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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

**RUTGERS, THE STATE UNIVERSITY OF
NEW JERSEY,**

Plaintiff,

vs.

**SAI VARUNI PHARMACY, LLC D/B/A
METRO PHARMACY, SAI CHANDI
PHARMACY, LLC D/B/A QUICKSTOP
PHARMACY, BHAVANI DONEPUDI, AND
JOHN DOES 1 – 10,**

Defendants.

CIVIL ACTION No.

**COMPLAINT
(AND JURY DEMAND)**

Plaintiff Rutgers, The State University of New Jersey (“Plaintiff” or “Rutgers”), by its attorneys, for its complaint against Sai Varuni Pharmacy, LLC d/b/a Metro Pharmacy (“Metro”), Sai Chandi Pharmacy, LLC d/b/a QuickStop Pharmacy (“QuickStop”) (Metro and QuickStop are hereinafter collectively referred to as the “Pharmacy Defendants”), and Bhavani Donepudi (“Donepudi”), an individual member and the manager of both Metro and QuickStop, hereby alleges as follows:

NATURE OF THE ACTION

1. This is an action by Plaintiff Rutgers against the Pharmacy Defendants, Donepudi, and John Does 1 - 10 for breach of contract, conversion, unjust enrichment, fraudulent representation, negligent misrepresentation, and violations of the Section 340B Drug Pricing Program (the “340B Program”) under the Public Health Service Act, 42 U.S.C. § 256b (the “Act”).

THE PARTIES

2. Rutgers is a preeminent State university with locations in three major New Jersey cities, including a principal office at 7 College Avenue, New Brunswick, New Jersey 08901.
3. Rutgers is also home to the New Jersey Medical School at Rutgers, with its principal office located in the Medical Science Building at 185 South Orange Avenue, Newark, NJ 07103.
4. Metro Pharmacy is a limited liability company formed under the laws of the State of New Jersey and authorized to conduct business in the State of New Jersey, with a principal place of business at 727 Frelinghuysen Ave, Newark, New Jersey 07114.
5. QuickStop Pharmacy is a limited liability company formed under the laws of the State of New Jersey and authorized to conduct business in the State of New Jersey, with a principal place of business at 198 Market Street, Newark, New Jersey 07102.
6. On information and belief, defendant Donepudi is a resident of the State of New Jersey with a primary residence located at 14 Sterlight Drive, Mount Laurel, New Jersey 08054.
7. On information and belief, defendant Donepudi is an Owner and Manager of both Pharmacy Defendants.
8. Upon information and belief, John Does 1- 10 are presently unknown other individuals with ownership interests and/or managerial involvement in one or both of Pharmacy Defendants' operations, including but not limited to the matters alleged herein.

JURISDICTION AND VENUE

9. This Court has original subject matter jurisdiction over the claims in this action pursuant to 28 U.S.C. § 1331 (actions arising under the laws of the United States) insofar as the claims asserted hereunder are based on plaintiff Rutgers' status as a "Covered Entity" as defined in Section 340B of the Public Health Service Act (the "Act"), 42 U.S.C. § 256b (the Federal 340B Drug-Pricing Program, hereinafter the "340B Program"). This Court has supplemental jurisdiction over the claims in this Complaint that arise under statutory and common law pursuant to 28 U.S.C. § 1367(a).
10. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391, as on information and belief,

a substantial part of the events or omissions giving rise to the claims occurred within this District.

FACT COMMON TO ALL COUNTS

11. The New Jersey Medical School at Rutgers (the “NJ Medical School”) offers a broad range of training for careers in the medical field, innovative clinical research, and clinical health care services.

12. The NJ Medical School’s clinical programs focus on early student exposure to patient care, clinical skills, and hands-on simulations, with strong emphasis on service learning and a focus on the health of the underserved and vulnerable population in the local community.

13. The NJ Medical School’s Division of Infectious Diseases oversees two such clinical programs: (a) a Ryan White funded outpatient center for the care and treatment of HIV/AIDS infection in adults ages 16 and older (the “RW Clinic”), and (b) a Sexually Transmitted Disease clinic (the “STD Clinic”). The RW Clinic and the STD Clinic are hereinafter collectively referred to as the “Rutgers Clinics.”

14. The Rutgers Clinics serve the local community by providing quality outpatient medical care and support services to all people regardless of their sexual orientation, race, or ability to pay.

15. In order to serve as a vital medical care and support services resource to the local community, the Rutgers Clinics rely on a variety of Federal and State programs designed to make such programs financially sustainable.

