

**IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA**

**BASF AGRO B.V., ARNHEM (NL),  
WÄDENSWIL BRANCH, and BAYER  
S.A.S.,**

**Plaintiffs,**

**v.**

**MAKHTESHIM AGAN OF NORTH  
AMERICA, INC., AND CONTROL  
SOLUTIONS, INC.,**

**Defendants.**

Civil Action No. 10-276

**JURY TRIAL DEMANDED**

**COMPLAINT**

Plaintiffs BASF Agro B.V., Arnhem (NL), Wädenswil Branch and Bayer S.A.S. (collectively “Plaintiffs”) for their complaint against defendants, Makhteshim Agan of North America, Inc. and Control Solutions, Inc. (collectively “Defendants”), allege as follows:

**JURISDICTION AND VENUE**

1. This action arises under the Patent Laws of the United States, 35 U.S.C. § 1 *et seq.*, and the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202. This Court has jurisdiction over the subject matter of this action based on 28 U.S.C. §§ 1331 and 1338(a). Venue is proper under 28 U.S.C. §§ 1391 and 1400(b).

**THE PARTIES**

2. Plaintiff BASF Agro B.V., Arnhem (NL), Wädenswil Branch (“BASF”) is a limited liability company organized under the laws of The Netherlands, acting through its Swiss branch office, which is organized under the laws of Switzerland and registered at the

Handelsregisteramt Zürich, Zürich, Switzerland, with its place of business at Moosacherstraße 2, CH-8804 Au, Switzerland and its head office postal address at Postfach 69, CH-8820 Wädenswil, Switzerland. The registered office of BASF Agro B.V., Arnhem (NL) is located at Groningensingel 1, Arnhem Gelderland, 6835 EA, The Netherlands.

3. BASF markets and sells products relevant to this case in the United States through its agent and distributor BASF Corporation (“BASF Corp.”), which is a Delaware Corporation with its headquarters in Florham Park, New Jersey. BASF Corp. operates much of the business relevant to this action out of its Agrochemical Products Division’s United States headquarters located in Research Triangle Park, North Carolina (“RTP”).

4. Plaintiff Bayer S.A.S. (“Bayer”) is a company organized and existing under the laws of France, with its principal place of business in Lyon, France.

5. Defendant Makhteshim Agan of North America, Inc. (“MANA”) is a corporation organized under the laws of Delaware, with its principal place of business in Raleigh, North Carolina. MANA owns 67.1% of the shares in Defendant Control Solutions Inc. (“CSI”) and is the registrant at the United States Environmental Protection Agency (EPA) for numerous agricultural products marketed, distributed, and sold by CSI. MANA also supplies and distributes insecticides, fungicides, and herbicides, including active ingredients and end-use products to marketers and distributors throughout the United States, including in North Carolina and in this judicial district.

6. Defendant CSI is a corporation organized under the laws of Texas, with its principal place of business at 5903 Genoa-Red Bluff, Pasadena, Texas. CSI markets, distributes, and supplies many agrochemical compounds and formulations, in direct competition with Plaintiffs.

7. CSI regularly does or solicits business in North Carolina, has continuous and systematic contacts with North Carolina, and through its various entities has engaged in activities related to the subject matter of this action and thus is subject to personal jurisdiction in this judicial district.

8. CSI regularly takes possession of the active ingredients and technical material imported into the United States. CSI stores these materials in various warehouses across the United States and supplies the materials to a network of distributors and dealers, including in North Carolina and in this judicial district. CSI also formulates these technical materials into end-use products for distribution throughout the United States, including in North Carolina and in this judicial district.

9. Irvita Plant Protection N.V. (“Irvita”) is a company organized under the laws of Netherlands-Antilles. Like CSI, it is part of the Makhteshim family of companies as it is an indirect, wholly owned subsidiary of Makhteshim Agan Industries, Ltd., a corporation based in Israel. Irvita imports into the United States active ingredients and technical material that have been manufactured abroad. Those imported products are formulated by CSI into end-user products and marketed, distributed and sold in the United States by MANA and CSI.

