adduced on issues thereby raised. No comment at this stage on such aspect of the dispute is called for.

**101.** The arguments of the defendants that the technology of the plaintiffs has been wrongly patented in India on grounds other than those in the counter claim or that the claims granted thereby run foul of the provisions of Plant Varieties Act do not

impress. Noticeably, by the Patents (Amendment) Act, 2005, the then existing Section 5 of the Patents Act, 1970 concerning "inventions where only methods or processes of manufacture patentable" was repealed and the definition of the expression "invention" in Section 2(1)(j) was changed, consequent upon which it now means "a new product or process involving an inventive step and capable of industrial application". Pertinent to note that the provision contained in Section 5, prior to its amendment in 2002, by the Patents (Amendment) Act, 2002, read as under :-

"5. Inventions where only methods or processes of manufacture patentable -  
In the case of inventions -

(a). claiming substances intended for the use, or capable of being used, as food or as medicine or drug, or

(b). relating to substances prepared or produced by chemical processes (including alloys, optical glass, semiconductors and inter-metallic compounds), no patent shall be granted in respect of claims for the substances themselves, but claims for the methods of processes of manufacture shall be patentable."

**102.** By the amendment of 2002, the following explanation came to be added to Section 5 :

"Explanation - For the purposes of this section, "chemical processes" includes biochemical, biotechnological and microbiological processes."

**103.** Significantly, the amendment of 2005 repealed Section 5 from the statute book altogether, the conclusion to be drawn from such legislative changes naturally being that the embargo on grant of patents to "products" of biological or microbiological processes thereby stood removed.

**104.** Undoubtedly, Section 3 of the Patents Act while setting out what are "not inventions", after the amendment of 2002, also includes, in its clause (j) "plants and animals in whole or any part thereof other than micro-organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals". But the legislative intent behind such amendment has to be understood from its statement of objects and reasons, para 4 whereof, being relevant, may be extracted (to the extent necessary) thus :-

*"4. some of the salient features of the Bill are as under :*

*(a)....*

*(b). to modify section 3 of the present Act to include exclusions permitted by TRIPS Agreement and also subject matters like discovery of any living or non-living substances occurring in nature in the list of exclusions which in general do not constitute patentable invention."*

(emphasis supplied)

**105.** This court agrees with the submissions of the plaintiffs that Section 3(j) of the Patents Act, as noted above, cannot be interpreted without taking into account the effect of changes to Section 2(1)(j) and repeal of Section 5 so as to deprive the patentee of due reward of human skill and ingenuity resulting in human intervention and innovations over and above what occurs in nature. It is admitted case of the defendants that claim Nos. 25 to 27 under the suit patent involve laboratory

processes and are not naturally occurring substances which only are to be excluded from the purview of what is an invention by virtue of the provision contained in Section 3(j). These claims being products or processes of biotechnology, thus seem to have been rightly entertained by the Indian Patent office.

**106.** The Plant Varieties Act was enacted to provide for the establishment of an effective system for protection of plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants. The expression "variety" is defined in this law in Section 2(za) as under :-

"2(za). "variety" means a plant grouping except micro organism within a single botanical taxon of the lowest known rank, which can be-

- i. defined by the expression of the characteristics resulting from a given genotype of that plant grouping;
- ii. distinguished from any other plant grouping by expression of at least one of the said characteristics; and
- iii. considered as a unit with regard to its suitability for being propagated, which remains unchanged after such propagation. and includes propagating material of such variety, extant variety, transgenic variety, farmers' variety and essentially derived variety."