16. One such program is the 340B Program, overseen by the Health Resources and Services Administration (“HRSA”) within the United States Department of Health and Human Services, which requires participating pharmaceutical manufacturers to provide certain outpatient prescription drugs, clinic-administered drugs, and over-the-counter drugs to eligible health care organizations, known as “Covered Entities” under the Program, at significantly reduced prices.

17. With the cost savings realized under the 340B Program, Covered Entities can reduce prices for patients, expand their services, treat more patients, and ultimately, improve overall patient care.

18. Both Rutgers Clinics are registered as Covered Entities under the 340B Program and are eligible to participate in same.

19. Under the Program, a “Covered Entity” that does not have its own pharmacy is permitted to contract with outside pharmacies to provide covered outpatient drugs to its patients.

20. The benefits of utilizing a contract pharmacy include potentially increasing patient access to 340B drugs by partnering with local pharmacies that provide more flexible hours and convenient locations for eligible patients and eliminating many potentially significant administrative and overhead burdens associated with operating an in-house pharmacy.

21. While a contract pharmacy must register with HRSA in order to participate in the 340B Program, the Covered Entity remains responsible to ensure the contract pharmacy’s compliance with the Act and all HRSA guidelines.

22. On or about July 15, 2019, Rutgers sought to leverage the benefits of utilizing outside pharmacies to provide discounted outpatient drugs to patients of its Rutgers Clinics by entering into a Pharmacy Services Agreement (the “PSA”) with Metro and QuickStop, which served as contract pharmacies for the Rutgers Clinics, and with 340Basics, Inc. (“340Basics”), an experienced third-party administrator (“TPA”) of 340B programs.

23. Under the PSA, the Pharmacy Defendants were responsible for dispensing 340B medications to eligible patients of the Rutgers Clinics, charging only the 340B drug prices authorized under the Act, collecting copayments from those eligible patients, and submitting all claims to the Pharmacy Defendants’ “Switch” company which, in turn, dealt with 340Basics.

24. 340Basics was responsible under the PSA to collect claims data from the Switch company, verify patient eligibility, track inventory of covered medications, and replenish inventory for the Pharmacy Defendants once certain use thresholds were met.

25. As consideration for its participation in Rutgers’ 340B Program, the Pharmacy Defendants were entitled to collect a “Dispense Fee” for each eligible prescription provided to an eligible patient.

26. The Dispense Fees were expressly set forth in an Exhibit A to two Addenda (one for each Rutgers Clinic) to the PSA as follows:

1. The Pharmacy Dispense Fee for Uninsured Patient claims shall be \$10.

2. The Pharmacy Dispense Fee for both MCO [Managed Care Organizations] and 3rd Party Claims shall 11% of Total Claim Reimbursement.

27. Implementation of Rutgers' 340B Program under the PSA included custom software provided by 340Basics which tracked all transactional aspects of the program, including eligible prescription sales by the Pharmacy Defendants, co-pays made by eligible patients, the Dispense Fees earned by the Pharmacy Defendants on each transaction, and the amount due to Rutgers once each claim was processed, net of the Pharmacy Defendants' Dispense Fees.

28. Under Paragraph 9.1c of the PSA, the Pharmacy Defendants were required to “[m]aintain all required records and reports required under this Agreement and all applicable to Federal, State, and local laws and regulations.”

29. Paragraph 12 of the PSA makes clear that the Pharmacy Defendants are subject to audits of records related to their implementation of the 340B Program on behalf of Rutgers, and that the Pharmacy Defendants consent to desktop audits by 340Basics on behalf of Rutgers to ensure compliance by the Pharmacy Defendants.

30. The effective start date of the 340B Program for both the RW Clinic and the STD Clinic was April 2020.

31. Between April 2020 and October 2020, Rutgers paid wholesaler drug costs for covered prescriptions under the 340B Program, and the covered prescriptions were dispensed by Metro and QuickStop to eligible patients from both Rutgers Clinics.

32. Under Paragraph 6.4 of the PSA, Rutgers and 340Basics created a 340B operating account (the “Operating Account”) for the processing of all revenue generated under the program.

33. The Pharmacy Defendants were obligated to deposit all such revenue into the Operating Account, less their authorized Dispense Fees.

34. With prescription claim capture commencing in April 2020, Rutgers reasonably anticipated that the Pharmacy Defendants would commence deposits to the Operating Account within 30-60 days.

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