### **PATENTS**

10. On April 8, 1997, United States Patent No. 5,618,945 (“the ‘945 patent”) (attached hereto as Exhibit A), entitled “Process For the Sulfinylation of Heterocyclic Compounds,” was duly and legally issued. The ‘945 patent teaches and claims novel processes for sulfinylation of heterocyclic compounds such as phenylpyrazoles. A “heterocyclic compound” is an organic compound with a ring structure, containing at least one atom of carbon and at least one atom other than carbon, *e.g.*, sulfur, oxygen or nitrogen. “Sulfinylation” is the

process of adding a “sulfinyl” functional group of atoms (a sulfur atom with a double bond to oxygen and single bonds to two different carbon atoms) to another compound, in this case a heterocyclic compound, by means of a chemical reaction. The processes taught and claimed in this patent can be used in the production of a chemical compound commonly known as “Fipronil.” Fipronil is useful as a pesticide to control many different types of insects and pests, including termites.

11. BASF is the assignee from Bayer and is the current owner of the ‘945 patent. Thus, Plaintiffs are the owners of all rights, title, and interest in and to the ‘945 Patent, including all rights to recover for any and all past and present infringement thereof, for non-animal health uses.

12. On July 2, 2002, United States Patent No. 6,414,010 (“the ‘010 patent”) (attached hereto as Exhibit B), entitled “Pesticidal Pyrazoles and Derivatives,” was duly and legally issued. The ‘010 patent teaches and claims novel processes for protecting a building that has already been built or that is going to be built, whereby an insecticidal compound, such as Fipronil, is spread around or under the building at discrete locations. These processes allow for protection of a building with less insecticide than in conventional application methods and without the need to know where insects might be.

13. Bayer is the assignee and owner of the ‘010 patent, and BASF is the exclusive licensee of the ‘010 patent in the United States with respect to Fipronil. Plaintiffs are the owners of all rights, title and interest in and to the ‘010 patent, including all rights to recover for any and all past and present infringement thereof with respect to Fipronil.

14. On December 28, 2004, United States Patent No. 6,835,743 (“the ‘743 patent”) (attached hereto as Exhibit C), entitled “Pesticidal Pyrazoles and Derivatives,” was duly and

legally issued. The '743 patent teaches and claims novel processes for protecting a building that has already been built or that is going to be built, whereby an insecticidal compound, such as Fipronil, is spread around or under the building at discrete locations. The processes allow for protection of a building with less insecticide than in conventional application methods and without the need to know where insects might be.

15. Bayer is the assignee and owner of the '743 patent, and BASF is the exclusive licensee of the '743 patent in the United States with respect to Fipronil. Plaintiffs are the owners of all rights, title and interest in and to the '743 patent, including all rights to recover for any and all past and present infringement thereof with respect to Fipronil.

16. In addition to these patents, BASF and Bayer own or exclusively license a number of other patents related to Fipronil, reflecting its commercial importance and the significant investments that have been made to purchase, develop, and improve Plaintiffs' Fipronil business.

### **BACKGROUND**

17. Plaintiffs and their affiliates are in the business of researching, developing, testing, and selling multiple types of products and technologies in the agrochemical field.

18. BASF has Fipronil technical material manufactured for it in France by a BASF affiliate. This Fipronil technical material serves as the active ingredient in formulated chemical products ("Fipronil-based products"). BASF sends Fipronil technical material made in France to the United States and Brazil where it is formulated into Fipronil-based products for commercial sale in the United States.

19. BASF Corp. operates in the United States as a sales and marketing agent of and distributor for BASF's agrochemical products, including Fipronil technical material and Fipronil-based products. BASF Corp. operates much of its Fipronil business out of its

agrochemical products headquarters in RTP. BASF Corp. sells Fipronil technical material and Fipronil-based products in the United States to its customers, who are primarily distributors.