**107.** Noticeably, the word "variety" relates to a "plant grouping" which is not further clarified. There is, prima facie, substance in the arguments of the plaintiffs that the expression "plant grouping" cannot be equated with a single plant. For such interpretation, the plaintiffs rely upon, prima facie rightly so, on the explanatory notes under the 1991 Act of International Convention for the Protection of New Varieties of Plants (UPOV Convention 1991), as adopted by the UPOV Council, wherein the definition of the expression "variety" definition whereof under UPOV Convention is pari materia identical to the one given in Section 2(za) of Plant Varieties Act, the para 5 of the said explanatory notes being more germane to the issue at hand reading as under :-

"5. The definition that a variety means a "plant grouping" clarifies that the following, for example, do not correspond to the definition of a variety :

- a single plant; (however, an existing variety may be represented by a single plant or part(s) of a plant, provided that such a plant or part(s) of the plant could be used to propagate the variety)
- a trait (e.g. disease resistance, flower color)
- a chemical or other substance (e.g. oil, DNA)
- a plant breeding technology (e.g. tissue culture)"

**108.** The above explanation, particularly the clarification, highlights that the disease resistant trait or a chemical or other substance like DNA are not meant to be covered within the meaning of the expression "variety", the development of which is protected by the Plant Varieties Act.

**109.** Thus, the invention which is the subject matter of suit patent is not same as development of a variety within the meaning of Plant Varieties Act. This conclusion by itself prima facie renders the argument of the defendants based on researchers' rights under Section 30 of the Plant Varieties Act meritless. Assuming the defendants

(seed companies) fall in the category of "researchers", they may arguably have a legitimate claim to the use of any variety for the purpose of conducting experiment or research or for creating other varieties. But this does not extend to the right to use the genetic material which is the subject matter of a patent granted and protected by the Patents Act, in general, and Section 48 thereof, in particular. Though, this conclusion takes the steam out of the argument based on the remedy of "benefit sharing" provided by Section 26 of the Plant Varieties Act, it may further be added that the possibility of such remedy, is nothing but a carrot dangled by the defendants, which may never come in the hands of the plaintiffs. Such remedy, if it really exists, would be nothing but a pot of gold at the end of rainbow since the plaintiffs may have to indefinitely wait for it to fructify in as much as the pursuit thereof is contingent upon the defendants getting the variety developed by them registered under the law. The efficacy or sufficiency of the alternative remedies suggested by defendants is doubtful.

**110.** Even otherwise, the defendants in order to bring home the contention about the availability of such remedy would have to prove the same by adducing proof elaborately showing the activity undertaken by them, may be by biological processes whereby the traits of the patented technology are transmitted from one hybrid variety to the other and the benefits accruing therefrom.

**111.** For the foregoing reasons, particularly at the present stage of the proceedings, the contentions of the defendants based on the provisions of the Plant Varieties Act or the import of possible remedy of "benefit sharing" available to the plaintiffs thereunder, or the question as to whether the same would be more efficacious, or extinguishes or erodes the rights conferred by Section 48 of the Patents Act, 1970 would best left to be addressed at the time of final adjudication.

**112.** The prime argument of the defendants has been that the "use" attributed to them does not infringe the process claims in as much as what they (the defendants) do is generate hybrid varieties of cotton seeds through biological processes, in contrast to the chemical process which is the subject matter of the suit patent.

**113.** It is the defendants' argument that sub-license granted by the plaintiffs permitted the nucleic acid sequences made available in the form of donor seeds to be introduced into a cotton plant cell and once such implanting was done, the claim of the plaintiffs concerning a suit patent in so far as the defendants is concerned, stood exhausted and the rights under the suit patent do not extend to inhibiting the development of new varieties or cells or tissues or plants or seeds through biological processes as the same are excluded by the provisions contained not only in Section 3(j), as noted above, but also Section 3(h) which excludes "a method of agriculture or horticulture" from the definition of "invention".

