

## SUPREME COURT SETS ASIDE DELHI HIGH COURT JUDGMENT, RESTORES MONSANTO'S PATENT

### 1. INTRODUCTION

On January 8, 2019, the Supreme Court of India over-ruled a decision of the Delhi High Court, which held that Monsanto's patent for technology to genetically modify hybrid seeds was *unpatentable*, on the grounds that it had not sufficiently examined the question of patentability to the required standard, in reaching such a decision.

### 2. BACKGROUND

Monsanto had licensed its *Bollgard Technology* to Indian seed companies, including Nuziveedu Seed Limited ("**Nuziveedu**"), Prabhat Agri Biotech Limited and Pravardhan Seeds Private Limited.

Under the license agreement, these companies were supposed to sell certain seeds and pay a contractually-agreed *trait value* to Monsanto. Later on, these seed companies demanded a reduction of this *trait value* because the Indian central and state governments passed new price control orders fixing *trait fees* and the retail prices of seeds.

Since Monsanto refused to reduce the *trait value*, in October 2015, a group of 8 Indian seed companies, including Nuziveedu, stopped paying royalties to Monsanto. In response, Monsanto terminated their license agreements and in 2016, filed a suit in the Delhi High Court against Nuziveedu and the others, seeking an injunction against them for patent and trademark infringement.

During the pendency of the proceedings, the defendants filed a counter-claim seeking revocation of the patent. The single judge of the Delhi High Court (the "**Single Judge**"), without getting into the issue of the validity of the patent, in view of the counter-claim at the interim stage, held Monsanto's termination of the contract illegal, and allowed Nuziveedu and the others to continue using the technology, provided that the *trait value* was paid till the suit was finally disposed of.<sup>1</sup>

Monsanto and the Indian seed companies preferred appeals against the order of the Single Judge before a division bench of the Delhi High Court (the "**Division Bench**"). Surprisingly, the Division Bench, through its judgment dated April 11, 2018, revoked the patent and in particular, the Division Bench held as follows:

*"98 ...transgenic plants with the integrated Bt. Trait, produced by hybridization (that qualifies as an "essentially biological process" as concluded above) are excluded from patentability within the purview of section 3(j), and Monsanto cannot assert patent rights over the gene that has thus been integrated into the generations of transgenic plants."*

<sup>1</sup> *Monsanto Technology LLC & Ors. vs. Nuziveedu Seeds Ltd. & Ors.*, CS(COMM) 132/2016. Order dated March 28, 2017.

This judgment of the Division Bench was challenged by Monsanto before the Supreme Court.

### 3. ISSUES FOR CONSIDERATION BEFORE THE SUPREME COURT

The Supreme Court did not decide on the issue of whether the patent falls under Section 3(j) of the Indian Patents Act, 1970 (the “**Patents Act**”), which excludes plants, animals and *essentially biological processes* for the production of plants and animals from patent protection.

The Supreme Court based its judgment on the following two issues:

- (a) whether Monsanto had consented to a summary adjudication regarding the validation of its patent (“**Issue 1**”); and
- (b) whether the Division Bench was correct in invalidating the patent without a trial (“**Issue 2**”).

### 4. ANALYSIS BY THE COURT AND JUDGMENT

#### 4.1. Decision on Issue 1

While dealing with Issue 1, the Supreme Court agreed with Monsanto’s arguments that there is no reason for Monsanto to have consented to a summary adjudication of an existing patent, and to have risked losing the same, without being granted an opportunity to lead evidence to oppose the counter-claim. The Supreme Court held as follows:

*“9. The plaintiffs had never consented to a summary adjudication regarding the validity of its patent. The consent referred to by the Division Bench, had been given only to decide whether the plaintiffs’ patent had been infringed or not, as also the scope of the patent, so as to allow or disallow the relief of injunction. It is incomprehensible that the plaintiffs holding a valid registered patent under the Act nonetheless would have agreed to a summary consideration and validation/invalidation of the patent.”*

The Supreme Court also held that the Division Bench should not have assumed the powers of the Single Judge, and should have confined its adjudication to the question on whether the grant of an injunction was justified.

#### 4.2. Decision on Issue 2

With respect to Issue 2, the Supreme Court observed that the Division Bench had erred by going into complex issues of facts without the benefit of expert evidence through a trial. In fact, the defendants had contended in their appeal that the issues were complicated, and required expert evidence to be considered in a full-fledged trial.

The Supreme Court, therefore, held the following:

*“22. The Division Bench ought not to have examined the counter-claim itself usurping the jurisdiction of the Single Judge to decide unpatentability of the process claims 1-24 also in the summary manner done. Summary adjudication of a technically complex suit requiring expert evidence also, at the stage of injunction in the manner done, was certainly neither desirable or permissible in the law. The suit involved*

*complicated mixed questions of law and facts with regard to patentability and exclusion of patent which could be examined in the suit on basis of evidence."*

Section 64 of the Patents Act provides for the revocation of a patent, based on a counter-claim in a suit. It presupposes a valid consideration of the claims in the suit.

Therefore, the counter-claim cannot be adjudicated summarily without recording the evidence of all the parties, as was erroneously done by the Division Bench.

In this case, the Division Bench's error was even more serious, given that the counter-claim for the revocation of the patent was neither argued nor adjudicated by the Single Judge. In fact, the Supreme Court clarified that the Single Judge was correct in not considering the counter-claim in the injunction order dated March 28, 2017.

#### 4.3. Conclusive decision

The Supreme Court held that the issue regarding the exclusion of the patent under Section 3(j) of the Patents Act was a heavily mixed question of law and facts, which required formal proof and expert evidence. Given that this issue was pending before the Single Judge, the Division Bench should not have proceeded to decide the validity of the patent.

In view of the above, the Supreme Court upheld the nature of the injunctive relief granted by the Single Judge, and held that the relief granted merited no interference during the pendency of the suit. The Supreme Court, while restoring the patent, remanded the suit to the Single Judge for disposal, in accordance with law.

#### 5. INDUSLAW VIEW

The present dispute between the parties is complex in nature, involves various issues, including:

- (a) whether the patented DNA sequence was a plant or a part of a plant;
- (b) whether the nucleic acid sequence trait once inserted could be removed from the plant variety or not; and
- (c) whether the Patent is valid in light of the provisions of the Protection of Plant Variety and Farmers' Right Act, 2001.

The Supreme Court held that, in order to settle such technical issues, technological and expert evidence pertaining to chemical, biochemical, biotechnical and microbiological processes is required. Only after considering such evidence at the final stage, should the Division Bench have decided upon the validity of the patent.

Further, in a patent infringement suit, the primary defense available to the defendant under Section 107 of the Patents Act is to challenge the validity of the patent under Section 64 of the Patents Act. A court, at the interim stage, can decide on the infringement and validity of the patent but, technically, it cannot revoke the patent without first recording the evidence of the parties.

The Supreme Court was correct in observing that, unless the scope of an invention has been assessed through elaborate evidence and witnesses, courts cannot be expected to make a meaningful ruling on patent validity.

Since the matter had not reached the stage of trial, the Division Bench should not have decided the question of patent validity and ought to have confined itself to the examination of the validity of the order of injunction granted by the Single Judge.

Further, while deciding the case in a summary manner, the Division Bench had placed reliance on an alleged consent from Monsanto. However, it would be absurd to suggest that a *patentee* would ever waive such a valuable right, and it would be irrational to suggest that a *patentee* would not consent to the grant of a right in its favour. Moreover, the defendants had themselves pleaded that, given the nature of the dispute, technical evidence and full-fledged trial is necessary.

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