20. The Fipronil-based branded products sold in the United States include Termidor® SC and Termidor® 80 WG, Regent® 4SC, and Amulet® CL. These Fipronil-based insecticides have been approved by the EPA for the prevention and elimination of insect infestations.

21. Termidor® is a slow-acting insecticide that is odorless and undetectable to insects. When a termite ingests or touches Termidor®, the termite becomes a “carrier,” transferring Termidor® to every other termite it contacts. Because Termidor® is slow-acting, it allows for more transfer of the product within the termite colony. Termites exposed to Termidor® behave normally over a short period of time before dying, which ensures transfer of the product to other termites in the colony.

22. As a distributor for BASF, BASF Corp. also markets PerimeterPlus, which is the BASF brand name for an innovative treatment method of applying Termidor® to protect against termites. The PerimeterPlus treatment method is described in BASF’s EPA-approved Termidor® Master Use Labels and is covered by the ‘010 and ‘743 patents. PerimeterPlus allows applicators to apply less termiticide than they would by conventional treatment methods and to avoid certain labor-intensive, invasive, and physically demanding interior treatments.

23. Termidor® is the most effective termiticide sold in the United States. Termidor®, particularly Termidor® that is applied using the PerimeterPlus treatment method, is the leading termiticide sold in the United States.

#### **DEFENDANTS’ PREPARATIONS TO INFRINGE**

24. As set forth more fully below, Defendants have taken significant, concrete steps and have made meaningful preparations, either alone or in concert with third-parties, to sell, use,

and offer for sale Fipronil technical material or Fipronil-based termiticide products within this district and throughout the United States beginning approximately in early August 2010. The sale, use, or offer for sale of such material and products will constitute infringement of the '945, '010, and '743 patents.

25. Defendants' infringing activities will likely begin in early August 2010 because August 3, 2010 is the expiration date of United States Patent No. 5,232,940 ("the '940 patent"), entitled "Derivatives of N-phenylpyrazoles," which covers the actual chemical compound known as Fipronil and also is assigned to and owned by BASF. Defendants are using the expiration of the '940 compound patent as a pretext for offering and selling Fipronil technical material and Fipronil-based products, disregarding the fact that their conduct will infringe the '945 manufacturing process patent and the '010 and '743 method-of-use patents. The '945 patent does not expire until February 22, 2015. The '010 and '743 patents do not expire until November 27, 2017.

26. Defendants, either directly or through their agents and affiliated corporations, recently received from third-parties Fipronil technical material manufactured outside of the U.S. This Fipronil technical material was made using a process that is covered by the '945 patent when it is imported into the United States or sold, used, or offered for sale in the United States.

27. Defendants, either alone or in concert with third-parties, will use this Fipronil technical material to produce commercial formulations of Fipronil to sell, use, and offer for sale throughout the United States, knowing and intending that their customers or the end-users of their customers will apply Defendants' Fipronil-based products using the methods and processes covered by the '743 and '010 patents.

28. In the Spring of 2009, Defendants began taking concrete steps to secure regulatory approval to sell, use, and offer for sale Fipronil in the United States beginning in August 2010. CSI and Irvita submitted petitions to the EPA seeking to register a chemical compound named TERMINIL, a Fipronil-based product, and Fipronil technical material. CSI, Irvita, and MANA offered to pay BASF for their reliance on data that BASF earlier submitted to the EPA in connection with BASF's own Fipronil technical material and Fipronil-based products.

29. CSI's petition for registration was recently approved by the EPA, and CSI received a Master Use Label for TERMINIL. CSI substantially copied its Master Use Label for TERMINIL from BASF's Master Use Label for Termidor®. CSI's Master Use Label provides instructions for customers of CSI to apply Defendants' Fipronil-based TERMINIL product using the very same methods and processes described in BASF's Master Use Label for Termidor®, including the PerimeterPlus treatment methods covered by the '743 and '010 patents.