**114.** The argument of denial of "use" of the plaintiffs' patented technology does not come across as valid in the face of admission that the cotton varieties or hybrids developed by them do exhibit the Bt. Trait. The reasons set out for rejecting almost identical arguments in similarly placed litigation (also involving the first plaintiff) in the case of Percy Schmeiser v. Monsanto (supra), decided by the Supreme Court of Canada are weighty, deserving to be adopted by this court. As observed in the said judgment, the plain meaning of the word "use" denotes utilization and further "the question in determining whether a defendant has "used" a patented invention is whether the defendant's activity deprived the inventor in whole or in part, directly or indirectly, of full enjoyment of the monopoly conferred by law. A contextual examination shows that if there is a commercial benefit to be derived from the invention, it belongs to the patent holder" and still further that "a defendant infringes

a patent when the defendant manufactures, seeks to use, or uses a patented part that is contained within something that is not patented, provided the patented part is significant or important"; and since the activity undertaken by the appellant before the Supreme Court of Canada was similar, even further that "the appellants' saving and planting seed, then harvesting and selling plants that contained the patented cells and genes appears, on a common sense view, to constitute "utilization" of the patented material for production and advantage, within the meaning of S. 42. The other questions of principle relevant to "use" under S. 42 also support that preliminary conclusion. By cultivating a plant containing the patented gene and composed of the patented cells without license, the appellants deprived the respondents of the full enjoyment of the monopoly. The appellants' involvement with the disputed canola was also clearly commercial in nature".

**115.** The Supreme Court of Canada summarized its conclusions on the issue of "use" thus :-

"...1. "Use" or "exploiter", in their ordinary dictionary meaning, denote utilization with a view to production or advantage.

**2.** The basic principle in determining whether the defendant has "used" a patented invention is whether the inventor has been deprived, in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by the patent.

**3.** If there is a commercial benefit to be derived from the invention, it belongs to the patent holder.

**4.** It is no bar to a finding of infringement that the patented object or process is a part of or composes a broader unpatented structure or process, provided the patented invention is significant or important to the defendant's activities that involve the unpatented structure.

**5.** Possession of a patented object or an object incorporating a patented feature may constitute "use" of the object's stand-by or insurance utility and thus constitute infringement.

**6.** Possession, at least in commercial circumstances, raises a rebuttable presumption of "use".

**7.** While intention is generally irrelevant to determining whether there has been "use" and hence infringement, the absence of intention to employ or gain any advantage from the invention may be relevant to rebutting the presumption of use raised by possession."

**116.** Since the reasoning followed by the Supreme Court of Canada commends itself to be adopted, the contention of the defendants that what they undertake is not "use" of the suit patent is prima facie found to be unacceptable.

**117.** Though both parties in their submissions seemed to be on the same page to the effect that the disputes concerning infringement of patent or trademarks are not arbitrable, the defendants also taking the position that the suit is not for enforcing the rights and obligations of the parties under the sub-license agreements -primarily to urge that post contract obligations referred to by the plaintiffs cannot be invoked here - it cannot be ignored that the cause of action pleaded in the suit is stated to have been triggered by the pre-mature termination of the sub-license agreement by the plaintiffs - this, in the wake of default on the part of the defendants in paying the

royalty (trait value) at the rates stipulated in the contract. It cannot be ignored that the plaintiffs had granted to the defendants, and the latter had accepted from the former, the right to use the suit patent and trademarks under the sub-license agreements and, but for the pre-mature termination, the rights conferred by the sub-license would inure in the favour of the latter for the period for which the sub-license agreement (of which the trademark sub-license formed a part) would continue to subsist, and further that the "use" of the suit patent, or of the trademarks of the plaintiffs by the defendants would have been authorized or lawful since it would be with the "consent" of the patentee (the plaintiffs), within the meaning of Section 48 of the Patents Act, 1970 or "by way of permitted use" of the owner of the registered trademark (again, the plaintiffs) within the meaning of Section 29 of the Trademarks Act, 1999. Conversely put, it can be said that the use of the suit patent, or trademarks of the plaintiffs by the defendants becomes unauthorized so as to give rise to a valid cause of action for infringement only if it can be held that the sub-license agreements have been legally terminated by the plaintiffs, such termination naturally rendering continued use of the sub-licensed technology or trademarks without consent or permission of rightful owner.

**118.** It is against the above backdrop that the issue of the validity of the action of the plaintiffs terminating the sub-license agreements turns out to be an issue crucial to the litigation at hand as well. It may be that from the perspective of the plaintiffs, it is a suit for enforcing the statutory rights under the law of patents and trademarks, as against enforcement of contractual rights which are subject matter of the arbitral proceedings also parallelly pending before the arbitral tribunals. But the plaintiffs themselves having urged that "material breach of the agreement in the form of nonpayment of contractual dues resulted in termination of the 2015 sub-license agreements", there is no escape from the inquiry as to the validity of the action of termination by the plaintiffs, in as much as the defendants while contesting the suit have questioned such action of the plaintiffs terming it as illegal and arbitrary. A question of fact as to the legality and validity of the termination of the sub-license agreements having been raised, it cannot be wished away and it must be addressed. The plaintiffs cannot bring home their case unless they prove the lawful termination of contract as the foundation of the cause of action.

**119.** In the above context, the following arguments of the plaintiffs, as set out in (para 3 of) the written submissions, need to be noted :-

"...e. The defendants had sub-license agreements in their favour for use of the technology of the plaintiffs, which sub-license agreement also covered the suit patent, since 2004. While this agreement expired in 10 years i.e. 2014, the parties agreed to continue with the sub-license agreement through various extension letters, until March, 2015.

f. In March, 2015, each of the defendants executed a new sub-license agreements with the plaintiff No. 3, with effect from April 1, 2015, which once again covered the suit patent.

g. Although there were various State Government legislations and notifications in the interregnum (2004-2014) fixing the maximum sale price of cotton seeds containing the plaintiff's technology, none of these expressly fixed the trait fee or royalty payable to the plaintiffs by the defendants. Instead, the parties always agreed upon 'trait value' through mutual consent, including by way of amendments to the sub-license agreements, settlements, trait fee letters and/or "on account" payments.

h. However, in July 2015, the defendants stopped making payments of the amounts due under the 2015 sub-license agreement citing fixation of trait fee under various State Government instruments. Thus, there was complete breach of the agreement by the defendants. Thereafter, the plaintiffs herein terminated the 2015 sub-license agreements on November 14, 2015.

i. The 2015 sub-license agreement was terminated before the Central Government expressly fixed the trait fee payable for use of the patented technology of the plaintiffs. The Central Government issued the relevant notification in this respect only in March, 2016 i.e. five months after the termination of the sub-license agreement."

**120.** Whilst there is no doubt that the sub-license agreements of 2015 were entered upon by both parties out of their own free will and volition, this in continuation of the 2004 sub-license agreements, such contract(s) also stipulating particularly the trait value payable by the sub-licensee (the defendants) unto the sub-licensor (the plaintiffs) for use of the suit patent and trademarks, it is not correct on the part of the plaintiffs to contend that the State Government legislations and notifications which came to be enforced during the currency of the sub-license agreements would have no bearing or further that such State Government legislations or notifications did not fix the trait fee or royalty payable. As has been noted at length in the context of developments concerning "Seeds Price Control Regime", the State Government's legislations permitted the respective State Governments not merely to fix the MSP but in doing so also to take into account the cost of production and other factors "including trait value".

**121.** It is not fair for the plaintiffs to argue that the defendants were bound by the stipulations as to the trait value in the sub-license agreements because that is what had been agreed "through mutual consent" notwithstanding what was the prescription under the State Government legislations or notifications operative during 2004-2014. The protests made by the defendants over the rate of trait value under the 2004 sub-license agreements, including by challenge before erstwhile MRTPC, the pre-mature termination by the plaintiffs of the said earlier sub-license(s) on 03.07.2009 followed by the settlement agreement dated 20.01.2011 have already been taken note of. The default on the part of the defendants to press home the issue further at that stage or the fact of they having agreed to enter into fresh contract(s) (2015 sub-license agreements) cannot possibly be construed as acquiescence on their part, not the least if it runs counter to the rights available to them under the law.