30. On information and belief, Defendants source their Fipronil technical material from a Chinese manufacturer. BASF is not aware of any commercially viable, industrial-scale manufacturing process for Fipronil technical material believed to be practiced in China and reasonably available to Defendants that would not infringe the '945 patent when such product is used or sold in the United States.

31. BASF unsuccessfully has sought assurances from Defendants that they would not begin to infringe its patents in August 2010. On numerous occasions in 2009 and in February and March 2010, Defendants refused to provide any information about their supplier or the manufacturing process of their Fipronil technical material. Defendants also refused to provide a sample of the Fipronil technical material they intend to use for Fipronil-based products sold in



the United States, which BASF sought in order to confirm or rule out the possibility that the material was manufactured by a process that infringes the '945 patent.

32. Defendants have given every indication that they will go forward with their plans to sell, use, and offer for sale their Fipronil technical material and Fipronil-based product, beginning approximately in early August 2010, thereby infringing the '945, '010, and '743 patents. Defendants have, for example, recently solicited numerous current customers of BASF, informing them that Defendants intend to sell Fipronil-based products beginning in August or September 2010.

33. If Defendants are permitted to sell, use, and offer for sale their Fipronil technical material and Fipronil-based products, Plaintiffs will suffer irreparable, unquantifiable harm.

34. Plaintiffs have made substantial investments in their Fipronil business, including acquiring intellectual property, improving products and manufacturing processes through research and development, marketing their products and establishing a strong brand, developing strong customer relationships, and remaining the exclusive supplier of the top performing termiticide in the marketplace.

35. To help protect their substantial investments, Plaintiffs have obtained patents, including the '945, '010, and '743 patents, that grant Plaintiffs the legal right to exclude others from using their inventions. Plaintiffs have exercised their legal right by becoming the exclusive suppliers of Fipronil-based termiticides in the U.S.

36. Defendants seek to gain all the benefits of Plaintiffs' substantial investments in Fipronil and the Fipronil market, but pay none of the costs, by introducing infringing, generic products into the marketplace. Defendants' attempt to "piggy-back" on Plaintiffs' substantial

investments undermines the purpose of the patent laws of the United States, which allow Plaintiffs a period of exclusivity as an incentive to invest and innovate.

37. Defendants' infringement will inflict irreparable and irreversible harm, causing Plaintiffs to suffer lost market share, price erosion, and damage to the goodwill and reputation Plaintiffs have spent years to establish. These losses are impossible to recapture and impossible to quantify and may affect sales and relationships relating to non-Fipronil based products.

38. There is a substantial and continuing justiciable controversy between Plaintiffs and Defendants given Defendants' meaningful preparations to conduct infringing activities, and the concrete steps they have taken towards that end. Defendants' actions have created a reasonable apprehension in Plaintiffs of imminent and irreparable harm and loss.

39. In light of Defendants' concrete steps and meaningful preparations to sell, use, and offer for sale Fipronil technical material and/or Fipronil-based products in the United States; their refusal to change course in the face of their knowledge of the '945, '010, and '743 patents; their EPA registrations for Fipronil technical material and a Fipronil-based termiticide for commercial sale; and their failure to provide assurances of non-infringement to Plaintiffs, there is a real and immediate controversy concerning Defendants' infringement of the '945, '010, and '743 patents under 35 U.S.C. § 271.

**COUNT I**  
**(Declaratory Judgment of Infringement of the '945 Patent**  
**and Injunctive Relief Against All Defendants)**

40. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 39 in their entirety.

41. Defendants have infringed, are infringing, will continue to infringe, and/or will imminently infringe, literally and/or under the doctrine of equivalents, one or more claims of the '945 patent, directly, by contributory infringement, and/or by actively inducing infringement.

42. Defendants' infringement of the '945 patent, direct and/or indirect, was, is, and will continue to be willful.

43. As a consequence of Defendants' infringement of the '945 patent, direct and/or indirect, Plaintiffs suffered, are suffering, and will continue to suffer irreparable harm for which there is no adequate remedy at law. These injuries will continue unless and until Defendants' infringing activities are preliminarily and permanently enjoined by this Court.