**122.** Mercifully, as noted above, the 2015 sub-license agreements contained a clear stipulation (Article 11.03) obliging the parties to keep the contract in accord with the local law at all times. The said clause (Article 11.03) dealing with the subject of "modification by legislation" has already been noted in extenso. A bare perusal thereof shows that the parties were conscious and had agreed with each other that if any terms thereof were to come "in conflict with laws of the country of any party", upon such party notifying the other, appropriate modifications of the agreements shall be made by the parties to avoid "such conflict" and to "ensure" lawful performance of the agreements. The defendants, to the knowledge of the plaintiffs, are subject to laws of this country i.e. India. The contracts (sub-license agreements) were executed and intended to be performed by both parties in India. In these circumstances, if the law applicable to any part of India were to prescribe anything having a bearing on "any provision, terms, conditions or objects" of the agreement, the stipulation in the agreement would always have to be in accord therewith.

**123.** The State Government legislations on the cotton seeds price control were

brought to the notice of the plaintiffs by the defendants by communications of July 2015 (19.07.2015) seeking revision of the trait value leviable by the plaintiffs. Obviously, the revision of the trait value was being sought by the defendants for purposes of use of the suit patent and trademarks in the territories of the concerned State Governments. The plaintiffs refused to give the benefit under the State legislations. Even though under Article 11.03 referred to above, it was prima facie bound by the contract to do so, it instead chose to take the matter to the High Court of Judicature at Bombay invoking its jurisdiction under Section 9 of the Arbitration and Conciliation Act, 1996. As was admitted during the arguments, no effective orders favourable to the plaintiffs were passed in such petitions and yet the third plaintiff continued to press home by subsequent communications (of 11.09.2015) for payment of trait value in terms of the agreed stipulations under the 2015 sub-license agreements. All this while, the defendants were not ready to succumb and proceeded to even demand the refund of trait fee that had been paid earlier, per their case, "in excess". The posture adopted by both sides eventually led to unilateral termination of the contract by the plaintiffs through communications dated 14.11.2015.

**124.** It does appear that the termination of the contract by the plaintiffs on 14.11.2015 preceded the promulgation of the Cotton Seeds Price (Control) Order, 2015, notified by the Government of India on 07.12.2015, for pan-India application. But, this does not mean the act of termination of the contract by the plaintiffs on 14.11.2015 cannot be tested against the touchstone of the obligations arising out of the State Government legislations or notifications that had come into force earlier.

**125.** The pre-mature termination of the sub-license agreements is justified by the plaintiffs with reference to their "right" or discretion under Article 9.02 (b)(i), which has been quoted verbatim earlier. Such act of termination of the contract by the sub-licensor can be justified only if it can be found that the sub-licensee had "breached its obligations" or "defaulted in making payment" of the consideration. At the cost of repetition, it needs to be said that the sub-licensee had, prior to being held unilaterally by the sub-licensor to be in default, pointed out the need for "modification" of the terms relating to consideration (trait value) payable by it. The plaintiffs, it appears, refused to even acknowledge the effect of the State government legislations or notifications on the cotton seed prices and only asserted the right to receive the trait fee as settled "through mutual consent" under the contract. This, positioning, prima facie, was not correct.

**126.** The reference to Sections 39 and 75 of the Indian Contract Act, 1872 by the defendants, in the given factual matrix is not correct in as much as there is no plea on either side of "acquiescence" by the other after the dispute arose in July 2015 nor, as is concluded by this court prima facie, for reasons recorded here, it is a case of the contract having been "rightfully" rescinded.

**127.** The provision contained in Section 23 of the Indian Contract Act, 1872 reads as under :-

"23. What consideration and objects are lawful, and what not- The consideration or object of an agreement is lawful, unless -

It is forbidden by law; or

- is of such nature that, if permitted it would defeat the provision of any law or is fraudulent; or

involves or implies, injury to the person or property of another; or

- the Court regards it as immoral, or opposed to public policy.

In each of these cases, the consideration or object of an agreement is said to be unlawful. Every agreement of which the object or consideration is unlawful is void."