44. As a consequence of Defendants' infringement of the '945 patent, direct and/or indirect, Plaintiffs suffered, are suffering, and will continue to suffer damages in an amount not yet determined.

**COUNT II**  
**(Declaratory Judgment of Infringement of the '010 Patent**  
**and Injunctive Relief Against All Defendants)**

45. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 44 in their entirety.

46. Defendants have infringed, are infringing, will continue to infringe, and/or will imminently infringe, literally and/or under the doctrine of equivalents, one or more claims of the '010 patent, directly, by contributory infringement, and/or by actively inducing infringement.

47. Defendants' infringement of the '010 patent, direct and/or indirect, was, is, and will continue to be willful.

48. As a consequence of Defendants' infringement of the '010 patent, direct and/or indirect, Plaintiffs suffered, are suffering, and will continue to suffer irreparable harm for which

there is no adequate remedy at law. These injuries will continue unless and until Defendants' infringing activities are preliminarily and permanently enjoined by this Court.

49. As a consequence of Defendants' infringement of the '010 patent, direct and/or indirect, Plaintiffs suffered, are suffering, and will continue to suffer damages in an amount not yet determined.

**COUNT III**  
**(Declaratory Judgment of Infringement of the '743 Patent**  
**and Injunctive Relief Against All Defendants)**

50. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 49 in their entirety.

51. Defendants have infringed, are infringing, will continue to infringe, and/or will imminently infringe, literally and/or under the doctrine of equivalents, one or more claims of the '743 patent, directly, by contributory infringement, and/or by actively inducing infringement.

52. Defendants' infringement of the '743 patent, direct and/or indirect, was, is, and will continue to be willful.

53. As a consequence of Defendants' infringement of the '743 patent, direct and/or indirect, Plaintiffs suffered, are suffering, and will continue to suffer irreparable harm for which there is no adequate remedy at law. These injuries will continue unless and until Defendants' infringing activities are preliminarily and permanently enjoined by this Court.

54. As a consequence of Defendants' infringement of the '743 patent, direct and/or indirect, Plaintiffs suffered, are suffering, and will continue to suffer damages in an amount not yet determined.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for judgment:

A. Declaring that Defendants' plans to sell, use, and offer for sale a Fipronil-based product or Fipronil technical material will infringe one or more claims of the '945, '010, and '743 patents, directly, by contributory infringement, and/or by actively inducing infringement;

B. Preliminarily and permanently enjoining Defendants and their officers, agents, servants, employees, parents, subsidiaries, affiliates, successors, assignees, licensees, and attorneys, and all persons acting in concert or participation with them, from infringing the '945, '010, and '743 patents, directly, by contributory infringement, and/or by actively inducing infringement;

C. If necessary at some future date, awarding Plaintiffs damages in an amount adequate to compensate them for harm caused by Defendants' plans to engage in activities that constitute infringement, and any infringement after the filing of this action, of the '945, '010, and the '743 patents, but in no event less than a reasonable royalty;

D. If necessary at some future date, awarding Plaintiffs pre-judgment and post-judgment interest on the damages caused to them by reason of Defendants' past and ongoing infringement of the '945, '010, and '743 patents;

E. Declaring that Defendants' plans to engage in activities that will infringe, and any infringement after the filing of this action of, the '945, '010, and '743 patents has been and is willful, and trebling damages, if any, awarded for that infringement;

F. Declaring that this is an "exceptional case" pursuant to 35 U.S.C. § 285 and ordering Defendants to pay Plaintiffs' attorneys' fees and costs; and

G. Awarding such other and further relief as this Court may deem just and proper.

## JURY DEMAND

Trial by jury is demanded on all issues for which a jury trial is available.

WOMBLE CARLYLE SANDRIDGE & RICE, PLLC

DATED: April 8, 2010

/s/ Pressly M. Millen

Frank W. Bullock, Jr. (NCSB No. 607)

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