**128.** The State government legislations or notifications issued on the subject in exercise of powers conferred upon them by such law, as indeed the Cotton Seeds Price (Control) Order, 2015 promulgated by the Central Government, again in exercise of its statutory powers conferred by Essential Commodities Act, 1955 provide not only the "law" but also reflect the "public policy" of the State and, thus, the "consideration" of the agreement between the parties in order to be lawful, within the meaning of Section 23 of the Contract Act must be in accord with such law and public policy and not be opposed or in derogation thereof.

**129.** Thus, in the opinion of this court, the plaintiffs were duty bound to consider the request of the defendants as made by the communications beginning July 2015, for modification of the terms as to the rate of trait fee payable under the 2015 sub-license agreements for which the mechanism had earlier been agreed upon in the form of Article 11.03. Since the plaintiffs did not adhere to their obligation under the contract, the demand of payment under the contract terms being not lawful, it apparently being higher than the trait fee permitted by the law in force, the defendants could not have been found to be in default or to have breached their obligations within the meaning of Article 9.02 As a sequitur, the termination of the sub-license agreements by communications dated 14.11.2015 appears prima facie to be illegal and arbitrary.

**130.** One is conscious that the defendants seem to have reconciled to the position wherein the sub-license agreements are to be treated as all but dead. It appears that they having at one stage sought restoration of the contract, including by counter claim (CC 50/2016) presented before this court (which was withdrawn on 15.02.2017), do not seem to be interested in renewed arrangement with the plaintiffs, now taking the position that the grant of patent itself is bad in law and thus, asserting their right to continued use of the technology with impunity. Having taken the plea in the case that the termination of the 2015 sub-license agreements was illegal and arbitrary, and having demonstrated this contention to be prima facie correct, the unilateral termination of the contract by the plaintiffs being unauthorised, the defendants cannot wish away the natural corollary of the sub-license agreements coming back to life. Their stand in this litigation that the suit patent was wrongly granted by the Indian patent office has been found prima facie to be devoid of merit. Having been the beneficiary of the patented technology ever since entering upon the sub-license agreements with the plaintiffs in 2004, and taking advantage of the same all these years, apparently for commercial exploitation, it does not lie in the mouth of the defendants to turn around and say that they cannot be bound by such obligations under the sub- license agreements as protect the statutory rights of the plaintiffs vis-À-vis the suit patent or the registered trademarks.

**131.** As this court is of the opinion that the sub-license agreements were illegally and arbitrarily sought to be terminated by the plaintiffs, the communications to such effect issued on 14.11.2015, followed by subsequent communications reiterating the same, are bound to be treated as of no consequence. In these circumstances, the parties are bound to be treated as continued to be locked with each other in the arrangement under the 2015 sub-license agreements, as the same stood prior to the purported termination communications dated 14.11.2015 (such communications being non-est) though, of course, with obligation for the consideration (trait

value/fee) to be charged not more than what is permitted by the law in India. For removal of doubts, if any, it must be added that such obligations vis-À-vis the trait fee chargeable would have to abide by the prescription in terms of the Cotton Seeds Price (Control) Order, 2015 as indeed of the Licensing and Formats for GM Technology Agreement Guidelines, 2016, both promulgated by the Government of India.

**132.** In the above facts and circumstances, the interim arrangement, as enforced by the consent order passed on 19.02.2016 and modified by later orders needs to be suitably modified in as much as given the conclusion that the sub-license agreements continue to be in force and binding on the parties (except as to the need for modification of the terms relating to trait fee), in which scenario the continued use of the suit patent or trademarks by the defendants cannot be said to be unauthorised (provided they pay the consideration at a rate in accord with law). Thus, so long as the sub-license agreements continue to be in force, or do not come to an end, by efflux of time, or upon being lawfully terminated, the defendants cannot be enjoined against the use of the suit patent or the trademarks, such right of the defendants to continued use of suit patent or trademarks not being unconditional. While clarifying this position, suitable directions have to be issued as to the interim arrangement for payment of the consideration (trait fee) by the defendants, and indeed for accounts to be rendered periodically in as much as the same would be required at the time of final adjudication of this lis.

**133.** In the facts and circumstances noted above, it is not necessary for any comment to be made at this stage of the proceedings on the contentions of the parties as to the permissibility or otherwise of the use of the abbreviations "BG" and "BG-II" by the defendants as trademarks.

#### G. DIRECTIONS

**134.** For the foregoing reasons, the applications under Order XXXIX Rules 1 and 2 CPC (IA No. 2406/2016) and under Order XXXIX Rule 4 CPC (IA No. 4277/2016) are disposed of, with issuance of the following ad interim directions (substituting the directions given by earlier orders) to be complied with during the pendency of the suit :-

"(1). The parties shall remain bound by their respective obligations under the terms and conditions of the 2015 Sub-License Agreements (except as indicated hereinafter) for the period(s) stipulated therein, or till the same are lawfully terminated, the post contractual obligations continuing to be effective even beyond, as mutually agreed;

(2). The plaintiffs shall :-

(i). be entitled to all the rights under the 2015 Sub-License Agreements except as to the rate of trait value payable thereunder;

(ii). suitably inform the defendants within four weeks of this order :-

(a). modification of terms as to the rate of the trait fee payable by the defendants (sub-licensees) bringing it in accord with the prevalent local laws, as in force or revised from time to time; and

(b). the proposal for modification of the contract(s) so as to render the same to be in accord with "GM Technology (GM

Trait) Licensing Agreement", as prescribed under the "Licensing and Formats for GM Technology Agreement Guidelines, 2016", notified by the Government of India.

(3). The defendants shall :-

(i). be entitled to all the rights under the 2015 Sub-License Agreements except as to the rate of trait fee payable thereunder;

(ii). be liable to tender, and pay, the trait fee to the plaintiffs, for the use of the suit patent and trademarks, at such rates as are in accord with the prevalent local laws, as in force or revised from time to time; and

(iii). upon being suitably notified, be obliged to execute necessary documents so as to render the contract(s) in accord with the "GM Technology (GM Trait) Licensing Agreement" as prescribed under the "Licensing and Formats for GM Technology Agreement Guidelines, 2016", notified by the Government of India;

(4). In the event of the plaintiffs not accepting the tender of the trait fee in terms of the above directions, the defendants will have the liberty to deposit the same, in the court, from time to time, in terms of the periodicity stipulated in the Sub-License Agreements, and notify the plaintiffs simultaneously;

(5). In the event of the trait fee being deposited in the court, as per the liberty granted above to the defendants, the plaintiffs will have the liberty to withdraw the amount(s) thus deposited in the court, from time to time;

(6). In the event of default on the part of the plaintiffs, to withdraw the amount(s) as above, within one month of such deposit(s), the Registrar General shall keep each such deposit in interest bearing fixed deposit receipt in a nationalized bank, initially for a period of six months with provision for auto-renewal;

(7). The defendants shall be obliged to maintain and render accounts - including of month-wise sales, for each quarter of every financial year for which this order ordains, with further liability to place on record of the court duly-audited accounts within two months of the close of each financial year, making available copies thereof to the plaintiffs;

(8). The directions about payment, or deposit, of trait fee or rendition of accounts shall presently pertain to the period beginning with financial year 2016-2017;

(9). The defendants shall make due compliance with directions concerning payment or deposit, and rendition of accounts for the period ending with March 2017 by 31st May, 2017 and would be entitled to adjust amounts, if any, already paid on such account in terms of earlier interim orders in this case, or in terms of orders of arbitral tribunals, or otherwise;

(10). All acts undertaken in terms of these directions, including in the nature of payment(s) or deposit(s) of the trait fee shall be without prejudice to the rights or contentions of all parties in the main suit; and

(11). The default, if any, by the defendants in strict compliance with the

above directions would render them disentitled to the continued use of the suit patent or trademarks of the plaintiffs, consequent whereupon, in such event they would stand injuncted against continued use of suit patent and registered trademarks of the plaintiffs for the pendency of the suit."

© Manupatra Information Solutions Pvt. Ltd.